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The Economic Crisis and Financial Sector Restructuring in Thailand

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Introduction

The economic crisis in Thailand was triggered by the baht devaluation in July 1997 and aggravated by the underlying weaknesses of the country's financial system and corporate sector. Prior to the crisis, Thailand had embarked on a comprehensive liberalization of domestic financial markets and capital account transactions. As a result, financial institutions began to enjoy a more liberal economic environment, including increased business opportunities with the corporate and household sectors as well as favorable funding terms from domestic and foreign sources. However, Thailand's financial system was not sufficiently sound or resilient to cope with problems created by large inflows of deposits and foreign funds as well as the subsequent expansion of domestic credit. Consequently, the credit boom and bust that preceded the baht crisis was a major problem for both the economy and its financial system.

Since the International Monetary Fund (IMF) emerged on the scene in response to the baht crisis, financial system reform has steadily progressed. The reform plan included three broad objectives:

- Resolve nonviable and problem financial institutions.
- Strengthen the financial sector structure.
- Enhance the regulatory and supervisory regime.

Most of the reform efforts in 1997-1999 focused on the first objective, including resolving the assets and liabilities of the 56 closed finance companies, restructuring and recapitalizing troubled commercial banks, and resolving bank nonperforming loans (NPLs).

In addition to financial system reform, Thailand also focused on corporate sector reform in order to resolve serious corporate debt overhang and to create a robust corporate sector, thereby helping restore financial system health. The reform strategy included (i) accelerating corporate debt restructuring, (ii) strengthening corporate insolvency procedures, and (iii) improving corporate governance.

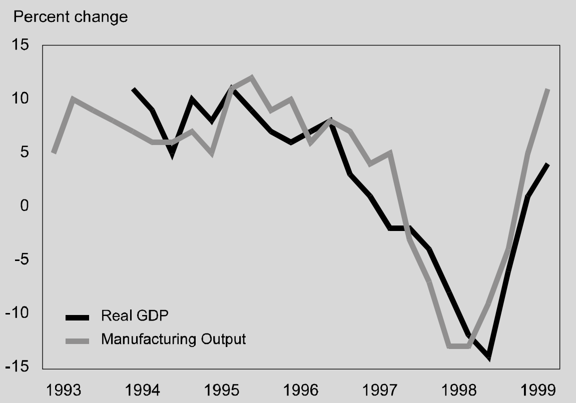
In 1998, Thailand was in a vicious circle in which real economic activity contracted more drastically than anyone had expected (Figure 1); demand contraction, sharply rising NPLs, and bank capital shortage constrained the credit flows to the corporate sector, in turn contracting real economic activity even

Table 1: Structure of Financial Institutions in Thailand, End-1996 (B million)

Financial Institution	Year Operations Began	Total Number of Institutions	Total Number of Branches	Deposits and/or Equivalents	Borrowing
Commercial Banks	1888	29[a]	3,171[b]	3,683,100	1,282,824
Finance Companies	1969	91	71	1,040,075	443,633
Credit Foncier Companies	1969	12	—	6,321	378
Government Savings Bank	1946	1	548	208,753	—
Life Insurance Companies[e]	1929	13	1,216	116,739	60
Savings Cooperatives[f]	1946	1,200	—	91,400	52,760
Agricultural Cooperatives[f]	1916	3,100	—	9,540	9,240
Bank of Agr. and Agr. Cooperatives (BAAC)	1966	1	629	118,417	53,710
Industrial Finance Corporation of Thailand (IFCT)	1959	1	23	—	98,571
Small Industries Finance Corporation	1992	1	1	—	1,375
Government Housing Bank	1953	1	169	101,793	89,978
Export-Import Bank of Thailand	1993	1	2	—	30,262
Pawnshops[f]	1866	390	—	—	8,500
Total		**4,841**	**5,830**	**5,376,138**	**2,071,290**

[a] Consists of 15 Thai banks and 14 foreign bank branches.
[b] Composed of 3,138 Thai bank branches, 14 foreign bank branches, and 19 foreign banks' BIBF units.
[c] Based on the BIS's concept for 15 Thai banks and 14 foreign bank branches.
[d] Includes provisions for loan losses.
[e] Preliminary.
[f] Estimated figure.
Source: Bank of Thailand.

Figure 1: Changes in Real GDP and Manufacturing Output, 1993–1999



Source: National Economic and Social Development Board.

further. A year later, Thailand began to show signs of gradual recovery, driven largely by exports and fiscal stimulus. Its real gross domestic product (GDP) growth is expected to recover from -10 percent in 1998 to 3-4 percent in 1999. Nonetheless, several downside risks could prolong or hamper the recovery process. These include (i) slowdown in the recovery of regional markets, especially Japan; (ii) deceleration of US economic expansion; and (iii) slow pace of domestic financial and corporate restructuring. More

Household Savings Mobilized	Capital Account	Credit Extended	Investment	Total Assets
2,642,854	509,894[c]	4,825,057	301,750	5,626,661
660,700	226,322[d]	1,488,188	220,151	1,811,938
6,152	1,522	6,742	391	8,518
205,372	21,420	56,257	88,368	237,442
116,739	18,122	31,847	66,163	145,173
181,750	128,520	212,600	900	254,400
17,150	13,410	23,290	336	34,180
57,239	11,984	165,622	11,540	212,067
—	17,132	103,234	13,463	143,803
—	502	698	1,105	1,888
59,371	13,749	198,500	500	210,167
—	3,900	32,533	100	34,624
—	3,500	14,000	—	15,500
3,947,327	**969,978**	**7,158,567**	**704,766**	**8,736,359**

than anything else, it is necessary to minimize the cost and time required to restructure the financial sector and to reduce the risks the real sector faces in order to achieve a sustained economic recovery.

This paper first discusses the causes of the economic crisis as rooted in the fragility of the financial system, and then identifies the measures taken to restructure the system and to strengthen the regulatory and supervisory framework. It also reviews the progress made in corporate sector restructuring precisely because of the strong linkage between financial sector and corporate sector restructuring. It then specifies pressing policy concerns and challenges and lays out some policy options for reform. It concludes by summarizing policy lessons from the financial crisis and its resolution.

Financial System Fragility Prior to the Baht Devaluation

Overview of the Financial System

The financial system was long dominated by commercial banks, while finance companies gained some importance in recent years.

For its level of income, Thailand had a relatively deep financial sector. High economic growth and high savings rates, together with substantial capital inflows, led to rapid growth of financial institutions' claims on the private sector in the 1990s (from 83 percent of GDP in 1990 to 147 percent in 1996). By end-1996, total financial sector assets amounted to B8.7 trillion (US$340 billion) at the then prevailing exchange rate of B25.61 per US dollar) (Table 1). Commercial banks dominated the financial sector, accounting for 64 percent of total financial assets, 69 percent of total deposits (or equivalents), and 67 percent of total credits extended. Finance companies were the next largest group of financial institutions, accounting for 21 percent of total assets, 19 percent of total deposits (or equivalents), and 21 percent of total credits extended.

In the banking subsector, there were 15 Thai and 14 foreign bank branches at end-1996.[1] The top four or five Thai banks dominated the banking sector, while the presence of foreign banks was quite limited, with a mere 8 percent share in total bank assets. Commercial banks could engage in a large class of normal banking businesses but were not allowed to undertake securities or trust services. Large portions of commercial bank loans were directed to manufacturing (27 percent) and trade (25 percent), with limited exposure to construction and real estate (14 percent) and personal consumption (13 percent) (Table 2).

In the finance company subsector, there were 91 finance companies at end-1996.[2] While some finance companies were independent, many originated as affiliates of commercial banks to provide specialized services that banks were not allowed to undertake, or as specialized providers of high-margin, high-risk consumer finance. Finance companies could not take deposits and had to fund their operations by issuing large-denomination promissory notes, as well as negotiable certificates of deposit, and bills of exchange. Loans and overdrafts from domestic and foreign banks were also significant sources of funds. Finance companies' assets at end-1996 were dominated by loans (77 percent of total assets) and securities investment and receivables (18 percent). Due to commercial banks' regulatory and cost advantages, finance companies sought business opportunities by allocating a major share of their portfolios in high-risk areas such as construction and real estate (28 percent) and personal consumption loans (26 percent), including hire purchase and finance and securities businesses (Table 3).

The legal, regulatory, and supervisory framework was such that finance companies could not effectively compete for most commercial bank mainstream businesses. As a result, they were left largely with more risky activities. Compared to commercial banks, finance companies were restricted from the businesses of (i) mobilizing sight or time deposits, (ii) offering overdrafts or credit cards, (iii) offering credit facilities related to trade finance, (iv) providing foreign exchange services, and (v) establishing a domestic branch network in the Greater Bangkok area. Finance companies were compelled to take greater risks, while being subject to less stringent prudential requirements than banks.

Financial System Deregulation

The relaxation of the upper limit imposed on the interest rate in 1980 was an early attempt to deregulate the financial market.[3] Interest rate deregulation, however, was soon interrupted in the first half of the 1980s when the economy faced serious macroeconomic difficulties as well as a financial crisis. The economy went into a recession, experienced widening current account deficits (7 percent of GDP in 1981 and 1983), and saw four currency devaluations in 1981-1985. Many financial institutions, including finance companies and commercial banks, suffered from a large volume of bad loans not only because of the recession but also due to weak managerial practices and an inadequate legal, regulatory, and supervisory framework for financial institutions. Although some institutions went bankrupt, many of them were rescued by the Ministry of Finance (MOF) and the Bank of Thailand (BoT).[4] Only after the financial crisis did the financial liberalization process resume.

Comprehensive liberalization of the financial system was implemented according to schedules laid out in two three-year plans in the 1990s. The plans were intended to enhance the efficiency of the financial system and to increase the competitiveness of Thai financial institutions. The first Three-Year Financial System Development Plan (1990-1992) had four major objectives:

- Deregulate and liberalize interest rates, foreign exchange transactions, and the scope of financial institutions' businesses.
- Develop new financial instruments, facilities, and services.

Table 2: Distribution of Commercial Bank Loans[a], By Sector, 1990-1998

Sector	1990	1991	1992	1993	1994	1995	1996	1997	1998
					Amount (B million)				
Manufacturing	375,108	457,617	517,914	647,286	836,234	1,097,338	1,313,546	1,872,325	1,606,276
Agriculture	99,354	126,098	135,494	148,959	152,280	158,940	164,019	161,695	146,614
Mining	8,205	8,248	12,054	16,665	15,692	24,985	24,476	36,000	32,246
Construction and Real Estate	237,021	279,235	339,497	407,521	506,199	586,035	662,441	763,585	752,949
Construction	59,322	72,095	88,372	103,719	141,991	185,850	236,341	273,064	246,834
Real Estate Business	177,699	207,140	251,125	303,801	364,208	400,184	426,100	490,521	506,115
Trade	423,122	481,644	575,187	701,787	909,882	1,079,486	1,212,690	1,431,154	1,233,973
Wholesale and Retail Trade	263,154	314,843	371,506	477,217	627,722	756,799	870,225	1,037,812	867,501
Exports	91,367	95,257	116,651	135,297	166,505	182,710	196,056	218,899	173,997
Imports	68,601	71,543	87,031	89,274	115,655	139,976	146,409	174,443	192,475
Public Utilities	25,084	30,097	40,882	61,322	86,345	108,106	142,751	197,128	189,661
Banking and Other Financial Businesses	76,171	99,267	132,835	163,010	245,151	339,204	345,330	487,514	263,430
Services	91,381	123,271	159,103	208,726	268,450	333,296	377,839	458,037	418,568
Personal Consumption	158,617	202,136	269,394	339,675	437,475	523,437	612,595	652,516	594,967
Housing	95,285	125,001	165,437	225,903	305,937	370,581	432,867	na	na
Others	63,332	77,135	103,957	113,773	131,539	152,856	179,728	na	na
Total	**1,494,062**	**1,807,558**	**2,182,359**	**2,694,950**	**3,457,707**	**4,250,825**	**4,855,688**	**6,059,956**	**5,238,684**
					Share (%)				
Manufacturing	25.1	25.3	23.7	24.0	24.2	25.8	27.1	30.9	30.7
Agriculture	6.6	7.0	6.2	5.5	4.4	3.7	3.4	2.7	2.8
Mining	0.5	0.5	0.6	0.6	0.5	0.6	0.5	0.6	0.6
Construction and Real Estate	15.9	15.4	15.6	15.1	14.6	13.8	13.6	12.6	14.3
Construction	4.0	4.0	4.0	3.8	4.1	4.4	4.9	4.5	4.7
Real Estate Business	11.9	11.5	11.5	11.3	10.5	9.4	8.8	8.1	9.7
Trade	28.3	26.6	26.4	26.0	26.3	25.4	25.0	23.6	23.4
Wholesale and Retail Trade	17.6	17.4	17.0	17.7	18.2	17.8	17.9	17.1	16.6
Exports	6.1	5.3	5.3	5.0	4.8	4.3	4.0	3.6	3.3
Imports	4.6	4.0	4.0	3.3	3.3	3.3	3.0	2.9	3.7
Public Utilities	1.7	1.7	1.9	2.3	2.5	2.5	2.9	3.3	3.6
Banking and Other Financial Businesses	5.1	5.5	6.1	6.0	7.1	8.0	7.1	8.0	5.0
Services	6.1	6.8	7.3	7.7	7.8	7.8	7.8	7.6	8.0
Personal Consumption	10.6	11.2	12.3	12.6	12.7	12.3	12.6	10.8	11.4
Housing	6.4	6.9	7.6	8.4	8.8	8.7	8.9	na	na
Others	4.2	4.3	4.8	4.2	3.8	3.6	3.7	na	na
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

na = not available.
[a] Data include bills, loans, overdrafts, interbank and out-in Bangkok International Banking Facility transactions.
Source: Bank of Thailand, *Monthly Bulletin*, various issues.

Table 3: Distribution of Loans Extended by Finance Companies and Finance and Securities Companies, by Sector, 1990-1998

Sector	1990	1991	1992	1993	1994	1995	1996	1997	1998
					Amount (B million)				
Manufacturing	53,915	66,756	82,520	104,450	137,661	185,674	228,471	111,582	98,554
Agriculture, Fishing, Forestry, and Mining	4,159	4,468	6,186	7,461	6,227	10,879	15,014	5,753	5,378
Construction and Real Estate	80,890	110,329	143,874	185,936	269,489	365,727	419,453	139,214	131,529
Construction	8,663	10,875	15,948	22,179	29,816	39,804	56,612	15,281	14,138
Real Estate Business	72,227	99,454	127,926	163,757	239,673	325,923	362,841	123,933	117,391
Trade	38,213	43,848	52,960	71,308	93,543	124,637	159,956	56,105	49,044
Wholesale and Retail Trade	28,542	32,316	39,948	52,515	69,912	94,517	121,001	42,186	36,595
Exports	3,370	4,376	4,282	5,884	8,901	10,027	12,355	6,258	5,207
Imports	6,301	7,156	8,730	12,909	14,730	20,092	26,600	7,661	7,242
Public Utilities and Services	25,829	33,782	41,432	56,533	76,943	100,022	122,971	53,981	52,969
Banking and Other Financial Businesses	20,903	23,125	41,292	63,359	96,522	129,829	146,150	58,572	49,861
Personal Consumption	91,202	133,210	177,986	241,005	318,935	375,949	384,895	103,442	76,501
Housing	10,283	14,913	17,983	27,930	40,671	54,205	62,618	28,695	22,177
Margin Loan (Finance and Securities Business)	9,263	33,011	67,040	91,637	120,014	128,385	104,259	14,186	7,807
Hire Purchase	51,506	58,975	57,630	72,899	89,607	115,330	128,957	28,512	16,533
Others	20,151	26,310	35,333	48,539	68,643	78,029	89,062	32,049	29,984
Hire-Purchase Business (leasing)	n.a.	n.a.	1,603	3,019	8,684	8,676	11,280	3,223	1,383
Total	**315,111**	**415,518**	**547,854**	**733,070**	**1,008,004**	**1,301,393**	**1,488,188**	**531,872**	**465,219**
Number of Companies	**94**	**92**	**92**	**92**	**91**	**91**	**91**	**35**	**36**
					Share (%)				
Manufacturing	17.1	16.1	15.1	14.2	13.7	14.3	15.4	21.0	21.2
Agriculture, Fishing, Forestry, and Mining	1.3	1.1	1.1	1.0	0.6	0.8	1.0	1.1	1.2
Construction and Real Estate	25.7	26.6	26.3	25.4	26.7	28.1	28.2	26.2	28.3
Construction	2.7	2.6	2.9	3.0	3.0	3.1	3.8	2.9	3.0
Real Estate Business	22.9	23.9	23.4	22.3	23.8	25.0	24.4	23.3	25.2
Trade	12.1	10.6	9.7	9.7	9.3	9.6	10.7	10.5	10.5
Wholesale and Retail Trade	9.1	7.8	7.3	7.2	6.9	7.3	8.1	7.9	7.9
Exports	1.1	1.1	0.8	0.8	0.9	0.8	0.8	1.2	1.1
Imports	2.0	1.7	1.6	1.8	1.5	1.5	1.8	1.4	1.6
Public Utilities and Services	8.2	8.1	7.6	7.7	7.6	7.7	8.3	10.1	11.4
Banking and Other Financial Businesses	6.6	5.6	7.5	8.6	9.6	10.0	9.8	11.0	10.7
Personal Consumption	28.9	32.1	32.5	32.9	31.6	28.9	25.9	19.4	16.4
Housing	3.3	3.6	3.3	3.8	4.0	4.2	4.2	5.4	4.8
Margin Loan (Finance and Securities Business)	2.9	7.9	12.2	12.5	11.9	9.9	7.0	2.7	1.7
Hire Purchase	16.3	14.2	10.5	9.9	8.9	8.9	8.7	5.4	3.6
Others	6.4	6.3	6.4	6.6	6.8	6.0	6.0	6.0	6.4
Hire-Purchase Business (leasing)	n.a.	n.a.	0.3	0.4	0.9	0.7	0.8	0.6	0.3
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Number of Companies	**94**	**92**	**92**	**92**	**91**	**91**	**91**	**35**	**36**

na = not available.
Source: Bank of Thailand data.

