



BANK OF THAILAND NEWS

Communications and Relations Office, Management Assistance Department
Tel. 0-2283-5016-7 FAX 0-2281-5648 www.bot.or.th

No. 89/2000

Re: Progress in Debt Restructuring

1. Progress of Debt Restructuring by Financial Institutions

Financial institutions have reported that as at the end of June 2000 completed debt restructuring has increased by 27,020 cases to 268,867 cases with a corresponding increase in credit outstanding of about 9.58% or 138,913 million baht to 1,589,369 million baht. The higher-than-average increase in completed restructuring cases reflects financial institutions' efforts to reduce the level of required provisioning for classified assets for the accounting period ending June 2000.

Cases in process of restructuring in June 2000 have increased by 8,376 cases to 48,571 cases, but credit outstanding has fallen by 2.74% or 22,879 million baht from 836,383 million baht to 813,504 million baht. This is because an increasing number of smaller debtors are being brought into the restructuring process.

Completed debt restructuring cases and cases in process of debt restructuring as at end-June 2000 total 317,438 cases with credit outstanding of 2,402,873 million baht. Business sectors with the largest amount of debt successfully restructured include manufacturing, real estate, wholesale and retail, and service sectors. About 77% of completed debt restructuring are from Bangkok, and the remaining 23% are provincial cases (Tables 1-4).

2. Progress in Debt Restructuring of Target Cases

As at the end of July 2000, target debtors under the Corporate Debt Restructuring Advisory Committee total 9,582 cases with credit outstanding of 2,588,673 million baht. Target cases comprise of 2,741 large cases accounting for about 89% of credit outstanding of all target cases, and 6,841 small- and

medium-sized cases accounting for about 11% of target credit outstanding. The progress of target restructuring cases is summarised as follows (Table 5).

2.1 Large Debt Restructuring Cases under the Debtor-Creditor and Inter-Creditor Agreements

Debtors in target groups 1 and 2 selected from cases with credits outstanding of over 1 billion baht total 702 debtors with credit outstanding of 1,500,242 million baht of which 467 debtors with credit outstanding of 1,015,000 have signed the DCA-ICA agreements. To date, 685 cases or 98% of cases in target groups 1 and 2, have reached conclusion. Completed cases total 317 cases with credit outstanding of 796,759 million baht or about 68% of debtors who have joined the DCA-ICA process, and 308 cases with credit outstanding of 519,636 million baht or 34% of target cases were unsuccessful in restructuring or did not accede to the DCA-ICA process.

Target groups 3 and 4 are debtors with credit outstanding of over 100 and 50 million baht respectively. To date, 556 of group-3 target cases with credit outstanding of about 288,000 million baht have signed the DCA-ICA agreements, of which 248 cases with 132,656 million baht or about 45% have completed debt restructuring. As for cases in target group 4, to date about 75% of debtors have not signed the agreements. In total, 387 debtors with credit outstanding 132,787 million baht in groups 3 and 4 are in process of debt restructuring under the DCA-ICA process, and are expected to be concluded in the first quarter of 2001.

2.2 Small- and Medium-Sized Target Debtors under the Simplified Agreement

Under the Simplified Debt Restructuring Agreement (SA), small- and medium-sized target debtors proposed monthly by financial institutions since June 1999 currently total 6,841 cases with credit outstanding of 295,130 million baht. Of these, 5,024 cases with credit outstanding of 161,502 million baht have signed the SA, and 81% or 4,069 cases with credit outstanding of 76,378 million baht

have completed restructuring. A total of 1,679 cases with credit outstanding of 135,202 million baht have been unsuccessful in restructuring or did not accede to the SA process.

As at end-July 2000, a total of 4,685 target cases under the DCA-ICA and SA agreements have completed debt restructuring involving credit outstanding of 1,010,985 million baht or about 75% of all signatory debtors. Completed cases have increased in July by 448 cases with credit outstanding of 46,646 million baht. To date, cases filed in court or in the process of being filed total 3,318 cases with credit outstanding of 1,174,000 million baht.

3. Mediation Support to the Court

Mediation support has proved unnecessary to facilitate debt restructuring under CDRAC. Firstly, significant progress has been made in debt restructuring under the DCA-ICA and SA agreements. A total of 8,063 cases with credit outstanding of 2,344,564 million baht or 84% of all CDRAC target debtors have been concluded, and the remaining 16% or 1,500 cases with credit outstanding of 240,000 million baht are in process of restructuring or signing the DCA-ICA agreements. Notably, most of the remaining cases are less complex than earlier target cases. Secondly, reflecting the lack of demand for mediation support in out-of-court restructuring, only 2 cases under CDRAC have requested a mediator. Prompted by the growing number of cases filed in court, the Bank of Thailand has proposed that the USD 3 million loan, taken out by the Ministry of Finance under the World Bank's Financial Sector Implementation Assistance Project (FSIAP) originally intended for CDRAC, be transferred to the Ministry of Justice to support mediation of distressed debt cases filed in court. Skilled mediators provided by the court are expected to help speed up settlement of cases pending in court.

Bank of Thailand

31st July 2000