



ข่าวธนาคารแห่งประเทศไทย

สำนักผู้ว่าการ ธนาคารแห่งประเทศไทย โทร. ๒๘๒๖๘๘

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Order to Write-down and Recapitalize Bangkok Metropolitan Bank Public Company Limited

The Bank of Thailand has pursued the policy of strengthening the financial system in close consultation with financial institutions experiencing liquidity shortages and losses stemming from debtors' inability to repay loans at maturity as a result of the financial crisis in 1997. In its policy implementation, the objective of the Bank is to arrest the crisis of confidence and ensure that financial institutions concerned have adequate capital to continue operations.

In the case of Bangkok Metropolitan Bank Public Company Limited (BMB), the Bank of Thailand approved a change in the Board of Directors and management on 31 December 1997, with good cooperation being rendered by the former management. Following this action, a gradual increase in the bank's deposits has been observed since the beginning of 1998.

However, BMB's present financial position is not sufficiently strong to permit continuation of its operations as evidenced by losses being exacerbated by unfavourable economic and financial conditions and a shortage of liquidity. Therefore, there is an urgent need for the bank to be recapitalized. In this regard, the Bank of Thailand, by legal power, had already ordered BMB to increase its capital within a specified time frame in order to protect the public interest. Despite a tremendous effort to find a strategic partner, domestic or foreign, BMB has reported to the Bank of Thailand that due to the current financial turmoil, it could not undertake to increase capital on its own within the deadline. The policy of the authorities is that in the case where a commercial bank which is required to increase capital urgently is unable to do so on its own, the authorities will undertake the capital increase for such bank. However, to avoid excessive burden on

the part of the authorities, the present shareholders of the bank must be the first to realize losses through the write-down of capital in the amount equivalent to the incurred loss.

With excellent cooperation from the management of Bangkok Metropolitan Bank, a thorough examination of the financial position of BMB has revealed that BMB's loss exceeds the existing amount of its capital. Therefore, on 23 January 1998, the Bank of Thailand, by legal power, has ordered Bangkok Metropolitan Bank to write down capital by 11,011 millions of baht, thus reducing its value per share to 0.01 baht, from the registered value of 10 baht per share. A 25,000 millions of baht increase in capital will be effected through the Financial Institutions Development Fund (FIDF) acting on behalf of the authorities. This capital increase will render the BIS capital to risk assets ratio of Bangkok Metropolitan Bank to be approximately 10 percent, higher than the minimum requirement of 8.5 percent.

The Bank of Thailand wishes to affirm that the above action is aimed at enhancing the operations of Bangkok Metropolitan Bank, boosting confidence, as well as protecting the interests of depositors and domestic and foreign creditors. The increase in capital will ensure capital adequacy for normal operations of the bank, enhance liquidity, and enable BMB to meet provisioning requirements in accordance with the Bank of Thailand's regulations. This will not only expeditiously strengthen the bank's financial position and performance, but will also enhance its competitiveness, as well as attract new partners, both local and foreign.

The Bank of Thailand wishes to reaffirm our commitment to ensure that operations of Thai financial institutions are in line with international standards as soon as possible. The authorities will continue to guarantee depositors and creditors of financial institutions, as well as to render them liquidity assistance. The public are advised not to consider any rumours that may cause damage to financial institutions and to have confidence in the measures implemented by the authorities.

Bank of Thailand
23 January 1998