- Improve supervision and examination of financial institutions, including the adoption of the Bank for International Settlements capital adequacy ratios (CARs); and
- Develop payments systems.

The second Three-Year Financial System Development Plan (1993-1995) aimed to (a) enhance financial market efficiency, (b) mobilize domestic savings through pension systems and other means, and (b) transform Bangkok into a regional financial center by establishing an offshore banking center. Many of the goals were accomplished as scheduled. The third Financial System Development Plan (1995-2000), however, was put on hold as a result of the economic crisis.

One of the most important outcomes of financial market deregulation was greater competition among financial institutions. Finance companies started to compete fiercely against commercial banks by offering financial instruments and services that were increasingly attractive to the general public and foreigners. Thai commercial banks also became more aggressively competitive with each other.

Financial market deregulation and the consequent, enhanced competition, however, were not matched by a commensurate establishment of a resilient financial system based on prudent management of assets and liabilities, reliable information disclosure, accounting standards, and effective supervision and examination. Policy toward distressed financial institutions was not always clearly defined. The traditional practice of extending central bank credits and liquidity to weak banks and finance companies continued to pose a moral-hazard risk in the financial market.[5] The risk was aggravated by capital account liberalization, particularly through financial institutions.

Capital Account Liberalization

The authorities began to liberalize international capital flows in the 1980s with the relaxation of foreign direct investment (FDI) restrictions; they then focused on liberalizing portfolio investment in the stock market and bank loans. Liberalization of portfolio and banking flows was accompanied by the relaxation of foreign exchange controls.[6]

In the 1990s, Thailand began to substantially liberalize financial capital flows and foreign exchange transactions. The country accepted Article 8 of the IMF in 1990 and removed foreign exchange restrictions on current-account-related transactions. Starting in 1991, it began to relax foreign exchange restrictions on capital-account-related transactions, promoting cross-border capital flows by financial institutions. One important strategy for capital account liberalization was the establishment of the Bangkok International Banking Facility (BIBF), an offshore banking center, in 1993.

Capital account liberalization was driven by three factors:[7]

- the need to attract foreign savings for capital accumulation and infrastructure development and to adopt advanced foreign technologies for more efficient production and management,
- competitive pressure to open the domestic financial market to foreign institutions and to liberalize financial capital flows, and
- bilateral and multilateral pressures to open the financial market.

Competitive pressure from neighboring countries in East Asia was responsible for the expansion of FDI. Foreign manufacturing firms investing directly in Thailand required not only adequate financing of working capital, but also high-quality financial services, which only their home financial institutions could provide. Therefore, to attract more FDI, Thailand was compelled to allow foreign financial institutions access to the domestic market and cross-border financial transactions. The most important bilateral pressure came from the US and Europe, and the multilateral pressure came from liberalization requirements under the General Agreement on Tariffs and Trade (and later the World Trade Organization).

The increased openness of the capital account, together with financial market deregulation, led to a higher degree of capital mobility—largely reflected in the growing importance of short-term banking flows, portfolio investment, and nonresident baht accounts (see Table 4).[8] BIBF played a crucial role in expanding international bank loans. The authorities established BIBF for several purposes:

- Encourage foreign-currency-denominated bank loans into Thailand ("out-in" loans) to meet the funding needs of Thai firms and to finance infrastructure development;
- Attract foreign banks with international reputation, technology, and know-how to Bangkok so as to introduce more competition into the banking system and to improve the efficiency of Thai commercial banks;
- Encourage foreign banks to extend loans, via Bangkok, to the greater Indochina area, including Cambodia, Lao PDR, Myanmar, and Viet Nam ("out-out" loans). Partly due to regulatory and tax advantages, the establishment of BIBF led to a dramatic expansion in the volume of foreign bank loans into Thailand.[9] The fact that the Thai authorities used BIBF as a stepping stone to full-branch banking for foreign banks also expanded BIBF loans (Table 5).

In the 1990s, Thailand saw growing inflows of foreign capital. While they were mainly in the form of FDI until the early 1990s, they recently shifted to short-term inflows, including bank loans. Essentially, the removal of interest rate ceilings as well as capital account liberalization allowed funds raised overseas to become an increasingly important source of financing domestic investment. In fact, large current account deficits were increasingly financed by private capital inflows, often exceeding the size of current account deficits until 1996 (Figure 2).[10]

Table 4: Net Inflows of Private Financial Account, 1985–1998

Item	1985	1986	1987
Bank	-14,244	-21,965	5,935
Commercial Bank	-14,244	-21,965	5,935
Recapitalization	0	0	0
BIBFs	0	0	0
Nonbank	19,623	12,546	16,510
Direct Investment	4,379	6,880	4,711
Foreign Direct Investment	4,402	6,908	9,044
Thai Direct Investment	-23	-28	-4,333
Other Loans	2,109	-3,334	-16,006
Portfolio Investment	3,858	2,517	12,862
Equity Securities	3,858	2,517	12,862
Debt Securities	0	0	0
Non-Resident Baht Account	10,813	9,672	10,592
Trade Credits	-1,994	-3,606	3,704
Others	458	417	647
Total	**5,379**	**-9,419**	**22,445**
Bank	-264.8	233.2	26.4
Commercial Bank	-264.8	233.2	26.4
Recapitalization	0	0	0
BIBFs	0	0	0
Nonbank	364.8	-133.2	73.6
Direct Investment	81.4	-73.1	21.0
Foreign Direct Investment	81.8	-73.4	40.3
Thai Direct Investment	-0.4	0.3	-19.3
Other Loans	39.2	35.4	-71.3
Portfolio Investment	71.7	-26.7	57.3
Equity Securities	71.7	-26.7	57.3
Debt Securities	0.0	0.0	0.0
Non-Resident Baht Account	201.0	-102.7	47.2
Trade Credits	-37.1	38.3	16.5
Others	8.5	-4.4	2.9
Total	**100.0**	**100.0**	**100.0**

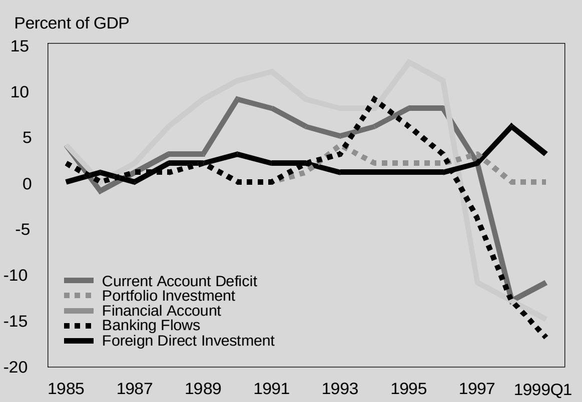
Source: Bank of Thailand, Monthly Bulletin, various issues.

Structural Weaknesses of the Financial Sector

During 1990-1996, the volume of financial sector assets grew at much faster rates than normal economic activity; assets of commercial banks and finance companies increased by an average of 21 and 30 percent per annum, respectively, while nominal GDP rose by only 13 percent per year (Figure 3). The volume of financial sector credit extended to the private sector, as a proportion of GDP, also expanded significantly from 83 percent in 1990 to 147 percent in 1996 (Figure 4). At the same time, financial institutions increasingly relied on borrowings to supplement the insufficient deposits for extending loans. As a result, their loan/deposit ratios rose to high levels (Figure 5). This meant that the financial sector was rendered vulnerable to a flight of deposit, a decline in nondeposit borrowing, and a deterioration

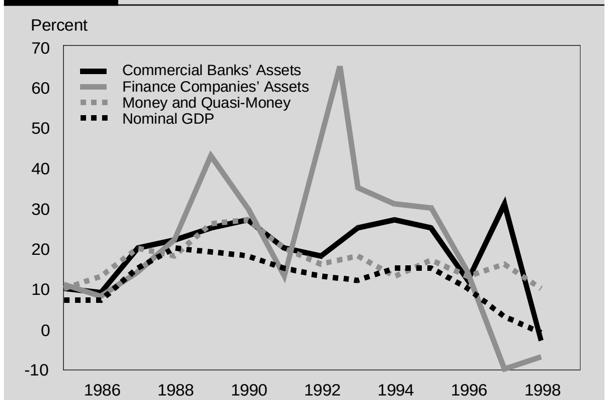
1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
			B million							
21,494	-7,719	40,850	-6,612	49,051	91,033	349,855	279,673	126,771	-253,026	-561,361
21,494	-7,719	40,850	-6,612	49,051	-102,162	96,416	77,243	10,843	-176,636	-168,953
0	0	0	0	0	0	0	0	0	0	85,757
0	0	0	0	0	193,195	253,439	202,430	115,928	-76,390	-392,408
74,063	159,912	238,568	268,764	188,149	169,906	-47,996	237,969	333,784	-48,465	-92,181
27,349	44,413	61,119	47,110	50,230	36,396	22,659	29,064	36,823	105,266	193,545
27,964	45,698	64,695	51,389	53,691	43,812	33,241	49,887	57,472	117,689	198,266
-615	-1,285	-3,576	-4,279	-3,461	-7,416	-10,582	-20,823	-20,649	-12,423	-4,721
4,640	46,930	114,889	143,707	69,158	-61,223	-146,690	38,093	138,022	-133,225	-184,703
11,185	36,658	11,507	3,848	14,104	122,628	27,503	81,721	88,242	138,980	24,541
11,185	36,658	11,507	928	11,512	67,850	-10,283	52,759	28,437	122,321	16,832
0	0	0	2,920	2,592	54,778	37,786	28,962	59,805	16,659	7,709
21,718	28,104	34,311	52,433	44,517	67,833	51,143	84,163	73,764	-156,275	-115,434
8,655	3,112	15,160	18,980	7,795	13,634	11,447	6,363	-3,702	-12,679	-21,108
516	695	1,582	2,686	2,345	-9,362	-14,058	-1,435	635	9,468	10,978
95,557	**152,193**	**279,418**	**262,152**	**237,200**	**260,939**	**301,859**	**517,642**	**460,555**	**-301,491**	**-653,542**
			Percent of total							
22.5	-5.1	14.6	-2.5	20.7	34.9	115.9	54.0	27.5	83.9	85.9
22.5	-5.1	14.6	-2.5	20.7	-39.2	31.9	14.9	2.4	58.6	25.9
0	0	0	0	0	0	0	0	0	0	-13.1
0	0	0	0	0	74.0	84.0	39.1	25.2	25.3	60.0
77.5	105.1	85.4	102.5	79.3	65.1	-15.9	46.0	72.5	16.1	14.1
28.6	29.2	21.9	18.0	21.2	13.9	7.5	5.6	8.0	-34.9	-29.6
29.3	30.0	23.2	19.6	22.6	16.8	11.0	9.6	12.5	-39.0	-30.3
-0.6	-0.8	-1.3	-1.6	-1.5	-2.8	-3.5	-4.0	-4.5	4.1	0.7
4.9	30.8	41.1	54.8	29.2	-23.5	-48.6	7.4	30.0	44.2	28.3
11.7	24.1	4.1	1.5	5.9	47.0	9.1	15.8	19.2	-46.1	-3.8
11.7	24.1	4.1	0.4	4.9	26.0	-3.4	10.2	6.2	-40.6	-2.6
0.0	0.0	0.0	1.1	1.1	21.0	12.5	5.6	13.0	-5.5	-1.2
22.7	18.5	12.3	20.0	18.8	26.0	16.9	16.3	16.0	51.8	17.7
9.1	2.0	5.4	7.2	3.3	5.2	3.8	1.2	-0.8	4.2	3.2
0.5	0.5	0.6	1.0	1.0	-3.6	-4.7	-0.3	0.1	-3.1	-1.7
100.0	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Figure 2: Financial Account and Major Components of Net Capital Inflows



Source: International Monetary Fund, International Financial Statistics.

Figure 3: Growth Rates of Financial Assets and Nominal GDP



GDP = gross domestic product.
Source: International Monetary Fund, International Financial Statistics.

Table 5: **Outstanding Stock of BIBF Lending (B million)**

Item	1993	1994	1995	1996	1997	1998	1999[a]
Out-In							
Thai Banks	126,691	189,826	254,562	330,040	514,058	213,504	130,239
Foreign Banks with Full Branch(es) in Thailand	50,768	102,249	152,371	222,795	690,450	431,931	363,653
Other BIBF Units	19,565	164,568	273,585	254,798	206,855	121,594	101,304
Total	197,024	456,643	680,517	807,633	1,411,363	767,029	595,196
Out-Out							
Thai Banks	2,563	11,588	10,818	16,318	35,363	28,982	23,178
Foreign Banks with Full Branch(es) in Thailand	348	1,996	4,848	9,363	264,348	89,132	45,720
Other BIBF Units	878	87,249	501,378	456,877	171,370	30,380	15,387
Total	3,789	100,833	517,045	482,559	471,081	148,494	84,285
All							
Thai Banks	129,254	201,414	265,380	346,358	549,421	242,486	153,417
Foreign Banks with Full Branch(es) in Thailand	51,116	104,245	157,219	232,158	954,798	521,063	409,373
Other BIBF Units	20,443	251,817	774,963	711,675	378,225	151,974	116,691
Total	**200,814**	**557,476**	**1,197,562**	**1,290,192**	**1,882,444**	**915,523**	**679,481**

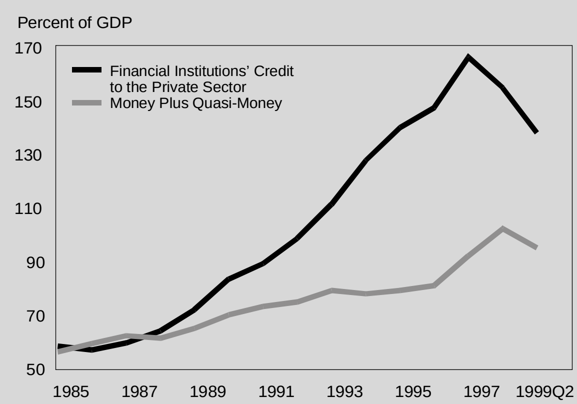
[a] As of September.
Source: Bank of Thailand.

in the quality of loans—mounting NPLs would certainly lead to systemic financial sector difficulties.

The origins of the weaknesses of the financial sector fall into two broad categories: (i) excessive lending without prudent management of assets and liabilities, and (ii) inadequate regulatory and supervisory frameworks.

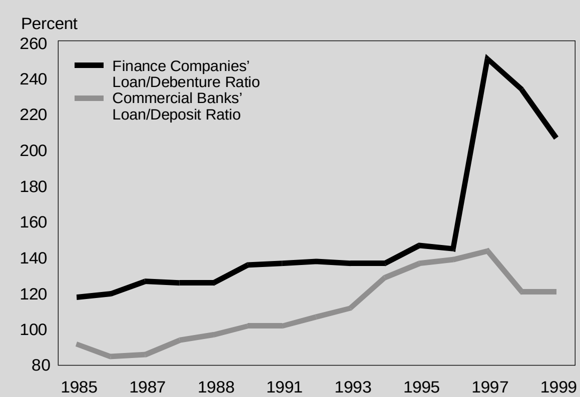
The lack of prudent management of assets and liabilities and the resulting risky behavior on the part of financial institutions led to three major types of problems. First, although commercial banks and finance companies extended some proportion of loans to productive investment projects, they directed a sizable proportion to nonproductive, and often speculative, investments such as real estate, construction, and consumer loans (including automobile loans, stock purchases, and hire purchases).[11] As long as the economy grew at a rapid rate, there was little problem in recovering such loans, but firms with unsound projects were exposed to the risk of economic slowdown and the consequent deterioration of their balance sheets.

Figure 4: **Financial Institutions' Claims on Private Sector and Money Supply**



Source: International Monetary Fund, International Financial Statistics.

Figure 5: **Commercial Banks' and Finance Companies' Claims on Private Sector**



Source: International Monetary Fund, International Financial Statistics.

Second, loans were directed to corporations which faced rising debt/equity ratios. Since lending was based on collaterals rather than projected cash flows, the large exposure to highly leveraged firms posed a risk of asset price collapse.

