



BANK OF THAILAND NEWS

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

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Taking over the control of Thanapat Credit Foncier Co., Ltd.

The Bank of Thailand's examination of Thanapat Credit Foncier Co., Ltd. has shown the company's deteriorating financial condition, which may potentially undermine public interest. The Bank of Thailand has therefore proposed to the Minister of Finance to take over the control of the said company. The Minister of Finance has ordered Thanapat Credit Foncier Co., Ltd to be placed under control of the Control Committee as of 8.30 a.m. December 23, 2002.

The following details are provided for clarification: -

Background

As of November 30, 2002, the assets of Thanapat Credit Foncier Company was Bt. 4,100 million, consisting of loans and debtors of Bt. 3,500 million and borrowing of Bt. 3,900 million from the public. Non-performing Loan was 43.36 percent of total loan. The company's capital to risk asset ratio fell to a level below six percent as required by law.

The company's aggressive loan expansion during 2001 resulted in insufficient capital base. The company submitted a request for recapitalization and the Minister of Finance had approved the increase in registered capital from Bt.125 million to Bt. 200 million to be completed by end 2001. This would have raised the company's capital to Bt. 242.4 million by January 31, 2002.

As it turned out, part of this recapitalization did not have actual injection of funds. The company's capital to risk assets ratio had therefore fallen to below six percent since April 25, 2002, lower than the regulatory requirement. Loans were also made without due regard for sound and prudent practices, e.g. loans were given to poor performers, undercapitalized debtors or those unlikely to repay debt. In addition, the company booked recognized interest income without actual receipt of such payments thus overstating its profits.

Bank of Thailand's Actions and Control Order

The company was ordered to rectify the condition and operation namely to increase its capital and to call for loan repayment, etc. The company failed to follow such order. With clear evidence of false profit reporting and deteriorating loan quality thus significantly impairing its capital funds, the Bank of Thailand, in pursuance to Section 57 paragraph one and Section 57 ter paragraph two of the Act on the Undertaking of Finance Business, Securities Business and Credit Foncier Business, 2522 B.E. (Amended), has ordered the company to increase its capital fund to no less than Bt. 482.0 million by December 20, 2002. The company failed to do so within the specified period and requested for further extension.

To protect the financial system from the company's poor financial condition and to enforce resolute actions on weak financial institutions, the Bank of Thailand has proposed to the Minister of Finance to use the power under Section 57 paragraph two to put Thanapat Credit Foncier under control. The Minister of Finance has approved and ordered the company to be taken under control from 8.30 a.m. December 23, 2002.

Taking over control of the company

In taking over control of the company, the power of the current board of directors and management has been curtailed to prevent further damages. The Minister of Finance has appointed a Control Committee to take charge of all businesses of the company as an ongoing concern. The Committee will consider and propose the rehabilitation guidelines or other alternatives as deemed appropriate to the Minister of Finance.

Debtors and Creditors of the Company

Debtors can continue to contact the company regarding the normal business of the loans and other transactions. For depositors and creditors, the Cabinet on August 5, 1997 approved the guarantee of depositors and creditors of financial institutions that were in operation prior to the date of Cabinet Resolution. The Financial Institutions Development Fund (FIDF) has issued a regulation on the guarantee of financial institutions' depositors and creditors 2540 B.E. that the FIDF would pay the principal and interest to the depositors and creditors, which includes the case

where a financial institution was ordered to be under the control of the authorities. Depositors and creditors holding promissory notes of Thanapat Credit Foncier will, therefore, be protected under such Cabinet resolution and FIDF's regulation.

FIDF will pay the principal and interest to the depositors and creditors of the company. Depositors and creditors are asked to contact FIDF to express their intention to receive payment at Thanapat Credit Foncier's office from now until March 21, 2003 during 9.30 hrs to 15.30 hrs.

Remaining 5 Credit Foncier Companies

The assessment of the financial condition of the five remaining Credit Foncier companies namely Thai Keha Credit Foncier, Credit Foncier Unico Housing, Land and Houses Credit Foncier, Sahaviriya Credit Foncier, and Asia Credit Foncier shows sufficient capital base to support their normal business operation. As of October 31, 2002, the capital to risk assets ratios were between 19 to 55 percent and the ratio of capital funds to paid up capital were higher than the regulatory requirement. As the FIDF provides guarantee to depositors and creditors of all Credit Foncier companies, taking control of Thanapat Credit Foncier will not affect depositors and creditors of other Credit Foncier companies.

This announcement is made for the general public. Further enquiries on the taking control of Thanapat Credit Foncier can be made at Thanapat Credit Foncier directly at 0-2734-2340 or Financial Institutions Monitoring and Analysis Department, Bank of Thailand at (five lines) 0-2283-5927, 0-2283-5963, 0-2283-5815, 0-2356-7646 and 0-2356-7650 during office hours.

Bank of Thailand

December 23, 2002