



# BANK OF THAILAND NEWS

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## **Re: Progress in Debt Restructuring**

The Bank of Thailand presents the following progress reports in debt restructuring by financial institutions and CDRAC target debtors.

### **1. Progress of Debt Restructuring by Financial Institutions**

As at the end of October 2000, financial institutions have completed debt restructuring of 322,674 cases involving credits outstanding of 1,809,047 million baht in efforts to expedite debt restructuring to resolve non-performing loans (NPLs) in addition to taking the offensive in debt restructuring of potential NPL accounts. Financial institutions' progress in debt restructuring in October have been summarised as follows. (Tables 1-4)

1.1 A total of 12,647 debtors with credit outstanding of 40,270 million baht completed debt restructuring in October, representing increases of 4.08% and 2.28% from the number of completed cases and credits outstanding at end-September. Business sectors with the highest restructured debts in October were the personal consumption sector (5,544 cases), followed by the wholesale and retail sector (2,490 cases), and the agricultural, fishery, and forestry sectors (2,029 cases). Further, the majority of debt restructuring was from Bangkok and the Central Region.

1.2 Cases in process of restructuring increased by 1,812 cases involving credits outstanding of 4,353 million baht in October to 77,068 cases with credits outstanding of 475,428 million baht. The majority of cases in process of restructuring are small- and medium-sized cases with lower average credits outstanding.

Initially, financial institutions undertook debt restructuring of cases involving large credits outstanding, particularly in 1999. Since the second quarter of the year 2000, however, financial institutions began to undertake debt restructuring of more small- and medium-sized debtors. At the same time, institutions took legal action against unsuccessful restructuring cases

comprising of over 40% of institutions' total NPLs. Consequently, in future, credits outstanding for completed debt restructuring may not be as high as in previous months.

## **2. Progress in Debt Restructuring of Target Cases under the Corporate Debt Restructuring Advisory Committee (CDRAC)**

As at end-November 2000, target debtors under the Corporate Debt Restructuring Advisory Committee totaled 10,767 cases with credit outstanding of 2,590,975 million baht. Of the total number of target cases, 7,147 cases with credit outstanding of 1,574,852 million baht have cooperated in joining CDRAC's restructuring process under the DCA-ICA and SA agreements whereby about 20% (1,444 cases) are large target cases, and about 80% (5,703 cases) are small- and medium-sized cases. The progress of target restructuring cases has been summarised as follows. (Table 5)

2.1 About 82% of target cases under the DCA-ICA and SA processes or 5,832 cases involving credits outstanding of 1,144,700 million baht have been successfully restructured including cases where the restructuring contract has been signed, and cases where creditors have accepted the plan and are in process of drafting a restructuring contract or filing for court reorganisation. The majority of successful cases are from the commerce sector totaling 1,492 cases (25.58%), followed by the personal consumption sector at 1,362 cases (23.35%), and the manufacturing sector at 993 cases (17.03%).

2.2 Target cases in process of restructuring negotiations under the DCA-ICA and SA processes and timeframe total 368 cases with credit outstanding of 69,728 million baht, of which 237 are large cases with credits outstanding totaling 60,984 million baht (3 cases under Groups 1 and 2, and 234 cases under the Group 3 and 4). About 40% of large target cases are expected to be resolved by the end of this year, and 60% by the first quarter of 2001.

Small- and medium-sized cases in process of restructuring total 131 cases with credits outstanding totaling 8,744 million baht. As such, CDRAC shall continue to drive financial institutions and asset management companies to carry on debt restructuring, focusing on small- and medium-sized debtors. In addition, 1,183 small- and medium-sized cases involving credits outstanding of 35,959 million baht are in process of signing the Simplified Agreement to join CDRAC's restructuring process.

2.3 Target cases unsuccessful in debt restructuring to be filed in court total 947 cases involving credits outstanding of 360,424 million baht (13% of target debtors signatory to the CDRAC process). Including 2,377 uncooperative target debtors with credits outstanding of 820,502 million baht which did not join the CDRAC process against which financial institutions are to take legal action, the total number target debtors to be filed in court total 3,324 cases with credits outstanding of 1,180,926 million baht (31% of total target cases).

The Bank of Thailand expects that the mediation center being set up by the Office of the Courts of Justice shall help to resolve issues without having to go through formal legal proceedings, where the BOT shall continue to liaise with the Office of the Courts of Justice on this process.

**Bank of Thailand**

**4<sup>th</sup> December 2000**

[Attachment](#)