Third, the problems on the asset side were compounded by the mismanagement of the liabilities. Commercial banks, BIBF-based foreign banks, and finance companies relied increasingly on domestic and foreign borrowing to supplement the insufficient deposits for extending loans. In particular, foreign borrowing was an important source of funding for commercial banks and finance companies, which extended loans not only to tradable industries but also to nontradable sectors. These institutions essentially engaged in risky maturity and currency transformation, by borrowing short and often in large amounts of unhedged foreign currency and lending *de facto* long in domestic currency (through regular roll-overs of short-term loans) to manufacturing firms and other nontradable business enterprises.[12]

Inadequate regulatory and supervisory frameworks also contributed to the weakness of the financial system. By end-1996, there were reportedly B487 billion in NPLs on the books of commercial banks (11.5 percent of gross loans) and another B225 billion on the books of finance companies (15 percent of gross loans). Most banks and finance companies failed to adopt appropriate loan classification, resulting in vastly understated NPLs, postponed loan-loss provisioning, and continued accrual of interest on NPLs. Regulations governing income recognition on NPLs were also lenient: provisions were far below what would be required to address the rising NPL problems. Reported CARs vastly overstated the true capital positions of both commercial banks and finance companies due to the lack of proper asset classification and provision. In addition, auditing and disclosure practices were weak, resulting in underreported lending to related parties and single borrowers and a limited role for market discipline.

Early Measures of Financial Crisis Resolution

Thailand's economic conditions began to deteriorate visibly from around mid-1996. Exports, formerly the driving force of economic growth, experienced a 1.3 percent yearly decline (US dollar terms) in 1996; in the same year, the current account deficit expanded to 7.9 percent of nominal GDP. The business environment for financial institutions also began to worsen, with an increasingly serious oversupply situation in the real estate market, stagnating share prices, and selling of the baht on the foreign exchange market. Because of the collapse of land and stock prices that had begun one to two years earlier, a few commercial banks and a large number of finance companies began to encounter management difficulties. Financial institutions saw their assets turning into bad loans. Some international creditor banks began to cut lending and even refused to roll over their cross-border loans, which in turn aggravated the deteriorating balance sheets of banks and finance companies and threatened financial market stability.

The Bangkok Bank of Commerce (BBC) was the first major commercial bank to experience management difficulties, mainly due to fraud. It was placed under BoT control in May 1996. Although BoT did not use Financial Institutions Development Fund (FIDF) financing at first, it later resorted to it in order to write off part of BBC's bad loans.

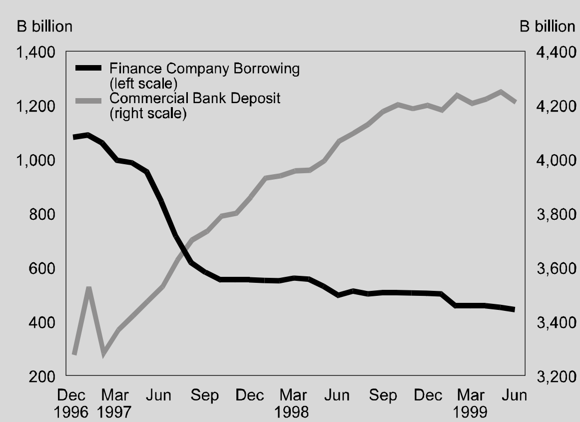
The first sign of weakness in finance companies came when the Thai Danu Bank (TDB) announced, in early March 1997, its intended takeover of Finance One, the country's largest finance company, which had been experiencing management difficulties. (Ultimately, TDB decided not to take over Finance One because of the latter's questionable financial conditions.) Following this announcement, BoT made public the names of 10 beleaguered finance companies that had serious financial problems. While BoT also declared that other financial companies were financially sound, its action sent a shock wave through the market. BoT started to provide liquidity support through FIDF for the troubled finance companies,[13] because funds began to flee institutions that were perceived as weak. The Government decided to establish the (largely inactive) Property Loan Management Organization in March, whose intended role was to purchase problem loans secured by real estate from the portfolios of financial institutions at market prices, subject to certain conditions.[14]

The problems of finance companies came to the fore in mid-1997, when there was a sharp decline in confidence in the entire financial system. On 27 June, BoT announced that it was suspending the operations of 16 finance companies, including the 10 whose names had been published earlier, and ordered them to restructure their management. It also declared that no other finance companies would be suspended. Nonetheless, it again announced on 4 August that an additional 42 finance companies were directed to suspend their business operations—amounting to a total of 58 out of 91 finance companies—and that it would provide a "temporary guarantee" for the remaining financial institutions as well as "blanket guarantees" to eligible depositors and creditors of suspended financial institutions. The suspended 58 finance companies were required to submit rehabilitation plans by the end of October; they would remain suspended until recapitalized, merged with new domestic or foreign partners, absorbed by a few "core" finance companies, or liquidated after the completion of the due diligence process.

After the devaluation of the baht on 2 July 1997, the business environment for financial institutions deteriorated even further. The corporate borrowers' repayment burden on banks with foreign currency liabilities increased suddenly. Moreover, the corporations also came under enormous financial pressure, since they had substantial foreign currency exposures without hedging against exchange risk. A high-interest policy that was introduced in an attempt to maintain the value of the baht increased the domestic-debt servicing obligations of corporate debtors, thereby causing economic activity to slow down, and triggering further deterioration in the real estate and stock markets. In addition, the outbreak of the baht crisis was followed by a "flight to quality," as depositors increasingly shifted their funds from financially troubled institutions, particularly from finance companies and weak domestic banks, to quality domestic banks and foreign banks. As a result, finance companies lost large amounts of funds while commercial banks gained deposits (Figure 6). However, within the banking sector, seven middle- and lower-ranked commercial banks experienced a decline in their deposit balances at end-1997 compared with end-1996, while the deposit balances of the leading banks rose.

In retrospect, the various measures taken before the launching of the IMF program were piecemeal and half-hearted and did not stem the growing loss of confidence. FIDF provided nearly B400 billion in liquidity support over several months prior to the suspension of the 58 finance companies, but did not succeed in arresting the financial sector crisis. Some measures inadvertently compounded the scale of the crisis, increasing resolution costs for the Government and raising the danger of contagion from finance companies to the banking sector, thus aggravating the systemic financial crisis and the ensuing sharp economic downturn.

Figure 6: Finance Company Borrowing and Commercial Bank Deposits



Source: Bank of Thailand.

Financial Sector Restructuring

Restructuring of Finance Companies

On 14 October 1997, as part of IMF's standby arrangement conditionalities, the authorities announced a comprehensive strategy for the overall restructuring of the financial sector, with six emergency decrees setting out the legal basis for this strategy. The package aimed to bring Thailand's financial system closer to international standards by 2000. The comprehensive strategy included the following measures:

- Establish the Financial Sector Restructuring Authority (FRA) and the Asset Management Company (AMC).
  - FRA and AMC were established to provide a framework for the early disposal of NPLs held by finance companies and the reconstruction of the financial system.
  - FRA's role was to (a) order finance companies with inadequate equity or cash flow problems to recapitalize or merge, (b) provide guarantees for deposits and loans, (c) invest in finance companies in order to stabilize the payments system, (d) ease restrictions on foreign ownership of financial institutions and nominate directors, and (e) liquidate the assets of troubled finance companies by offering them for sale to general bidders.
  - The role of AMC was to purchase, manage, restructure, and sell the assets of failed finance companies. In addition to the acquisition of assets that could not be sold through general bidding by FRA, it would also buy NPLs from financial institutions placed under FIDF ownership or control.
- Announce tightened loan classification rules.
  - Provisioning was required for all loans more than six months overdue, effective 31 December 1997.
  - Accrual of interest on NPLs more than six months overdue was prohibited, effective 1 January 1998.
- Initiate the resolution of 58 suspended finance companies.
  - Memoranda of understanding with all undercapitalized finance companies (and commercial banks) were exchanged with regard to the timetable for raising capital to a required level.
  - Criteria for assessing the rehabilitation plans and the reopening of the suspended finance companies were established.[15]
  - Foreign investment in finance companies (and banks) was fully liberalized for 10 years, with amounts invested during this period permanently grandfathered, so as to help recapitalize financial institutions.

FRA obtained and assessed the rehabilitation plans from the 58 suspended finance companies. The criteria it applied were whether or not (i) capital could be raised to the required level, (ii) the funds required for liquidity management could be raised, and (iii) the institution had the capacity to repay loans provided by FIDF.[16] Based on FRA's recommendation made at the end of November, MOF and BoT announced on 8 December that 56 out of the 58 finance companies would be permanently closed.[17] The assets of the closed finance companies were transferred to FRA for quick disposition. FRA did not intend to restructure loans owed to the finance companies because it lacked such an authority and, instead, simply focused on asset disposal through auctions.[18]

In February 1998, FRA began auctioning off the assets of the 56 closed companies. Its plan was to begin with the sale of noncore physical assets (vehicles, art objects, furniture, office equipment, etc.) and financial assets (bonds) and then move to the sale of core assets (hire purchase contracts, residential mortgage loans, and business loans). At end-1999, proceeds from FRA's sale of core and noncore assets totaled B186 billion with the recovery rate of about 28 percent of the outstanding balance (book value) of about B665 billion. The sale of noncore assets met with considerable success, with the average price of 53 percent of book value, which was well above FRA's own estimates. In a series of core-asset auctions that began in June 1998, FRA has disposed of B600 billion of core assets as of November 1999, at an average recovery rate of 25 percent (Table 6). There were multiple bidders for earlier auctions so that AMC did not have to take up assets. However, as the bidder of last resort, AMC took part in the March 1999 auction for the first time since its establishment. Since then, all in all, AMC has purchased core assets totaling B197 billion (B199 billion if noncore assets are included) or one third of the core assets sold by FRA at an average of 17 percent of face value.[19]

In January 1998, the Cabinet approved the creation of a fully Government-owned "good bank," Radanasin Bank (RSB), in order to preserve the value of domestic assets against fire-sale prices resulting from the time constraint of liquidation process. RSB was mandated to purchase and manage the good assets of the 56 closed finance companies.[20] It commenced business in March. The initial Government ownership of RSB would later be diluted through sale of shares to the public. One of RSB's prominent advantages was a clean balance sheet.[21]

BoT intervened in seven finance companies with solvency problems in May 1998 (see Table 7 for a summary of resolution measures taken for the troubled finance companies).[22] Krung Thai Thanakit (KTT), a subsidiary of Krung Thai Bank (KTB), agreed to purchase the assets of the seven finance companies at their market value, and would be granted a bank license. However, resolution plans for the seven finance companies were not clearly laid out.

In August 1998, when the comprehensive financial sector restructuring program was announced, an additional five finance companies were identified as nonviable, partly because they failed to raise new capital.[23] BoT ordered them to write down capital and to reduce their value per share to one satang (one hundredth of one baht). These finance companies, the seven finance companies the BoT intervened in earlier, and the newly taken over Union Bank of Bangkok (UBB) were to be managed and eventually integrated with KTT to form a new bank—Bank Thai (BTH), formed in April 1999.

In September 1999, Thai Farmers Bank (TFB) reached an agreement with FIDF on the winding down of its wholly owned finance company, Phatra Thanakit (PT), and the allocation of losses. FIDF agreed to provide up to B4.4 billion to cover PT's losses on B30.8 billion in NPLs (net book value), with TFB covering any shortfalls.

BoT demonstrated its intention to intervene further, if necessary, in the remaining finance companies deemed nonviable and to encourage mergers among themselves or with a bank. Some of the incentives under consideration are (i) offering a commercial banking license to merged companies that meet a

Table 6: FRA's Core Asset Auction Results and Sales to AMC

		Auction Sales of Core Assets			Sales to AMC		
Bid Date	Type of Core Asset	Book Value (B billion)	Bid Price (B billion)	Recovery Value (Percent)	Book Value (B billion)	Sales Price (B billion)	Recovery Value (Percent)
25 Jun 1998	Auto hire purchase contracts	51.8	24.9	48.0			
13 Aug 1998	Residential mortgage loans	24.6	11.56	46.8			
15 Dec 1998	Business loans (1st round)	155.7	39.0	25.0			
19 Mar 1999	Business loans (2nd round)	221.5	40.3	18.2	185.4	31.1	16.8
06 Jul 1999	Construction loans	1.3	0.2	12.2	1.0	0.2	15.2
11 Aug 1999	Commercial and other loans	129.0	31.0	24.0	2.5	0.9	34.5
	(1st round)	16.3	5.4	32.9	8.2	1.6	19.8
11 Nov 1999	Commercial and other loans	600.2	152.2	25.4	197.0	33.7	17.1

FRA = Financial Sector Restructuring Authority.
Source: Financial Sector Restructuring Authority.

Table 7: Resolution Measures for Troubled Finance Companies

Date	Resolution Measures	Number of Finance Companies	
		Private	State-owned
1997			
June	• 16 finance companies suspended	90	2
August	• 42 finance companies suspended	90	2
December	• Of the 58 suspended finance companies:		
	– 56 finance companies to be closed	34	2
	– 2 finance companies to be re-opened (in March 1998)[a]		
1998			
January	• Radanatun created	34	3
May	• 7 finance companies intervened and ordered a capital write-down, recapitalization through the conversion of FIDF debt into equity, and a change in management[b]	34	3
	• 5 finance companies intervened and ordered a capital write-down, recapitalization through the conversion of FIDF debt into equity, and a change in management[c]	34	3
August	• The 12 intervened finance companies, together with Union Bank of Bangkok (UBB) to be consolidated with Krung Thai Thanakit (KTT)	22	3
1999			
April	• Bank Thai formed following the merger of Union Bank of Bangkok (UBB) and 12 finance companies with KTT	22	2
August	• Ocean Finance closed	22	1
September	• Phatra Thanakit (PT) to be wound down	20	1

[a] The 2 finance companies to be re-opened were Kitnakin Finance and Securities Plc., and Bangkok Investment Plc. Ltd.
[b] The 7 intervened finance companies were Union Asia Finance and Securities Plc. Ltd., Nava Finance and Securities Plc. Ltd., Mahatun Finance Co. Ltd., Bangkok Asian Finance Co. Ltd., KSIT Finance and Securities Plc. Ltd., Erawan Trust Co. Ltd., and Progressive Finance Co. Ltd.
[c] The 5 intervened finance companies were Dhana Siam Finance and Securities Plc., First City Investment Plc., IFCT Finance and Securities Plc., Vichirathanatun Finance Co. Ltd., and Thai Summit Finance and Securities Ltd.
Sources: Bank of Thailand, International Monetary Fund, and World Bank.

minimum capital requirement, (ii) matching Government contributions for the capital placed by the acquiring institution, and (iii) providing stop-loss guarantees for the acquiring institution for the first few years of operation.

Restructuring of Commercial Banks

Although the authorities began to deal with the problems of finance companies in early 1997, they had not systematically addressed the insolvency issues of small and medium-size commercial banks until August 1998. The approach until then was piecemeal and gradual. In the last three months of 1997, to restore banking system stability, BoT decided to require recapitalization of undercapitalized financial institutions. For this purpose, foreign equity investment in financial institutions was fully liberalized for a period of 10 years.[24]

In March 1998, BoT issued rules in line with international best practices governing loan classification and provisioning, and interest accrual for banks and finance companies (Box 1). As part of stricter rules of loan classification and provisioning standards, BoT had required banks to set provisioning for all loans more than six months overdue (effective 31 December 1997) and prohibited the accrual of interest on loans more than six months overdue (effective 1 January 1998).[25] The period was subsequently reduced to three months (effective 1 July 1998), which was the US standard. The authorities also announced that they would continue to strengthen the financial system by (i) introducing international standards for loan classification and provisioning rules, which would be phased in through the end of the year 2000 (end-2000 LCP rules);[26] (ii) establishing a deposit insurance scheme; and (iii) amending the bankruptcy law for expediting foreclosure. Essentially, loan-loss provisioning requirements were allowed to be phased in progressively through end-2000, as a form of regulatory forbearance.

Box 1: BoT Loan Classification and Provisioning Rules (31 March 1998)

Asset Classification: As of 1 July 1998, all accounts on which interest or principal due have not been received within three months (as opposed to previous six months) from the due date, will be recorded as nonperforming. Such accounts will also include those that are not overdue by more than three months, but for which uncertainties have arisen about the borrowers' ability to meet interest and repayment obligations (cessation of business, bankruptcy, etc.).
Income Recognition: As of 1 January 1999, interest overdue for more than three months will not be recognized as income; as of 1 January 2000, interest recorded as income but not received will be removed from income.
Loan-loss Provisioning: The new rules require that all accounts be classified into five categories: pass, special mention, substandard, doubtful, and loss.

Classification	Period Overdue	Old Level of Provision	New Level of Provision
Pass	under 1 month	0%	1%
Special mention	1-3 months	0%	2%
Substandard	3-6 months	15-20%	20%
Doubtful	6-12 months	100%	50%
Loss	over 12 months	100% (or write-off)	100% (or write-off)

Phase-in: These requirements are more stringent than many other countries', as none of the provisions would qualify for Tier-2 capital. However, the amount of provisioning needed comes into effect gradually.
For the second half of 1998, the financial institutions must set aside 20 percent of the required provisions. The requirement will then increase by 20 percentage points every six months until it fully satisfies the requirement in the second half of 2000 (end-2000 loan classification and provisioning [LCP] rules).
A comprehensive financial sector restructuring program was announced on 14 August 1998. It stated that financial institutions that would adopt up-front the end-2000 LCP standards would be entitled to obtain public funds for Tier-1 recapitalization.

Source: International Monetary Fund.

