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TRI-BANK MERGER: DBS wants a bigger slice of pie

Singapore-based DBS Bank, Southeast Asia's largest, has expressed interest in raising its stake in the institution being created by the merger of its subsidiary DBS Thai Danu Bank (DTDB) with Thai Military Bank and the Industrial Finance Corp of Thailand (IFCT).

'After DTDB consolidates with TMB, our stake will be diluted to 20 per cent and it will be halved to 10 per cent after IFCT merges with both banks. We desire to hold more than 10 per cent in the new bank,' DBS Bank chief financial officer Janette Wong said at yesterday's signing of a memorandum of understanding with TMB.

She did not specify when and by how much DBS Bank ' which currently holds 51.7 per cent of its Thai unit ' would like to increase its stake in the new bigger bank.

Her remark surprised the market as DBS Bank was expected to allow its local bank holding to fall as it shifts focus to its new consumer lender, Capital OK ' a joint venture with Shin Corp.

'Although DBS will not be purchasing any additional shares in TMB at this juncture, we have expressed our desire to increase our stake over time,' DBS Bank vice chairman and CEO Jackson Tai was quoted as saying in a statement. TMB president and CEO Subhak Siwaraksa said a tender offer to swap TMB's new shares with DTDB and IFCT will be made at the same time and it is expected to be completed by June.

He did not indicate the share swap ratio for each bank and how many new shares would be issued by TMB.

'TMB is in the process of adjusting its working system for DTDB, while the merger [talks] with IFCT will be finished by March before seeking approvals from the Finance Ministry and our shareholders,' he said.

'After the tender offer, [DTDB and IFCT] assets will be transferred to TMB and we initially will not shed any staff, not even a single one.'

After swallowing DTDB, TMB will have assets of Bt480 billion, nearly four million customers, 426 branches and 953 automatic teller machines across the country.

‘The pro-forma non-performing loan (NPL) ratio of 10 per cent and loan-loss reserve-to-NPL ratio of 89 per cent will be some of the strongest among banks in Thailand in terms of asset quality and adequacy of provisions,’ the statement said.

A three-party merger will produce the country’s fifth largest bank with assets of Bt700 billion. Presently, TMB is the sixth

largest lender, while DTDB ranks ninth.

TMB chairman Sommai Phasee and Subhak will keep their positions, while DBS Bank will have the right to nominate at least two representatives plus an independent director to the board.

‘TMB will benefit from DBS’ expertise in financial product development, risk management, and advanced technology and operations infrastructure,’ the statement said.

‘In turn, TMB’s nationwide distribution network will allow the merged bank to reach a wider retail and SME customer base. As a result, the combined bank will benefit from greater revenue growth on top of the expected cost savings and efficiency gains arising from the merger.’

The move came shortly after the government announced that its master plan for the financial sector, designed to reduce the number of local financial players, will sort banks into two types ‘ commercial and retail.