In early 1998, four Thai commercial banks (Bangkok Metropolitan Bank [BMB] in January; BBC, Siam City Bank [SCIB], and First Bangkok City Bank [FBCB] in February) were considered critically undercapitalized in that they were unable to meet loan-loss provisioning rules and recapitalization deadlines (see Table 8 for a summary of resolution measures adopted for the troubled commercial banks). By May, BoT had intervened in the four banks after writing off bad loans by reducing shareholder capital to the legal minimum. BoT then converted FIDF loans to these banks into equity and injected additional capital (*de facto* nationalization). However, clear resolution measures with regard to the four intervened banks were not announced. The remaining 11 commercial banks were under pressure for recapitalization and rehabilitation on their own.

Given the lack of promising sources of new capital in Thailand, share issues were increasingly being underwritten by foreign financial institutions. Bangkok Bank (BBL), TFB, SCIB, and Nakornthon Bank (NTB) all increased their foreign ownership ratios, although they intended to keep foreign shareholdings below 50 percent for the time being. Indeed, BBL and TFB raised Tier-1 and Tier-2 capital in the international markets. There are banks with foreign ownership limits above 50 percent. Development Bank of Singapore acquired 50.27 percent of shares in TDB in January 1998, while ABN-AMRO Bank of the Netherlands acquired a 75 percent stake in Bank of Asia in June 1998.

The Financial Sector Restructuring Program of 14 August 1998

To address the deteriorating conditions in the financial sector, MOF and BoT announced on 14 August 1998 a comprehensive financial sector restructuring program. The program focused on a wide range of immediate measures to resolve the financial crisis, to stabilize banks' deposit base, and to restore credit flows to productive sectors of the economy. It contained four major components. First, capital adequacy

Table 8: Resolution Measures for Troubled Commercial Banks

Dates	Resolution Measures	Number of Commercial Banks		
		Private[a]	Intervened	State-owned
1996				
May	• Bangkok Bank of Commerce (BBC) placed under BoT control	13	1	1
1998				
January	• A new state-owned commercial bank, Radanasin (RSB), created	13	1	2
	• Thai Danu Bank (50.3% of shares) acquired by the Development Bank of Singapore	13(1)	1	2
	• Bangkok Metropolitan Bank (BMB) intervened and ordered a capital write-down and immediate recapitalization	12(1)	2	2
February	• Siam City Bank (SCIB), BBC, and First Bangkok City Bank (FBCB) ordered a capital write-down and immediate recapitalization	10(1)	4	2
June	• Bank of Asia (75% of shares) acquired by ABN-AMRO Bank	10(2)	4	2
August	• Union Bank of Bangkok (UBB) and Laem Thong Bank (LTB) intervened	8(2)	6	2
	• LTB to be merged with RSB	8(2)	5	2
	• UBB, together with 12 intervened finance companies, to be consolidated with Krung Thai Thanakit (KTT) which will form a new bank	8(2)	4	2
	• FBCB to be acquired fully by Krung Thai Bank (KTB)	8(2)	3	2
	• BBC to be closed	8(2)	2	2
	• BMB and SCIB to be recapitalized to satisfy the end-2000 LCP rules and offered for sale, with NPLs covered by yield maintenance and loss-sharing arrangements	8(2)	2	2
1999				
April	• Bank Thai formed following the merger of UBB and 12 finance companies with KTT	8(2)	2	3
May	• Siam Commercial Bank (SCB) injected with Tier-1 capital support	8(2)	2	3
July	• Nakornthon Bank (NTB) intervened and ordered a capital write-down and recapitalization by FIDF	7(2)	3	3
September	• Sale of NTB (75%) to Standard Chartered Bank finalized	8(3)	2	3
November	• Sale of RSB (75%) to United Overseas Bank of Singapore finalized	9(4)	2	2

[a] Numbers in parentheses are the numbers of private foreign banks that were originally domestically-owned.
Sources: Bank of Thailand, International Monetary Fund, and World Bank.

requirements were eased and brought in line with international (Basle) standards by lowering Tier-1 capital requirements for banks. Second, the Government earmarked B300 billion for two capital support schemes (Tier-1 and Tier-2 schemes), with the Tier-2 scheme linked to progress in corporate debt restructuring. Third, financial institutions were allowed to establish individual asset management companies. Fourth, the consolidation of the banks and the finance companies was to be accelerated through additional BoT interventions and proposed mergers.

Capital adequacy ratios. The overall CAR was to remain at 8.5 percent for banks (slightly above Basle standards) and at 8 percent for finance companies. But Tier-1 capital requirements for banks were lowered from 6 to 4.25 percent, and the Tier-2 component was raised from 2.5 to 4.25 percent in line with Basle standards. The 1 percent provisioning requirement for performing loans was to qualify for Tier-2 capital. For institutions that fell below the regulatory minimum requirements, the Government would reserve the right to convert debentures into Tier-1 equity.

Capital support facilities. The objective of the capital support schemes was to encourage recapitalization of Thai commercial banks and finance companies, thereby restoring and maintaining their solvency. Tier-1 capital support facility was aimed at catalyzing the entry of private capital, whereas Tier-2 capital support facility was aimed at providing financial resources and incentives to accelerate corporate debt restructuring. Under the Tier-1 scheme, for participating institutions, the Government would purchase shares, in tradable bonds, to bring Tier-1 capital up to 2.5 percent; beyond this level, it would purchase preferred shares by matching the amount invested by the private sector (local or foreign) on a 1:1 basis. The most important condition for participation in the Tier-1 scheme was the financial institutions' up-front adoption of end-2000 LCP rules and write down of shareholder equity.[27] Private investors were to have a three-year buyback option for the Government shares "at a price based on the Government's cost plus carrying cost." Under the Tier-2 scheme, which was aimed at speeding up the corporate restructuring process, the Government would inject capital through the exchange of non-tradable Government bonds for bank debentures for a maximum of 2 percent of risk-weighted assets. The amount of funds available would be based on the magnitude of (i) the write-offs resulting from corporate debt restructuring, net of previous provisioning; and (ii) the net increase in lending to the private sector. The availability of Tier-2 capital support would decline over time to encourage early debt restructuring and new net lending. If institutions were to adopt upfront the end-2000 LCP rules, they would be allowed to phase write-offs for debt restructuring over a five-year period.

Facilitating and establishing private AMCs. The Government would provide a framework for voluntarily removing bad assets from private banks' balance sheets through private asset management companies (AMCs) wholly owned and managed by the parent financial institutions. AMCs are defined as financial institutions in order to allow them to borrow (excluding deposits) and to relend funds (only to existing customers) as well as to give them full flexibility in setting their interest rates. They provide a channel for banks to separate the "good assets" from the "bad assets", to improve the bank's balance sheets and asset quality, and to concentrate on future businesses of the "good banks."

Resolution of troubled banks and finance companies. BoT intervened in 2 more banks (UBB and Laem Thong Bank [LTB]) and 5 more finance companies, bringing the total number of financial institutions in which Government intervened to 18 (6 banks and 12 finance companies). BMB and SCIB would be sold to strategic investors after (i) bringing the end-2000 LCP rules forward and (ii) recapitalization through a debt-to-equity conversion of outstanding FIDF loans. The Government would provide a loss-sharing or stop-loss guarantee on NPLs as well as a guaranteed annual yield to service the liabilities. FBCB would be absorbed by KTB under the same loss-sharing arrangement. BBC would be liquidated and all its performing assets and liabilities transferred to KTB, while its staff, branches, and nonperforming assets would remain in BBC, which would be turned into a special financial institution owned by FIDF. UBB and the 12 intervened finance companies would be absorbed by KTT, after full provisioning and recapitalization up to 8.5 and 8 percent, respectively, which later would form a new bank, Bank Thai (BTH). LTB would be taken over by RSB after full provisioning and recapitalization up to 8.5 percent. The Government would seek a strategic investor for RSB, and prepare privatization of KTB and BTH.

Progress Since the 14 August 1998 Program

Capital support facility. Thus far, private commercial banks have been reluctant to take advantage of the 14 August capital support schemes, particularly the Tier-1 scheme that would require banks to recognize losses upfront and to write down their shareholder equity, thus diluting ownership control and inviting Government interference, in return for public recapitalization. While several banks announced their intention to participate, to date only SCIB has received Tier-1 capital support. Of SCIB's recapitalization amounting to B65 billion, half came from the Government under Tier-1 support, and a matching amount was raised from private investors.[28] SCIB also joined the Tier-2 capital support scheme in the fall of 1998, to make progress with corporate debt restructuring, while Bank of

Ayudhya (BAY) has announced its interest in taking advantage of the Tier-2 scheme.

Other private banks have instead raised capital on their own in the form of equity, innovative Tier-1 capital, and Tier-2 capital. They have not applied for the capital support program for fear of dilution of share ownership and excessive State interference. BBL, TFB, and BAY all raised about B214 billion in capital by May 1999, partly in the form of quasi-equity instruments, such as Capital Augmented Preferred Securities (CAPS) and Stapled Limited Interest Preferred Securities (SLIPS). The issues for BBL and TFB were successful among investors, as the CAPS/SLIPS paid a relatively high rate of return.[29] CAPS and SLIPS were also attractive to bank owners because they boosted their CARs while preventing loss of control. Yet, this form of capital is expensive; together with the carrying cost for the large amount of NPLs, it can strain banks' preprovision profits and hence their capacity to maintain adequate capital.

In June 1999, the 14 August capital support program was amended to make it more attractive. The key change was the expansion of the types of capital that would qualify to match the injection of public funds to include any Tier-1 capital already raised via SLIPS and CAPS. The change improved market sentiment by signaling that public funds were available if the banks were unable to raise sufficient capital by themselves. However, only B81 billion (27 percent of the total funds available) have been utilized thus far.

Policy measures adopted to encourage the banks to set up private AMCs. The Government recently eliminated tax impediments to the establishment and operation of a bank's majority-owned AMC, an alternative to managing the NPLs in-house. The BOT released a new regulation in early January 2000, which allowed (i) private banks to transfer loans to their majority-owned AMCs at net book value (book value less provision currently required under the phased-in forbearance program), and (ii) AMCs to engage in more activities, such as lending to borrowers to complement a debt restructuring transaction. As a result several banks have moved forward in using private AMCs. To date, 7 out of 11 Thai commercial banks have either established or expressed their intention to establish AMCs. BBL has created a wholly owned AMC with registered capital of B500 million, which initially manages BBL's foreclosed properties. TFB has created two AMCs: Thonburi manages the worst one third of its NPLs and Chantaburi manages NPLs from Phatra Thanakit, its recently closed finance company.[30] SCB has obtained an approval to create a wholly owned AMC, Chatuchak Asset Management Ltd.

The benefit of establishing such private AMCs is that it allows bank management to focus on the good bank and new lending, while attracting superior and dedicated management to perform the specialized task of resolving NPLs. The scheme enables NPLs to be valued at market price, and requires recapitalization to cover the losses beyond existing provisions on transferred NPLs. The current regulation allows the remainder of loan losses to be taken in the AMC, not in the bank.

Resolution of intervened banks. Early in 1999, SCIB, BMB, and RSB increased their capital through debt-to-equity swaps from FIDF, hired privatization advisors, and began to prepare the sales process. BoT had agreed on loss-sharing or stop-loss guarantees on NPLs that would be applied to strategic investors interested in buying the three banks. In July 1999, BoT intervened in another bank, NTB, which had failed to negotiate with foreign strategic investors for a buy-in, and ordered a capital write-down and recapitalization by FIDF.

To restore international confidence in the financial system, the Government initiated the sales process for the four intervened banks by providing public resources. NTB was the first bank that was acquired by a foreign strategic investor, Standard Chartered Bank, which agreed in September to purchase a 75 percent stake for B12.38 billion. The transaction was structured so that FIDF would bear

85 percent of the loss and enjoy 95 percent of the gain on the ultimate resolution of the existing NPL portfolio against benchmark valuations. FIDF would also cover the carrying cost, otherwise known as yield maintenance, of the existing NPLs until they were resolved. In another transaction, United Overseas Bank of Singapore (UOB) agreed in November to purchase RSB under another structure: UOB would pay B6.5 billion for a 75 percent stake in RSB; RSB would have a limited time period to put NPLs at book value into an FIDF-owned AMC; and UOB would receive a 0.1 percent fee to manage the AMC and would share in the AMC's profits and losses—5 percent and 15 percent, respectively. Both transaction structures were designed to postpone the sizing and recognition of losses in these institutions by FIDF, thus attracting investor interest. The Government would write checks to the purchasers over time.

BMB and SCIB are expected to be sold under similar transaction structures.[31] Table 9 summarizes commercial banks' status at end-June 1999 and their assets and estimated NPLs.

Recapitalization and operational restructuring of State-owned banks. The Government plans to privatize two State-owned commercial banks, KTB and BTH, in the next two years after they undergo operational restructuring and recapitalization. However, only limited progress has been made in organizational and operational restructuring. The two institu-

Table 9: Status, Assets, and NPLs[a] of Commercial Banks Incorporated in Thailand

	Ownership		Total Assets (B million)	
Commercial Banks Incorporated in Thailand	Dec 1997	Jun 1999	Dec 1997	Jun 1999
Bangkok Bank Public Company Ltd. (BBL)	Private	Private	1,408,619	1,232,656
Thai Farmers Bank Public Company Ltd. (TFB)	Private	Private	795,385	734,104
Krung Thai Bank Public Company Ltd. (KTB)	State-owned	State-owned	792,664	1,040,656
The Siam Commercial Bank Public Company Ltd. (SCB)	Private	Semiprivate	717,240	710,106
Bank of Ayudhya Public Company Ltd. (BAY)	Private	Private	493,890	463,434
The Thai Military Bank Public Company Ltd. (TMB)	Semiprivate	Semiprivate	389,476	336,694
First Bangkok City Bank Public Company Ltd. (FBCB)	Private	Merged to KTB	316,145	—
Siam City Bank Public Company Ltd. (SCIB)	Private	Intervened	272,124	275,715
Bangkok Metropolitan Bank Public Company Ltd. (BMB)	Private	Intervened	190,560	161,120
Bank of Asia Public Company Ltd. (BOA)	Private	Private (majority foreign-owned)	156,644	158,243
The Bangkok Bank of Commerce Public Company Ltd. (BBC)	Private	Closed	145,971	—
The Thai Danu Bank Public Company Ltd. (TDB)	Private	Private (majority foreign-owned)	130,266	118,414
Nakornthon Bank Public Company Ltd. (NTB)	Private	Private (foreign-owned)	73,799	57,720
The Union Bank of Bangkok Public Company Ltd. (UBB)	Private	State-owned (part of BTH)	73,284	—
The Laem Thong Bank Public Company Ltd. (LTB)	Private	Merged to RSB	51,942	—
Bank Thai	—	State-owned	—	240,612
Radanasin Bank	—	State-owned (to be foreign-owned)	—	52,846
Total	15	13	6,008,009	5,582,320

[a] Nonperforming loans (NPLs) are defined as loans six months in arrears for December 1997, and loans three months past due for June 1999.
Source: Bangkok Bank, Commercial Banks in Thailand 1998; and various other sources.

tions have been offered protection against losses from assets they acquired, and additional capital has been injected. In the case of KTB, the Government had agreed, as part of the 14 August 1998 resolution measures, to inject a total of B185 billion of capital as compensation for its acquisition of FBCB and performing assets of BBC. KTB announced in late 1998 that it had completed the first stage of its recapitalization, receiving B77 billion from FIDF. In August 1999, the second stage of KTB's recapitalization, in the amount of B108 billion, was approved without a write-down of existing capital. The Government then shifted ownership of KTB to MOF and to transfer substantial NPLs to a new AMC, a wholly owned subsidiary of FIDF.

Restoring a Healthy Financial System

The stability of the financial system has been severely damaged by the crisis. Financial institutions carry large NPLs on their balance sheets, continue to face capital shortfalls, and may pose a serious risk to, or even significantly delay the process of, a sustained economic recovery. It is vital for the financial system to resolve NPLs, to recapitalize adequately, and to provide the engine for sustained recovery.

NPLs still large. Official numbers based on the three-month overdue definition were not available until end-June 1998, when the total financial system NPLs amounted to 32.7 percent of total loans. With continued stagnation of economic activity and delays in corporate debt restructuring, total financial

Total NPLs (B million)		NPL/Loan Ratios (%)		
Dec 1997	Jun 1999	Dec 1997	Jun 1999	Resolution Measures, Recapitalization and Foreign Ownership
180,572	461,382	16.8	49.2	New share issues accompanied by an increase in foreign ownership ratio from 25% to 49%
105,379	236,545	17.3	42.1	New share issues purchased by European banks; wholly-owned asset management company (AMC) to be created
148,412	393,484	21.6	59.3	To be privatized after operational restructuring and recapitalization
66,403	154,432	11.7	29.4	Foreign ownership ratio increased to 49%; tier-1 capital support injected in May 1999
55,147	135,615	13.6	36.3	
46,908	93,198	15.5	31.3	
130,834	—	45.4	—	Intervened in February 1998; and Merged to KTB in August 1998
70,401	174,701	30.1	71.9	Intervened in February 1998
62,688	132,671	33.4	73.0	Intervened in January 1998
16,886	59,942	12.6	47.1	75% of shares acquired by ABN-AMRO in June 1998
45,417	—	30.5	—	Placed under BoT control in May 1996; intervened in February 1998; and closed in August 1998
16,534	57,958	14.3	55.2	50.25% of shares acquired by the Development Bank of Singapore in January 1998.
6,357	29,393	10.6	54.7	Intervened in July 1999; and sale to Standard Chartered Bank finalized in September 1999
14,279	—	24.8	—	Intervened in August 1998 to be merged, together with 12 finance companies, to Krung Thai Thanakit (KTT) and to form Bank Thai (BTH)
23,621	—	55.9	—	Intervened in August 1998 to be taken over by RSB
—	207,344	—	84.2	To be privatized after operational restructuring and recapitalization
—	39,356	—	85.4	Sale to the United Overseas Bank of Singapore finalized in November 1999
989,838	2,176,021	20.1	54.5	

institution NPLs grew in 1998 and the first half of 1999, reaching a peak of B2.73 trillion, or 47.7 percent of total loans, at end-May 1999. The NPL ratios were 42.8 percent for the relatively "healthy" eight private banks, 69.4 percent for intervened banks plus KTB, and 67.2 percent for the remaining finance companies. Only foreign banks registered a low NPL ratio at 12 percent of total loans (Table 10).

In the second half of 1999, amounts of restructured NPLs continued to climb, and NPLs gradually came down to 38.5 percent of total loans at end-1999.[32] Though the worst is over, the magnitude of the problem remains large.

Large NPLs have constrained both the financial system's capacity to maintain capital and its ability to lend, as many institutions have tended to preserve less risky investment by shifting their assets from loans to Government securities. They have also induced banks and finance companies to engage in restructuring without immediately recognizing full losses.[33] Early resolution of NPLs is vital to restoring the health of the financial system's capacity to maintain capital and its ability to lend, as many institutions have tended to preserve less risky investment by shifting their assets from loans to Government securities. They have also induced banks and finance companies to engage in restructuring without immediately recognizing full losses.

Although the Government decided not to create a centralized AMC for the banking sector, it encourages commercial banks to establish their own AMCs. While many private banks have created or are in the

Table 10: Reported Nonperforming Loans[a] of Financial Institutions

Item	1998 June	July	August	September	October	November	December
Total Commercial Banks	1,832,518	1,924,842	1,996,123	2,149,158	2,252,943	2,352,674	2,350,842
Domestic Commercial Banks	1,780,260	1,867,406	1,936,294	2,086,016	2,188,168	2,283,199	2,276,598
Private Banks[b]	994,230	1,053,415	1,094,923	1,165,549	1,221,798	1,276,726	1,239,944
State-owned and Intervened Banks[c]	786,030	813,991	841,371	920,467	966,370	1,006,473	1,036,654
Foreign Full Branch Banks	52,258	57,436	59,829	63,142	64,775	69,475	74,244
Total Finance Companies[d]	257,784	268,315	280,803	288,987	299,433	313,907	323,691
Total Financial Institutions	**2,090,302**	**2,193,157**	**2,276,926**	**2,438,145**	**2,552,376**	**2,666,581**	**2,674,533**
Total Commercial Banks	5,904,212	5,802,670	5,804,993	5,667,830	5,558,947	5,479,445	5,479,839
Domestic Commercial Banks	4,959,638	4,893,742	4,902,835	4,829,632	4,754,392	4,710,959	4,723,335
Private Banks[b]	3,293,330	3,230,749	3,228,600	3,160,182	3,096,705	3,059,341	3,063,267
State-owned and Intervened Banks[c]	1,666,308	1,662,993	1,674,235	1,669,450	1,657,687	1,651,618	1,660,068
Foreign Full Branch Banks	944,573	908,928	902,158	838,198	804,555	768,486	756,505
Total Finance Companies[d]	489,786	487,447	484,339	478,807	472,691	469,810	461,365
Total Financial Institutions	**6,393,998**	**6,290,117**	**6,289,332**	**6,146,637**	**6,031,638**	**5,949,255**	**5,941,205**
Total Commercial Banks	31.0	33.2	34.4	37.9	40.5	42.5	42.9
Domestic Commercial Banks	35.9	38.2	39.5	43.2	46.0	48.5	48.2
Private Banks[b]	30.2	32.6	33.9	36.9	39.5	41.7	40.5
State-owned and Intervened Banks[c]	47.2	49.0	50.3	55.1	58.3	60.9	62.5
Foreign Full Branch Banks	5.5	6.3	6.6	7.5	8.1	9.0	9.8
Total Finance Companies[d]	52.6	55.0	58.0	60.4	63.4	66.8	70.2
Total Financial Institutions	**32.7**	**34.9**	**36.2**	**39.7**	**42.3**	**44.8**	**45.0**

[a] Nonperforming loans (NPLs) are defined as loans 3 months past due.
[b] Private banks are Bangkok Bank (BBL), Thai Farmers Bank (TFB), Siam Commercial Bank (SCB), Bank of Ayudhya (BAY), Thai Military Bank (TMB), Bank of Asia (BOA), Thai Danu Bank (TDB), and Nakornthon Bank (NTB). NTB was intervened in July 1999 and re-privatized in September 1999. RSB became a private bank in November 1999.
[c] State-owned and intervened banks are Krung Thai Bank (KTB), Siam City Bank (SCIB), Bangkok Metropolitan Bank (BMB), Union Bank of Bangkok (UBB) which together with 12 intervened finance companies was ordered to merge with Krung Thai Thanakit (KTT) in August 1998 and to form Bank Thai (BTH), Laem Thong Bank (LTB) which was ordered to merge with RSB in August 1998, and Radanasin Bank (RSB).
[d] The 12 intervened finance companies were merged, together with the Union Bank of Bangkok (UBB), with Krung Thai Thanakit (KTT), which was later transformed into Bank Thai (BTH). As a result, these 12 institutions' NPLs were removed from finance companies and added to the NPLs of state-owned and intervened banks, beginning February 1999
Source: Bank of Thailand.

process of creating their own AMCs, the Government also plans to create several public AMCs that will take over NPLs from closed and State-owned banks (BBC, KTB, and RB). The Government may create more AMCs at the time of the sale of the remaining two intervened-in banks (BMB and SCIB). The current Government policy of encouraging a proliferation of private and FIDF-supported AMCs cannot be successful in cleaning up bank balance sheets and achieving high asset recovery unless strong governance and transparency are maintained within the bank that opts to create its own AMC; it cannot be successful unless substantial Government coordination and financial support are provided. There are several reasons for these requirements. First, without transferring NPLs at market values, the private AMC approach would simply delay recognition of losses, thus leaving the consolidated balance sheet impaired. On the other hand, to induce a bank to recognize losses at the time of NPL transfer, public resources may need to be injected into the bank or AMC. Second, without clear separation of responsibilities to manage and dispose of NPLs between the bank and its own AMC, there is a potential risk of fraud and abuse. Third, while competition among creditors, private AMCs, and FIDF-supported AMCs to dispose of assets quickly may benefit investors who acquire the assets, there is a risk that the lack of coordination among the holders of NPLs to the same borrower may result in lower recovery values.

Given the systemic nature of the bank NPL problem, there is a greater need for strong Government

1999 January	February	March	April	May	June	July	August	September	October	November	December
NPLs (B million)											
2,349,592	2,530,378	2,537,447	2,533,796	2,557,280	2,482,768	2,482,448	2,457,042	2,361,652	2,322,019	2,230,042	1,983,937
2,271,335	2,451,605	2,451,987	2,449,251	2,472,295	2,396,014	2,390,809	2,363,097	2,279,841	2,243,124	2,155,841	1,922,936
1,281,382	1,295,209	1,293,788	1,294,415	1,302,420	1,222,689	1,215,086	1,208,858	1,128,742	1,104,572	1,072,722	886,898
989,953	1,156,396	1,158,199	1,154,837	1,169,874	1,173,325	1,175,723	1,154,239	1,151,098	1,138,552	1,083,119	1,036,039
78,257	78,773	85,460	84,545	84,985	86,754	91,639	93,945	81,811	78,895	74,201	61,001
331,318	170,011	170,645	169,188	172,081	168,072	169,473	161,904	150,150	105,835	102,310	90,030
2,680,910	**2,700,389**	**2,708,092**	**2,702,984**	**2,729,361**	**2,650,840**	**2,651,921**	**2,618,946**	**2,511,802**	**2,427,854**	**2,332,352**	**2,073,967**
Total Loans (B million)											
5,341,347	5,522,579	5,497,601	5,481,698	5,465,696	5,341,317	5,358,383	5,354,064	5,414,308	5,383,839	5,362,817	5,197,943
4,569,259	4,755,734	4,755,122	4,751,874	4,728,074	4,651,085	4,651,773	4,654,395	4,704,863	4,696,804	4,682,370	4,576,299
3,048,613	3,050,132	3,058,031	3,046,231	3,041,325	2,980,358	2,973,859	2,972,280	2,949,540	2,952,308	2,992,560	2,893,746
1,520,645	1,705,602	1,697,091	1,705,643	1,686,751	1,670,728	1,677,915	1,682,115	1,755,323	1,744,496	1,689,810	1,682,553
772,088	766,845	742,479	729,824	737,622	690,232	706,610	699,669	709,445	687,035	680,447	621,644
460,599	259,930	260,482	257,472	256,159	249,904	248,558	240,840	241,159	188,651	187,754	183,106
5,801,946	**5,782,509**	**5,758,083**	**5,739,170**	**5,721,855**	**5,591,221**	**5,606,941**	**5,594,904**	**5,655,467**	**5,572,490**	**5,550,571**	**5,381,049**
NPLs/Total Loans (%)											
44.0	45.8	46.2	46.2	46.8	46.5	46.3	45.9	43.6	43.1	41.6	38.2
49.7	51.6	51.6	51.5	52.3	51.5	51.4	50.8	48.5	47.8	46.0	42.0
42.0	42.5	42.3	42.5	42.8	41.0	40.9	40.7	38.3	37.4	35.8	30.6
65.1	67.8	68.2	67.7	69.4	70.2	70.1	68.6	65.6	65.3	64.1	61.6
10.1	10.3	11.5	11.6	11.5	12.6	13.0	13.4	11.5	11.5	10.9	9.8
71.9	65.4	65.5	65.7	67.2	67.3	68.2	67.2	62.3	56.1	54.5	49.2
46.2	**46.7**	**47.0**	**47.1**	**47.7**	**47.4**	**47.3**	**46.8**	**44.4**	**43.6**	**42.0**	**38.5**

coordination or even for centralizing resolution of NPL problems in a Government agency, since the Government is increasingly becoming a large holder of assets: it now holds, through ownership of KTB and BTH, 23 percent of total banking sector assets; it owns 31 percent if intervened-in banks BMB and SCIB are included.[34] Through coordination or centralization, economies of scale in asset management can be exploited, consistency and transparency can be maintained, and strategies to maximize recovery value can be developed, thus reducing the risk of different creditors and individual AMCs competing to drive down sales value.

Bank recapitalization needs. BoT recently reported that from January 1998 to July 1999, the 13 commercial banks raised a total of B732 billion in Tier-1 capital. The private banks obtained B305 billion (90 percent of their regulatory minimum Tier-1 capital) while three intervened banks plus three State-owned banks received B427 billion in Tier-1 official recapitalization (53 percent of their projected recapitalization). This implies that the banking sector has about two thirds of its minimum recapitalization needs, estimated to be B1,120 billion (assuming a 60 percent loss rate on NPLs in State-owned and intervened-in banks and a 40 percent loss rate on NPLs in private banks). Intervened-in and State-owned banks must raise another B360 billion and private banks B30 billion to satisfy the regulatory minimum CAR.[35]

Although private banks are now largely in compliance with phased-in capital adequacy requirements and are not expected to raise a huge amount of additional capital to satisfy end-2000 LCP rules, in reality they still face significant capital shortfalls. The reason is that banks' regulatory CAR requirements tend to understate their true capital needs. This, in turn, is due to several factors. First, existing loan-loss coverage is largely made up of collateral of inflated value and thus is insufficient. Banks are required to form provisions against NPLs, net of collateral based on the book value reported by banks for regulatory purposes. Because the reported book value of collateral is overstated, banks would be forced to write down their capital when recognizing the losses on their NPLs. Second, the provisioning guidelines are backward-looking; loans are classified according to the number of months payments are due rather than on the present value of future expected cash flows from the loan, discounted at the effective interest rate on the loan contract. Under international accounting standards, the impaired loans would be marked down to the present value of future expected cash flows from the loan. The implication is a further capital shortfall. Third, the regulatory CAR requirements underestimate the impact of both entry of new NPLs into the system and NPL aging (further deterioration of the existing NPLs) on loan-loss provisioning needs. With slow and inadequate corporate debt restructuring, the existing NPLs tend to age into high-risk categories and some of the restructured debts return to NPL status, thus requiring further provisioning and exacerbating capital shortfalls.

It is crucial that full provisioning be achieved by all commercial banks and finance companies, so that loan portfolios can be cleaned up and losses fully absorbed. Hence, it is important that banks must fully complete the recapitalization process. International experience suggests that rapid absorption or recognition of losses and aggressive restructuring would accelerate economic recovery over the medium term, as it facilitates real sector restructuring and restores bank lending capacity. If recapitalization and loss absorption enhancement continue to be delayed, a financially weak banking system may impede sustainable corporate restructuring and hamper economic recovery.

Restructuring of State-owned commercial banks. State-owned commercial banks, particularly KTB, need to be more decisive in both operational restructuring and NPL resolution. Without operational restructuring, recapitalization is unlikely to improve the balance sheet. Managements of State-owned banks are reluctant to make decisions on NPL resolution that involves loss recognition because they are afraid of being prosecuted for the wrongful actions of State employees. Although it has been affirmed that the case of debt restructuring would be exempted, the lack of clear legal indemnity for KTB employees will continue to slow NPL resolution. Transfer of NPLs to a newly created AMC is expected to minimize this problem and accelerate the resolution process.

The Nexus of Financial and Corporate Restructuring

Corporate Sector Distress

A serious corporate debt problem. In the first half of the 1990s, debt-financed overinvestment in a number of sectors, including construction, property development, and petrochemicals, had resulted in high leverage and reduced performance of Thai corporations. Debt-to-equity ratios for these sectors grew steadily over the years prior to the crisis. From 1994 to the second quarter of 1997, the average ratio for all nonfinancial sectors rose from 1.5 to 2.1. The sharp baht depreciation that started in July 1997 magnified the level of debt measured in the domestic currency, further raising the debt-to-equity ratios. In addition, high interest rates increased domestic-debt servicing obligations.

The financial position of the corporate sector continued to deteriorate throughout 1998. For the first time, operating profits for 340 nonfinancial firms listed on the Stock Exchange of Thailand, on average, fell below interest expense. As a result of accumulated unpaid debts and declining levels of equity, the average debt-to-equity ratio of the listed firms reached 3.6 in the first half of 1998. In terms of corporate distress, the construction and real estate sectors were most severely affected. By end-1998, NPLs measured on a three-month basis grew to 49 percent of domestic commercial bank loans. Of these, over two thirds were believed to require both operational and financial restructuring or liquidation. Up to one third would require purely financial restructuring (rescheduling, a reduction of interest, or capitalization of interest accumulated during the baht stabilization period).

One of the most salient characteristics of the corporate debt problem in Thailand has been the prevalence of small loans extended to small and medium-size enterprises (SMEs). There were nearly 400,000 classified loans in Thailand, totaling B2.6 trillion as of August 1999. The distressed loan problem could be divided into large, medium, small, and individual cases. There were roughly 700 large distressed loans which exceeded B500 million each, representing B930 billion (36 percent of the nation's total classified loans). Medium-size distressed loans, with 5,600 cases between B50 million and B500 million per case, represented B780 billion (30 percent). The small distressed loans, under B50 million per case, were spread over 42,600 cases and represented B560 billion (21 percent). Finally, there were 350,000 individual cases, representing B350 billion (13 percent). Although distressed loans existed in nearly every business sector, manufacturing and real estate were the hardest hit. Because Thailand has a larger volume of distressed loans to SMEs than other crisis-affected countries, restructuring Thai corporate debt will require far more effort.

Establishing Institutional Frameworks for Corporate Debt Restructuring

The process of corporate debt restructuring is complex and involves difficult legal, regulatory, and administrative reforms, not to mention changes in local business practices and financial culture. Since April 1998, the Government has undertaken initial steps to promote voluntary, market-based corporate restructuring. The Government's policy response has been to provide

- Tax and regulatory incentives to corporations and banks;
- Effective legal framework for asset recovery through court-based bankruptcy, court-super-

vised reorganization, or enforcement of security interests;

- Well-structured out-of-court process for voluntary debt restructuring negotiations, within the Framework for Corporate Restructuring in Thailand; and
- Regulatory (prudential) incentives for NPL resolution to banks.

Tax and regulatory incentives. The Government has granted a full set of tax incentives for corporate restructuring. The initial step was to reduce tax disincentives by giving some temporary relief, between 1 January 1998 and 31 December 1999, on asset sales and debt restructuring by financial institution creditors (including related asset transfers and sales), and mergers and acquisitions (corporate and financial). The time frame was intended to induce early action by debtors and selected financial institution creditors, while avoiding moral-hazard problems and contingent liabilities in the medium term. In August 1998, exemptions from income tax, value-added tax, specific business tax, and duty stamps were provided in restructuring cases, where debt restructuring would result in imputed income to the debtor. In September 1998, debt write-off was allowed to be considered an expense, thereby reducing a financial institution's tax liability. Similarly, debt restructuring losses were also considered an expense for tax purposes. In addition, a tax cut on real estate transfers from 2 to 0.01 percent has been approved.

The Securities and Exchange Commission (SEC) has relaxed requirements for corporate rehabilitation by reducing the approval period from 45 to 30 days and making some approval criteria less stringent—for example, by adopting a disclosure-based over a merit-based approach for SMEs. Furthermore, a purchaser of a company is now exempted from the requirement to make a formal tender offer in the case of purchasing a company for rehabilitation.[36] The Board of Investments similarly extends promotion privileges beyond the initial period where such extensions could help restructuring.

Effective legal frameworks for debt restructuring. Ensuring creditor rights to enforce their legal claims, through court-based bankruptcy or reorganization procedures or both and foreclosing on collateral, is an important component of the corporate debt restructuring framework. Such legal arrangements act both as a forced restructuring or asset recovery process and as a credible threat to induce voluntary workouts. The effectiveness would depend on the willingness of creditors to use the courts, which in turn would depend on the effectiveness with which the courts would be able to process petitions, manage the planning and approval process, and execute judgments.

The formal court-based bankruptcy and reorganization procedures have been improved. In April 1998, the Bankruptcy Act was amended to enable reorganization of potentially viable corporations. The reorganization amendment proved workable in its early usage, but several problems emerged which limited its utility in resolving large amounts of distressed debt.[37] The lack of a well-functioning process for exercising security rights was a key obstacle to rapid progress in corporate restructuring. While foreclosure laws predated the crisis, they suffered from numerous flaws that rendered them effectively unworkable.[38]

As a result, in March 1999, after a long period of debate, the Bankruptcy Act was further amended to include (i) improved security for new lending to financially distressed corporations, (ii) voting by creditor class, (iii) rescission of related-party transfers, (iv) limits to discretion for court action, and (v) conversion of foreign-currency-denominated claims. Notably, this amendment lowered the approval threshold for a court-supervised reorganization plan to 50 percent of outstanding debt by number and value, plus a special resolution of 75 percent of the outstanding debt of one creditor class by value.[39] The creation of a specialized bankruptcy court, the Central Bankruptcy Court, was also approved; the court opened in June 1999. The strengthening of specialized judicial capacity and procedures is expected to im-

Box 2: Framework for Corporate Restructuring in Thailand ("Bangkok Approach")

Objective: Successful implementation of an informal framework outside bankruptcy proceedings for the efficient restructuring of the corporate debt of viable entities to benefit creditors, debtors, employees, shareholders, and the economy by (i) minimizing losses to all parties through coordinated workouts and (ii) avoiding companies being placed unnecessarily into liquidation, thereby preserving jobs and productive capacity wherever feasible.

- Corporate debt restructuring should revive the business, rather than simply achieve financial restructuring, to further the long-term viability of the debtor.
- Priority must be given to rehabilitation of assets to perform-ing status in full compliance with applicable BoT regulations.
- Each stage of the corporate debt restructuring process must occur in a timely manner.
- From the first debtor-creditor meeting, if the debtor's management provides full and accurate information on the agreed schedule and participates in all creditor committee meetings, creditors shall "standstill" for a defined, extendible period to allow informed decisions to be made.
- Both creditors and debtors must recognize the absolute necessity of active senior management involvement throughout the duration of debt restructuring.
- A lead institution, and a designated individual within the lead institution, must be appointed early in the restructuring process to actively manage and coordinate the entire process according to defined objectives and deadlines.
- In major multicreditor cases, a steering committee representative of a broad range of creditor interests should be appointed.
- Decisions should be made on complete and accurate information which has been independently verified to ensure transparency.
- In cases where accountants, attorneys, and professional advisers are to be appointed, such entities must have requisite local knowledge, expertise, and available dedicated resources.
- While it is normal practice to request the debtor to assume all the costs of professional advisers, lead institutions and creditors' committees have a direct economic interest, and hence a professional obligation, to help control such costs.
- MOF and BoT should be kept informed on the progress of all debt restructuring to aid the review and the regulatory and supervisory framework and to facilitate corporate debt restructuring.
- The Corporate Debt Restructuring Advisory Committee shall follow up developments in debt restructuring, facilitate debt restructuring for the public good, and act as an intermediary in particularly difficult cases.
- Creditors' existing collateral rights remain in force.
- New credit extended during the standstill period in order that the debtor may continue operations must receive priority status.
- Lenders should aim to recover their claims by devising a plan with lower risk and hence lower interest rates, rather than by increasing interest rates and imposing restructuring fees.
- Trading of debt is appropriate under certain conditions, but the selling creditor has the professional obligation to ensure that the purchaser does not have a detrimental effect on the restructuring process.
- Restructuring losses should be apportioned in an equitable manner that recognizes legal priorities between the parties involved.
- Creditors retain the right to exercise independent commercial judgment and objectives but should carefully consider the impact of any action on the economy, other creditors, and potentially viable debtors.
- Any of the principles or implementing principles contained in this framework can be waived, amended, or superseded in any restructuring with the consent of all participating creditors.

Source: World Bank staff.

prove the speed and quality of formal reorganization as well as voluntary corporate debt restructuring.

Framework for Corporate Restructuring in Thailand and CDRAC. In June 1998, the Government established the Corporate Debt Restructuring Advisory Committee (CDRAC) to facilitate the voluntary process of corporate restructuring and developed the Framework for Corporate Restructuring in Thailand.[40] The framework, also called the "Bangkok Approach" and endorsed by creditors in September 1998, is an adaptation of the "London Approach" and was developed with the assistance of the Foreign Banks' Association.[41] The framework consists of 19 principles to facilitate corporate restructuring, which define the expectations of debtors, creditors, and authorities in the voluntary, out-of-court workout process. It emphasizes business viability, full information disclosure, and the sharing of restructuring losses among creditors in an equitable manner that recognizes legal priorities between the parties involved (Box 2). It also includes a 13-step timetable for the process.[42]

In October 1998, CDRAC was strengthened through the appointment of a Working Group, which was to facilitate and coordinate restructuring efforts of 200 priority restructuring cases (actually 353, including subsidiaries and affiliates) identified by CDRAC members. The companies covered a broad cross-section of Thai industry, with concentrations in manufacturing (48 percent), real estate (18 percent), wholesale/retail (12 percent), and construction (6 percent). Their debt totaled B630 billion, each company owing roughly $39.5 million on the average. By the summer of 1999, the list of target cases had expanded to 702 corporations, which represent nearly B1.5 trillion, or 56 percent of total NPLs in Thailand.

In March 1999, CDRAC strengthened the voluntary debt restructuring framework by developing two civil contracts between parties to a restructuring plan that allows CDRAC to enforce a timetable for resolution, approval process, and exit procedures. The two civil contracts are the Debtor-Creditor Agreement (DCA) and the Inter-Creditor Agreement (ICA). DCA is intended to produce agreement on a restructuring plan, submission to intercreditor arbitration, or petitions for foreclosure or insolvency within six to eight months. ICA is intended to facilitate intercreditor agreements (Box 3).

Regulatory (prudential) incentives given to banks. To encourage banks to restructure their holdings of corporate debt, BoT relaxed classification rules for NPLs once the loans were restructured. For example, after debt restructuring, banks were allowed to reclassify "doubtful" or "loss" loans (with provisioning requirements of 50 and 100 percent, respectively) as "substandard" (with a 20 percent provisioning requirement); once the debtor properly serviced the loan for three months, the loan could be reclassified as "normal" (with a provisioning requirement of only 1 percent). The new BoT guidelines were issued to

Box 3: The Debtor-Credit Agreement and the Inter-Creditor Agreement

The Debtor-Creditor Agreement (DCA) provides for the following arrangements:

- The debt restructuring process may be initiated by the debtor (by acceding to DCA) or the creditors, or CDRAC may convene a first meeting of the creditors.
- At the first meeting, creditors elect a Lead Institution, set up a Steering Committee, and establish a workout schedule within 15 days of a move to initiate restructuring.
- Within two to three months, the debtor submits a business plan and information requested by the creditors.
- The creditors then have one to two months to review the plan and decide whether to vote on it, with a fallback provision that CDRAC would appoint an advisor to prepare a new business plan if there is insufficient creditor support for the original plan.
- If the debtor's plan provides a sufficient basis on which to proceed, creditors have an additional 25 days to review the plan and propose amendments, after which time the creditors vote.
- If 75 percent of creditors (on a debt-weighted basis) approve, the plan is approved.
- If a plan receives a 50-75 percent positive vote, it is submitted to an arbitration panel under the terms of the Inter-Creditor Agreement (ICA).
- If a plan receives less than 50 percent creditor approval, creditor signatories are obliged to petition for the collection of debtors or for court-supervised reorganization or bankruptcy.
- If a plan receives Executive Decision Panel (EDP) or at least 25 percent creditor approval, approving creditors would be obliged to support the plan in all further proceedings, including a court-supervised reorganization, thus forming a voting bloc that could deny approval of an alternative reorganization plan.
- Penalties for noncompliance with the DCA could include fines levied by BoT.
- The Inter-Creditor Agreement provides for the following arrangements:
- For cases involving 50-75 percent creditor approval, CDRAC would appoint a three-person EDP of arbitrators within 18 business days from lists preapproved by the Thai Bankers' Association, Association of Finance Companies, and Foreign Bankers' Association.
- Within 43 business days, EDP is obliged to decide on cases submitted to it for arbitration.
- BoT can penalize ICA signatories for noncompliance. Notably, a creditor signatory can opt out of ICA in any case where the debtor's combined debt exceed B1 billion.

Source: World Bank Staff.

(i) allow banks to rehabilitate NPLs, (ii) improve the quality of future loans, and (iii) increase banks' ability to lend to corporate clients.[43]

In addition, BoT issued in August 1998 measures to provide public resources for Tier-2 recapitalization of banks in order to facilitate corporate debt restructuring and to revive bank loans to corporate clients. The Government would inject Tier-2 capital as the institution was to write off NPLs due to corporate debt restructuring or to increase net lending to the private sector. The public support would come in the form of subordinated debt.

Progress of Corporate Debt Workout

Relative to the magnitude of the problem, such as the size of NPLs, corporate debt restructuring has only recently begun to yield some visible results. Progress in corporate debt restructuring was slow in 1998, with completed restructuring of only B157 billion at end-1998. Since then, a few large manufacturing firms (e.g., UCOM with $570 million of debt) have restructured their debts. By the end of 1999, the pace of creditor approvals of restructuring plans improved, both quantitatively and qualitatively.

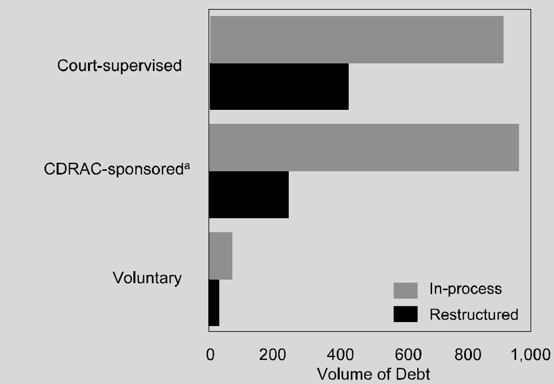
The cumulative total of restructured debt reached B1,070 billion by end-1999, while the total amount of debt in the restructuring process was at B1,120 billion. Although the overall completion rate now stands at 47 percent, the amount of restructured debt is equivalent to 52 percent of total reported NPLs (B2.07 trillion). Much of completed debt restructuring has been in the small to medium-size loan categories, executed through the voluntary process and outside of CDRAC and the court (Figure 7). Completion rates vary significantly across sectors, with services and exports leading and construction and real estate lagging (Table 11).

Table 11: Progress of Corporate Restructuring

	1998					1999						
Item	**Jun**	**Sep**	**Oct**	**Nov**	**Dec**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**
					In Process (B billion)							
Manufacturing	131	228	266	287	296	311	326	328	363	365	410	436
Construction	6	14	20	20	20	19	21	25	26	26	42	47
Real Estate	29	61	99	85	115	122	124	142	148	148	183	221
Exports	6	8	9	17	17	19	19	20	22	22	23	27
Services[a]	-	-	-	-	58	62	62	66	76	74	104	115
Others[a]	45	133	175	185	184	184	195	209	182	190	269	319
Total	217	444	569	594	690	717	747	790	817	825	1,031	1,165
					Completed (B billion)							
Manufacturing	2	6	10	32	51	66	75	95	119	131	182	196
Construction	0	1	3	3	3	3	5	9	10	12	15	17
Real Estate	0	1	6	15	34	36	39	44	58	65	81	96
Exports	0	0	0	2	5	8	8	8	10	11	17	17
Services[a]	-	-	-	-	20	22	25	34	64	72	81	89
Others[a]	1	8	17	30	44	52	64	91	123	139	190	214
Total	3	17	37	82	157	187	216	281	384	430	566	629
					Completion Rates (%)							
Manufacturing	1.5	2.6	3.8	11.1	17.2	21.2	23.0	29.0	32.8	35.9	44.4	45.0
Construction	0.0	7.1	15.0	15.0	15.0	15.8	23.8	36.0	38.5	46.2	35.7	36.2
Real Estate	0.0	1.6	6.1	17.6	29.6	29.5	31.5	31.0	39.2	43.9	44.3	43.4
Exports	0.0	0.0	0.0	11.8	29.4	42.1	42.1	40.0	45.5	50.0	73.9	63.0
Services[a]	-	-	-	-	34.5	35.5	40.3	51.5	84.2	97.3	77.9	77.4
Others[a]	2.2	6.0	9.7	16.2	23.9	28.3	32.8	43.5	67.6	73.2	70.6	67.1
Total	1.4	3.8	6.5	13.8	22.8	26.1	28.9	35.6	47.0	52.1	54.9	54.0

[a] Others include services for the June–November 1998 period.
Source: Bank of Thailand.

Figure 7: Corporate Debt Restructuring by Workout Process, August 1999



[a] Data refer to the debt of target cases owed to domestic commercial banks.
Source: Bank of Thailand.

CDRAC monitors 1,727 "large target debtors," of which 568 firms have signed the Debtor Creditor Agreement (DCR). These 1,727 cases represent over B2.1 trillion.[44] As of January 2000, 271 "large target debtors" (B704 billion or 34 percent of outstanding debt) have successfully reached restructuring agreements, 357 cases (B436 billion or 21 percent) are in restructuring process, while 227 cases (B461 billion or 22 percent) failed to reach agreements and are now in process of court action. So far, all cases completing the CDRAC process are performing according to new restructured agreements, and have not reverted back into NPL status.

Bankruptcy progress. Through December 1999, under the new and specialized Central Bankruptcy Court, 441 petitions were filed, of which 416 were smaller liquidation cases with a total value of B11 billion.[45] Since the reorganization section was introduced, 37 petitions for bankruptcy reorganization have been received by the courts, of which 25 have been accepted for business reorganization, representing total outstanding debts of B153 billion or 42 percent of the B363 billion total filed. To date, 3 petitions have been rejected by the court, 14 petitions are under process, and 8 restructuring plans have been approved by creditors. Although the pace of reorganization filings increased considerably after the passage of the March 1999 amendment to the Bankruptcy Act, it appears to have stabilized at a few reorganization cases per month.

Agendas for Further Corporate Debt Restructuring

Although significant progress has been achieved in corporate debt restructuring, much remains to be done to accelerate its pace and improve its quality.

Early indications are that the vast majority of restructuring has involved debt rescheduling, such as extension of maturities—usually with below-market interest rates in the first few years and floating market rates thereafter—rather than debt restructuring. The net result is that debtors often fail to restructure their business and operations and, consequently, cannot generate sufficient cash flows to service rescheduled debts. The lack of quality debt restructuring stems from several factors:

- Private banks have avoided debt restructuring that includes debt relief, partly because of the optimistic hope of a stronger economic rebound and partly because of concerns about credit discipline (other creditors might begin demanding write-offs) and their own capital shortfalls.
- State-owned banks fear that their executives could be sued for losing public funds due to debt restructuring.
- The long-term business relationship between creditors and debtors has delayed the real restructuring process because of the unwillingness on both sides to resort to drastic measures that result in loss recognition and loss of ownership.
- The amended Bankruptcy Act has not proved to be fully effective in enforcing credit discipline and debt restructuring. As a result, the legal procedure has not been an effective threat to alternative, voluntary out-of-court settlements.
- The CDRAC framework is weak and ineffective in inducing voluntary settlements. Its ability to provide effective mediation services, to use arbitration in disputed cases, and to impose penalties on those who delayed the process is limited.

The market-based strategy can succeed only if the incentive structure drives both debtors and creditors to accelerated negotiation and resolution. If current steps prove insufficient, the Government must introduce additional measures to ensure the success of corporate debt restructuring:

- Strengthen creditor rights to enforce their legal claims (including improvement of the procedures of court-based bankruptcy and court-supervised reorganization and foreclosing on collateral) so as to provide the debtor with a credible threat to negotiate in good faith.
- Provide right incentives to both creditors and debtors so that they can maximize their returns, preserve their asset values, and deploy them efficiently.
- Strengthen formal mechanisms to arbitrate in cases of conflict among creditors and, after securing agreement among creditors, to resolve disputes between creditors and debtors.
- Strengthen a modern legislative regulatory framework of capital markets to facilitate the smooth functioning of special-purpose equity funds that could purchase or manage (or both) financial institutions' holdings of corporate shares and debt-to-equity conversion.
- Develop restructuring capacity in the private sector, to enable more decentralized and rapid decision making.
- Accelerate efforts through better monitoring and sequencing of activities to enable efficient management of a large number of corporate restructuring cases.

Enhancing the Regulatory and Supervisory Framework in the Financial Sector

The purpose of financial sector reform is to improve the allocative efficiency of financial intermediation and reduce financial sector vulnerabilities to minimize future crises. The allocation of financial resources to the most productive investments on both a cost-effective and risk-adjusted basis are prerequisites to a competitive economy. Furthermore, a stable and robust financial sector reduces the risk of a systemic financial crisis in the future. It is therefore important to address the overall incentive framework for the financial sector in order to encourage the financial system to act as a prudent and efficient intermediary of savings. Issues pertaining to this framework include structural, legal, regulatory, supervisory, incentives, and information improvement.

An Inadequate Precrisis Framework

Since its banking crisis in the mid-1980s, Thailand had strengthened its financial system. It ensured that the fundamentals were right by keeping real deposit interest rates positive, by gradually liberalizing its financial system, and by strengthening the supporting institutional framework. These efforts were successful in mobilizing household savings, intermediated mainly through banks, as demonstrated by the size of credit provided by the banking sector as a ratio of GDP. In addition, they provided funding for high private investment and contributed to rapid economic growth. Nonetheless, financial sector reform was unable to secure a sound financial system. Long-festering structural weaknesses led to the development of many vulnerabilities from the mid-1990s onward, as revealed by the 1997 financial crisis.

The regulatory and supervisory framework for financial institutions was not conducive to prudent banking. Although deregulation, particularly in the finance company sector, had increased competition, resulting in a decrease in the franchise value of financial institutions, it did not motivate them to act prudently. The problem was worsened by scattered and lax supervision, by regulators who engaged in forbearance, and by weak overall supervisory and problem recognition capacity. To compound matters, Thailand also had weak accounting and auditing standards, poor financial disclosure, and inadequate corporate governance of financial institutions. Market oversight was limited due to poor information, a concentrated ownership structure, and cross-ownership links between financial and nonfinancial entities. In addition, incentives for market oversight were reduced with a bailout of many weak financial institutions following the crisis of the mid-1980s.

The resolution framework for problem financial institutions remained incomplete as the exit rules (rules governing liquidation, closure, and merger of insolvent banks or finance companies) were not clearly defined, without any effective framework for supervision. The absence of explicit intervention powers limited the ability of the authorities to deal promptly and properly with financial sector distress. In addition, supervision was institutionally fragmented (the legal powers for supervision were concentrated at MOF while BoT was charged with the daily supervisory authority). As a result, the authorities did not intervene in insolvent finance companies in the early phase of the 1997 financial crisis. Instead, they used FIDF to provide liquidity support to finance companies and resorted to the issuance of a "blanket guarantee" for depositors and creditors to restore public confidence in the financial system.

Improving the Bank Supervisory and Regulatory Framework

In response to the crisis, the Government has embarked on a comprehensive reform of banking supervision. Nonetheless, in spite of the fact that major reforms have been initiated, major weaknesses persist.

Legal and legislative changes. A number of modifications in the framework for financial services provision are expected to be made in the near future through the following: the new Financial Institutions Law, the new Central Bank Law, the new Deposit Insurance Law, changes in SEC and stock exchange laws and regulations, as well as other regulatory and supervisory changes. The changes are significant (Box 4), involving a (re-)definition of the role of finance companies, modification of minimum capital requirements, and definition of the extent and modalities of foreign ownership. The authorities are also committed to replacing the general guarantee with a self-financed deposit insurance scheme with limited coverage, and laying down an adequate framework for the timely exit of problem institutions. A comprehensive program of institutional and policy changes to tackle accounting and auditing weaknesses for all companies is underway; specific rules on account-

Box 4: Objectives of Financial Sector Laws

Strengthen the Central Bank Law.
- Clearly define objectives for the operation of the central bank.
- Establish the central bank's functional independence from the Government.
- Create a clear division of responsibility between the central bank and the Government with regard to supervision.
- Enforce accountability of the central bank through reports to the legislative arm of the Government.
- Establish clear lines of authority and responsibility within the central bank.

Strengthen the Financial Institutions Law.
- Clearly allocate authority and responsibility between Government entities.
- Establish functional independence and clearly defined authority and responsibility of licensing, supervisory, and regulatory entities from the Government.
- Clearly define scope of permissible operations for each type of financial institution.
- Incorporate the Basle Committee Core Principles for Effective Banking Supervision.
- Implement a legal process for intervening, rehabilitating, and liquidating failed financial institutions.
- Introduce amendments to the Central Bank Law and a draft of the Financial Institutions Law to the Cabinet by 31 December 1999.

Draft and enact the proposed secured lending law and establish a collateral registry, given the weaknesses in the current practice which lead to collateral-based, not cash-flow-based, lending.

Source: World Bank.

ing, auditing and financial disclosure for financial institutions are in preparation to bring them in line with best international practices.[46] Improvements in these areas will remain a continuing challenge for the Government in the near future.

Institutional setting. There are several problems related to supervision. First, most legal powers for supervision are concentrated in MOF, whereas the day-to-day supervision rests exclusively with the BoT. This has blurred the lines of responsibility and accountability, and made the decision process too lengthy and complex. Second, current legal provisions do not provide sufficient guidance or legal ground to the supervisory agency to discharge its responsibilities (e.g., lack of consolidated supervision or narrow definition of connected lending). Third, the supervisory agency has broad discretion to grant exemptions from legal provisions or to enforce sanctions. This unlimited discretionary power—combined with the frequent absence of clear prudential criteria for the waiver of legal provisions or for a decision if sanctions are to be applied—has resulted in significant prudential forbearance, in the waiver of legal limits beyond prudential consideration and in delayed sanctions. The new financial laws are expected to address some of these weaknesses.

The clear definition of legal powers, removal of supervisor discretion, development of detailed guidelines, and strengthening of technical skills are intended to provide a regime with strict enforcement of binding rules. Nonetheless, the new legal and regulatory framework will have to be enforced. Before the crisis, binding rules were not as strictly enforced as they should have been. Since end-1997, BoT has made difficult decisions, which have sent a strong signal that forbearance should no longer be expected from supervisors.

Supervisory procedures and capacity. In many areas, BoT has not developed or revised detailed supervisory procedures or tools in order to help its staff discharge supervisory duties. Although BoT has begun to tackle some issues (e.g., reform of the regulatory reporting and drafting of a new on-site examination manual), other weaknesses still need to be addressed (e.g., automatic data transfer from financial institutions to BoT, development of an early warning system, design of a financial analysis methodology, and explanation and interpretation of prudential standards). Moreover, BoT's functions must be improved by greater internal communication, genuine acceptance of new supervisory approaches, greater involvement of junior staff, and more open discussions among the staff. Finally, more significant external hiring and building on the recent creation of the School for Examiners will prove critical in further strengthening BoT's supervisory capacity.

An explicit deposit-protection scheme. A key element of the financial sector reform strategy is to phase out the August 1997 comprehensive guarantee to all depositors and to adopt a more restricted deposit-protection scheme once financial markets stabilize. It is important that the new framework on deposit insurance include (i) a clear institutional framework to manage the deposit-protection scheme; (ii) a funding mechanism; (iii) mandate, duties, range of insured deposits, and payment modalities; (iv) monitoring and corporate governance; and (v) strict exit and prompt corrective action procedures.

Broader operating environments. The formal rules—property rights, creditor rights—and scope for adequate corporate governance—ownership structure, mandatory dividends, antidirector rights—appear to protect creditors and shareholders better in Thailand than in many developing countries. Yet they still fall short of the protection granted in developed countries and are undermined by a weak judicial system. The effectiveness and transparency of the Thai judicial system is very poor, hindering efficiency and integrity of the legal environment as it affects the financial sector. Further improvements in this area are necessary.

Thailand has made some progress over the course of the crisis in moving its incentive framework in the financial sector closer to global best practice. As the scope for market discipline may be limited, in part due to the highly concentrated ownership in the economy, greater reliance will, however, have to be placed on improving supervision and owners' discipline. Supervision can be enhanced by reducing the amount of discretion of supervisors (through a catalogue of penalties, for example) in dealing with institutions that are weak and undercapitalized or that do not comply with the prudential regulatory framework. The catalogue can also increase the roles and duties, including the legal liability, of owners, and contain strict rules on early intervention in weak financial institutions.

The Medium-term Agenda

The current system still exhibits deficiencies and falls short of international best practice in several areas. Over the medium term, Thailand should focus its reform efforts in the following three areas:

Increasing financial sector competitiveness. Thailand's banking system has been highly concentrated. Partly as a result of the Government's restructuring efforts over the last year, the banking industry continues to be highly concentrated; the three largest banks accounted for over 40 percent of financial system assets at end-1998. While the degree of concentration does not differ greatly from that in some industrialized countries, it has, in the past, hampered innovation and diversification, and impeded the development of private securities markets. The concentration has, in part, been due to limited and unfair competition from other financial institutions and from a lack of substitution through other forms of financial intermediation. Most importantly, there has been a lack of a credible threat of competition through entry.

Thailand has restricted entry almost completely, with no new domestic banking licenses granted in 1965-1997.[47] High minimum capital requirements (in absolute amounts) and limits on foreign ownership still prevent the entry of new financial institutions. Under the draft Financial Institutions Law, the authorities are considering granting BoT an absolute authority to prescribe conditions and grant or deny licenses. BoT would need to be guided by objective and transparent criteria (including, at a minimum, those of Basle Core Principle 3) and not by economic-needs tests. It should employ clear and objective standards in assessing the applicant institution's ownership structure and the fit-and-proper test for owners and managers. The existing restriction of 25 percent foreign ownership of financial institutions could be relaxed, subject to specific conditions; branch restrictions on foreign banks that limit the operations of foreign financial institutions to one branch should be removed. These are important as Thai banks need to upgrade their skills and institutional development. Lower minimum capital requirements with a transparent process for reviewing new banking licenses would greatly enhance the contestability of the Thai sector. Finally, Thai banks' capacity to manage asset, liabilities and risks has to be strengthened.[48]

Moving to a more balanced financial system. Relative to those in most other emerging market economies with per capita incomes similar to Thailand's, the Thai financial system is very deep, with financial assets to GDP ratio of 150 percent. The Thai system is, however, significantly bank-oriented, with more than 70 percent of financial assets in banks, and with very limited financial intermediation through mutual funds and other types of institutional investors. Bond and stock markets remain relatively underdeveloped, with outstanding bond market issues accounting for 12.5 percent of GDP and stock market capitalization amounting to 19 percent of GDP as of June 1998. The equity market lacks transparency and plays a limited role in corporate governance as family control over firms continues to dominate. The unbalanced pattern of financial intermediation has made the economy disproportionately more vulnerable to internal and external shocks to the financial sector. Better securities markets are needed, as they can be a competitive force for the banking system and because banks and securities markets are complementary sources of finance. The functioning of capital markets can be furthered by enforcing minority shareholders' rights and by improving the corporate governance framework.

A better definition of the scope of financial services. There is a clear need to develop the medium-term scope of the financial services industry. Licenses for different financial services are still fragmented and the organizational structures allowed for different types of financial activities are not necessarily optimal from either a risk or an economies-of-scope point of view. While it is too early to move to a full-fledged integrated banking system, the authorities could rationalize the various types of licenses provided.[49] In this context, the policy of allowing different types of commercial banks may need to be reconsidered.

While the finance company sector has been significantly restructured, the issue of the future role of finance companies and commercial banks must be addressed. In an effort to further consolidate the finance company sector, BoT announced in December 1998 that finance companies could apply for a limited bank license, which would permit them to undertake all activities allowed for commercial banks, except for checking accounts. The phasing out of finance companies may be accelerated as they become restricted banks, or go into securities business, or be eliminated; expanding finance companies' activities does not necessarily present a long-term solution.[50]

Concluding Remarks

In 1997-1998, Thailand experienced one of the most severe economic contractions in its recent history. The crisis was brought about by several factors.

First, the steep baht depreciation caused large exchange losses to Thai borrowers, particularly business firms, which had large amounts of foreign-currency-denominated debt. Because most of the borrowers left their debts unhedged, they saw them inflate in baht terms and, consequently, faced serious repayment difficulties.

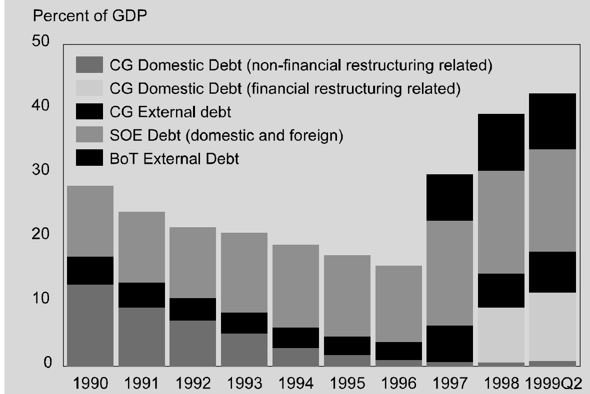
Second, a severe credit crunch emerged as a result of the collapse of several major financial institutions in the spring of 1997, suspension of 16 finance companies in June and 42 in August, closure of 56 finance companies in November, and loss of confidence in the financial system.[51] For fear of possible losses of deposits (or equivalents), the general public began to shift their deposits away from finance companies to commercial banks, and from small and medium-size banks to quality domestic or foreign banks. Financial institutions became increasingly reluctant to extend commercial loans, as they attempted to protect the quality of assets and to maintain sound balance sheets. Measures to strengthen the balance sheets of financial institutions—i.e., stringent provisioning requirements against NPLs, prohibition of overdue interest accruals, and capital adequacy requirements—all made banks and finance companies even more conservative in their lending behavior. The need for provisioning and capital requirements became even larger as bank NPLs continued to rise in the course of the crisis.

Third, difficulties in rolling over international bank loans made Thai commercial banks even more cautious about lending, precisely because of their substantially reduced access to international bank loans.

Finally, the initial, austere macroeconomic policy added further deflationary pressure on the economy. Tight monetary and fiscal policy measures weakened already-shrinking aggregate demand, and the financial sector restructuring measures had the side effect of aggravating the credit crunch. Although confidence in the baht began to be restored in early-1998 and fiscal policy was reversed to an expansionary stance, the economy continued to contract throughout 1998.

Thailand had embarked on rapid financial market deregulation and capital flow liberalization in the first half of the 1990s. However, its financial system was not resilient enough to adjust to an increasingly global environment: Thai commercial banks and finance companies borrowed large amounts of short-term funds domestically as well as from abroad at attractive terms, and aggressively extended loans for do-

Figure 8: Consolidated Public Sector Debt



BoT = Bank of Thailand, CG = central government, SOE = state-owned enterprises.
Data: MOF, BoT, National Economic and Social Development Board, National Statistical Office, and World Bank staff calculations.
Source: World Bank Thailand Office, Thailand Economic Monitor, October 1999.

mestic investment. Commercial banks and finance companies had not acquired sufficient know-how, skills, expertise, or human capital to exercise prudent asset-liability management and risk controls. The authorities continued to provide explicit and implicit guarantees to protect financial institutions or to stop them from going bankrupt, thereby creating serious moral-hazard problems in the financial sector. Regulation and supervision of commercial banks and finance companies were both inadequate and lax. In addition, standards of disclosure, accounting, and auditing were generally weak. Essentially, the precrisis overextension of financial activity was a fundamental cause of the crisis.

The most important lesson is that, in order to maintain a stable economy, a country that is highly integrated with the rest of the world financially, such as Thailand, must establish a resilient and robust domestic financial system. That is, domestic financial institutions should be sufficiently capitalized with adequate loan-loss provisions and must have the capability and expertise to prudently manage assets and liabilities. The authorities should maintain effective regulatory and supervisory framework over banks and nonbank financial institutions (NBFIs) as well as effective disclosure and accounting standards. They should protect financial market integrity but not guarantee the solvency of individual financial institutions. With a resilient financial system in place, banks and NBFIs can be expected to weather macroeconomic shocks and asset price gyrations. A combination of excessive capital inflows and rapid capital outflows will then be less likely to have an adverse impact on the domestic financial system and on economic activity in general.

One of the most profound consequences of the financial crisis has been a dramatic increase in public sector debt.[52] Total public debt rose from B721 billion (15.6 percent of GDP) at end-1996 to B2,140 billion (42.5 percent of GDP) by the end of June 1999 (Figure 8). By end-1997, baht depreciation caused external debt to rise to an unprecedented proportion of total public debt (76.9 percent). In addition, BoT received balance-of-payments support as part of the IMF package. Throughout 1998, public sector debt rose as the Government borrowed to finance financial system restructuring and additional budgetary expenditures. Public debt continued to soar in 1999 as the Government and State-owned enterprises borrowed to finance expenditures. By end-2000, public sector debt is estimated to reach 61 percent of GDP—a fourfold increase from the precrisis period.

From end-1996 to mid-1999, the debt-to-GDP ratio went up by 27 percent. An estimated 3 percentage points of the increase came as the direct result of the baht's depreciation, which inflated the domestic currency value of external debt, net of impact on nominal GDP. Another 13 percentage points stemmed from a rise in the public sector's external debt, largely the result of Government and central bank borrowing from official sources. And the remainder—11 percentage points—was the consequence of the FIDF bond issue and other related spending for financial system restructuring.

The increase in public, especially Government, debt was inevitable. Although the need for fiscal stimulus to an ailing economy would have required a larger budget deficit, there was little fiscal stimulus in 1998. Only in the first quarter of 1999 did modest fiscal expansion begin, and the actual size of the budget deficit has been relatively small. What is important is that the authorities responded to a systemic crisis of the financial system by injecting large amounts of public resources into distressed finance companies and commercial banks, which were financed through Government bonds. The level of public sector indebtedness would be larger than even the published numbers suggest if one considers the large amounts of contingent liabilities the public sector has accumulated, including guarantees of all third-party liabilities of State-owned enterprises.

Servicing the public debt will increase pressure on the Government budget, already weakened by declining tax revenues, high interest payments, and increased needs for social sector protection. Budgetary pressure is expected to continue in FY2000, as the resolution of financial system distress may require additional cost. How public finances fare under the additional burden will depend on the trajectory of interest rates, the exchange rate, recovery of economic activity, and the primary balance. Reducing the debt over time will prove challenging but manageable.[53] Although early resolution of the financial system crisis requires the cost up-front, it will bear fruit in the form of increased financial intermediation, greater output and employment, and less fiscal pressure.

Notes

[1]See Appendix Table 1. In addition, there were 19 foreign Bangkok International Banking Facility (BIBF) units focusing on offshore banking activity at end-1996 (Appendix Table 2). Appendix Table 4 summarizes assets and liabilities of commercial banks for the 1990s.

[2]See Appendix Table 3. The term "finance companies" in this paper includes both finance companies, and finance and securities companies. In 1995, finance and securities companies were required to split their finance and securities businesses into two separate companies, but compliance was slow. Appendix Table 5 summarizes assets and liabilities of finance companies.

[3]See Appendix Table 6 for a chronology of major financial reforms.

[4]In the wake of deteriorating financial market conditions in 1983-1984, the Ministry of Finance (MOF) and the Bank of Thailand (BoT) established the "April 4 Lifeboat Scheme" in 1984 to rehabilitate finance companies. As a result, the conditions of troubled finance companies improved markedly. In November 1985, after a series of crises and bankruptcies among finance companies, the BoT established the Financial Institutions Development Fund (FIDF) to provide liquidity to ailing financial institutions with management difficulties and to restore public confidence. See Johnston (1991) and Vichyanond (1994, 1995) for analyses of the financial crisis in the first half of the 1980s.

[5]McKinnon and Pill (1996) and Krugman (1998) present the view that overguaranteed and underregulated financial intermediaries can produce moral-hazard problems and lead to excessive investment for the economy as a whole.

[6]Kawai (1997) explains the factors behind capital account liberalization in East Asia and its consequences. Sirivedhin (1997) discusses the implications of financial market deregulation and capital account liberalization for Thailand.

[7]See Fischer and Reisen (1993) and Kawai (1997).

[8]A large part of nonresident baht deposits was intended for investment in the Thai stock market.

[9]The government tried to improve the access of domestic entities to international capital markets through the banking system and gave BIBF banks tax incentives and preferential treatment in their operations.

[10]Note that there occurred sharp capital flow reversals in 1997 and 1998, driven mainly by rapid outflows of banking sector funds.

[11]In terms of total lending shares, there was no relative increase in lending to real-estate-related sectors. While the total outstanding loans of commercial banks expanded by 2.2 times from end-1990 to end-1996, the balance of loans to the real estate sector grew by only 1.4 times. However, commercial bank funds appear to have flowed into the real estate sector indirectly through finance companies affiliated to banks, or via sectors with no apparent links to real estate. In the case of finance companies, the total outstanding loans increased by 3.7 times during the same period, while loans to the real estate sector rose by 4.0 times.

[12]Econometric evidence suggests that capital inflows through commercial banks were a major determinant of bank loans and that such inflows were not affected by interest rate differentials between Thailand and the rest of the world (Kawai and Iwatsubo 1998). That is, capital inflows through banks were not sensitive to the movement of interest rate differentials, and banks increased their loans once they borrowed from abroad. Essentially, Thai banks' demand for foreign borrowing was interest rate inelastic. On the other hand, capital inflows through nonbanks, including finance companies, were positively correlated with the interest rate differential. The high interest rate, together with the expectation of stable exchange rates, attracted foreign capital to the nonbank sector.

[13]FIDF played an instrumental role in the rescue. However, FIDF was unable to differentiate between good and bad financial institutions. It reportedly provided liquidity at subsidized rates even to sound finance companies at their request, which profited by investing the liquidity elsewhere for higher returns. FIDF eventually injected a large amount of liquidity into the financial system.

[14]It was decided that the funds required for this purpose would be raised through issues of Government-guaranteed bonds. However, the Property Loan Management Organization lacked financial backing due to its small capital and the fact that the issues of bonds and short-term securities covered by MOF guarantees were limited to 12 times its capital.

[15]Criteria included (i) recapitalization guidelines, with recommended capital adequacy ratios starting at 12-15 percent for the first year (higher where shareholders were unchanged) and declining to 10 percent in the third year,

with a concomitant introduction of the progressively more stringent loan classifications; (ii) FIDF conversion of its loans into equity permitted only after the capital of existing shareholders fully written down; and (iii) FIDF debt eligible for repayment up to a maximum period of eight years.

[16]By the time of the closure of 56 finance companies, FIDF had provided an estimated B530 billion liquidity support to them, and B160 billion to other finance companies.

[17]Two finance companies that escaped closure were allowed to reopen for business in March 1998: Kitnakin Finance and Securities and Bangkok Investment.

[18]This obstructed restructuring of loans owed to the intervened-in finance companies, as well as syndicated loans in which the finance companies served as one creditor. The problem was later rectified by developing procedures to accelerate the sale of syndicated loans.

[19]About 97 percent of the AMC's assets are real estate loans, and 70 percent of the collateral which secures these loans is raw land. Given the poor legal regime for debt collection, the AMC's strategy for resolution of real estate-related loans consist of (i) taking title to the collateral in a voluntary compromise, (ii) providing the borrower with a buy back option at the AMC's cost plus margin, (iii) seeking some new money from the borrower, and (iv) entering into a joint venture with the same borrower/developer in which that party manages the assets over time. The AMC will sell loans or take legal actions over time. It will sell loans or take legal actions against debtors only in a small minority of cases because the AMC sees its mandate as being supportive of its debtors. The impact this may have on other debtors and creditors may further hurt the banks and the credit culture.

[20]RSB created two subsidiaries—one finance company (Radanatun Finance) and one securities company (Radanadsub Securities). The first business undertaking of Radanatun was the successful auction of one group of the hire-purchase loans in June 1998.

[21]However, the assigned objective of RSB was subsequently changed partly due to the blend of assets of various qualities for the auction by FRA and partly due to RSB's merger with Laem Thong Bank (LTB), which was intervened in August 1998. The merger with LTB provided RSB with the nationwide branches that would help improve its competitive edge with other commercial banks.

[22]The seven finance companies were Nava Finance and Securities, Bangkok Asian Finance, Mahatun Finance, Progressive Finance, Erawan Trust, KSIT Finance and Securities, and Union Asia Finance .

[23]The five finance companies were Dhana Siam Finance and Securities, First City Investment, Vichirathanatun. Finance, Thai Summit Finance and Securities, and Industrial Finance Corporation of Thailand (IFCT) Finance and Securities.

[24]Restrictions on foreign ownership of commercial banks were eased so that foreign funds could be used to rescue financial institutions. Foreign nationals can now acquire over 49 percent of shares in financial institutions, although shareholdings must be reduced to 49 percent or lower in 10 years' time. They can also acquire over 49 percent of shares in finance companies, and in November 1997 the maximum ratio of interlocking share ownership was raised from 10 to 49 percent.

[25]However, properly valued collateral could be deducted from the amount of loans when determining the amount of provision.

[26]Banks were not required to pay a specified amount of loan-loss provisions all at once but in stages by 2000.

[27]Other conditions included (i) submission of a reorganization and restructuring plan, and (ii) empowerment of the new major equity investors or the Government so as to replace management after existing shareholders recognized losses.

[28]The Thai Military Bank has been proposing to raise a total of B30 billion Tier-1 capital, of which about B15 billion would come from the 14 August capital support program and the rest would take the form of innovative capital instruments.

[29]Even when banks book no earnings in one year and hence pay no dividends for preferred shares-cum-subordinated debentures, investors can receive about 11 percent from the investment, 6 percentage points above current deposit rates.

[30]Chantaburi is expected to take over bad assets of Phatra Thanakit (PT) at current net book value (B30.8 billion as of June 1999). Proceeds from the sale of PT's assets will be used to repay its B50 billion liabilities; FIDF agreed to provide no more than B4.4 billion for any shortfall, byond which TFB is responsible. TFB and FIDF will split any

Chantaburi profits one-third/two-thirds respectively. This arrangement requires TFB to take on losses in its subsidiary in excess of its equity investment. In July 1999, TFB announced that it would transfer B80 billion in NPLs to an AMC and, for this purpose, raise an additional B24 billion in equity.

[31]A centralized AMC was used for the first time for the sale of RSB to carve out NPLs from intervened banks. An investor would have an option to either bid for the whole bank and enter into profit-and-loss sharing agreements with the Government, as in the case of NTB, or bid for only its good assets after carving out bad assets to an AMC, as in the case of the sale of RSB.

[32]This ratio, however, does not include assets purchased by the AMC from the FRA or NPLs transferred to private commercial banks' wholly owned AMCs.

[33]Restructuring without immediately recognizing full losses is further facilitated by a recent change in debt restructuring rules which allows banks to classify NPLs as performing immediately after restructuring agreements.

[34]Pushing this argument one step further, the Government may take a more aggressive, centralized approach to NPL resolution. That is, it may create a centralized AMC that would acquire, manage, restructure, and dispose of commercial banks' bad assets. When carving out the NPLs from the banks being restructured, the AMC may replace the bad assets with Government bonds on the banks' balance sheets. The NPLs are owned by the Government and may be managed by the AMC, partially contracted out to private managers, or even left with the banks themselves to service. Such a centralized AMC may be created by (i) converting FRA; (ii) combining FIDF-supported AMCs created for BBC, RSB, and KTB into one; or (iii) establishing a new one absorbing existing public AMCs.

[35]However, a third of the private banks' Tier-1 capital increases were in the form of innovative capital (Capital Augmented Preferred Securities or Stapled Limited Interest Preferred Securities), which need to be refinanced after five years.

[36]Nonetheless, significant legal and regulatory challenges remain. Among these is the requirement to purchase shares for cash, and then to have the debtor use the cash to repay debt.

[37]First, because it was a new legal framework, the institutional capacity for implementation was still being developed. Like the banking system, the judicial system had to become more acquainted with the analytical treatment of distressed corporations. Second, both debtors and creditors were reluctant to use the legally binding process without some precedents. Finally, financial institution creditors needed to demonstrate their ability to force court-supervised reorganizations and to replace uncooperative debtor-management with creditor-imposed planners.

[38]The process of claim, judgment, execution, and collection on security supporting a loan would often take more than 5 years, and sometimes as long as 10. Debtors frequently delayed judgments by failing to respond to court summons. Debtors would contest or appeal judgments, further delaying the execution. Because liquidation of collateral offered such low and uncertain returns, the "floor price" guiding the voluntary or formal debt restructuring efforts was very low—the terms offered by debtors for restructured debt were far below what creditors considered acceptable. The most developed bankruptcy reorganization case, Alphatec, was initially rejected by the lead creditor primarily because of a low recovery rate.

[39]In a compromise with the Senate, the time period for a person to be considered bankrupt was established at three years.

[40]CDRAC is chaired by the BoT governor and includes five associations (Thai Bankers' Association, Foreign Bankers' Association, Federation of Thai Industries, Chamber of Commerce, and Association of Finance Companies) representing creditors and debtors.

[41]The "London Approach" is used to guide voluntary debt restructuring in the UK. It describes a set of principles under which creditors agree to keep credit facilities in place, seek out-of-court solutions, work together, share all relevant information about the debtor, and recognize the seniority of claims.

[42]The 13 steps are as follows: (i) initial debtor-creditor meeting; (ii) creditors meeting, appointing the lead bank; (iii) creditors' submission of claims; (iv) ongoing creditors meeting; (v) debtor management's submission of financial data; (vi) appointment of an independent accountant; (vii) debtor's submission of further information; (viii) plan submission; (ix) creditors meeting on the plan; (x) amendments to the plan; (xi) continued examination of the plan; (xii) new creditors meeting, if necessary; and (xiii) decision on whether to privately reorganize, formally reorganize, or liquidate.

[43]Financial institutions were required to adjust their loan-loss provisions to the stricter standards in 20 percent increments, starting with the second half of 1998 and provisioning fully by year-end 2000 (end-2000 LCP).

[44]The amount exceeds the total NPLs in the financial system because CDRAC target cases also include proactive restructuring of non-NPLs.

[45]The $362 million (B14 billion) restructuring of Alphatec Electronics was Thailand's first approved formal reorganization plan under the 1998 reorganization amendment. A consumer products firm reached an agreement with creditors in the first large voluntary restructuring without a major strategic investment; a telecommunications firm reached an agreement with creditors in the first voluntary debt restructuring involving international bondholders. A provision allowing banks to temporarily hold more than 10 percent of a borrower's equity in a debt-equity swap was tested, as Thai Danu Bank took a reported 46 percent equity position in a distressed carpet manufacturer. Finally, Thai Petrochemicals reached an agreement with major creditors on a restructuring plan, which is now being circulated for general ratification. It is the country's largest restructuring case with over $3 billion in outstanding debt.

[46]Reforms have also been initiated to enhance the role of the board of directors and audit committees. Although new amendments to the bankruptcy and foreclosure laws represent major progress, full implementation will require further judicial reform.

[47]Last year BoT issued one new domestic banking license and five new licenses for branches of foreign banks: to Radanasin and to five foreign banks (mostly of Japanese origin) which converted their BIBF licenses into full foreign branch licenses.

[48]Thai banks' average operating expenses are similar to those in other East Asian economies and slightly lower than those in many developed countries, except for Japan, and other developing countries. This, however, reflects inadequate investments in risk management and internal control management systems (which are capital intensive), as has been revealed during and following the crisis. As a result, costs were low, but at the expense of risk management practices.

[49]In particular, more integrated banking would permit Thai banks to fully realize informational advantages, economies of scope, diversification benefits, and increased revenues. Moreover, as integrated banks have to report their activities on a consolidated basis, it would increase transparency for market participants and the supervisory authority. While a full-fledged integrated banking system has some risks, the authorities could implement policy measures to keep them to a minimum. Measures include credible mechanisms to prevent the extension of the safety net for deposit-taking financial institutions to other financial activities. The authorities also could limit, at least initially, the extension of powers to engage in securities markets and other noncredit financial activities to banks that have strong capital positions and the internal capacity to manage the associated risks appropriately.

[50]In the past, at least, the inability of finance companies to raise stable, low-cost funding through deposits was one important factor in motivating them to undertake risky investments.

[51]Ito and Pereira da Silva (1999) report that Thailand faced a typical credit crunch in the early phase of the crisis, mainly because of the second and third factors.

[52]The public sector lacks consolidated figures of its own debt. Public sector debt is the sum of total Government domestic and external debt, State-owned enterprise domestic and external debt, and external debt of monetary authorities converted to baht by the end-of-the-period exchange rate (World Bank Thailand Office 1999).

[53]If Thailand generates a primary surplus of 2-3 percent of GDP over a period of 10 years, it can reduce the debt-to-GDP ratio to a sustainable level (30 to 35 percent).

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Table A1: List of Commercial Banks and their Assets, Deposits, Borrowings, Advances, Net Profits, and Equity

(a) End of 1996

Item	Year of Opening	Number of Employees	Number of Offices
Banks Incorporated in Thailand		124,088	3,237
Bangkok Bank	1944	26,218	481
Krung Thai Bank	1966	16,561	442
Thai Farmers Bank	1945	15,740	440
Siam Commercial Bank	1906	12,904	353
Bank of Ayudhya	1945	11,339	319
Thai Military Bank	1957	8,400	297
First Bangkok City Bank	1934	3,691	84
Siam City Bank	1941	6,110	166
Bangkok Metropolitan Bank	1950	5,806	151
Bangkok Bank of Commerce	1944	5,384	148
Bank of Asia	1939	2,570	80
Thai Danu Bank	1949	3,434	82
Union Bank of Bangkok	1949	2,880	97
Nakornthon Bank	1933	2,028	60
Laem Thong Bank	1948	1,023	37
Banks Incorporated Abroad[b]		3,345	14
Bank of Tokyo-Mitsubishi Ltd.[c]	1962	320	1
Sakura Bank Ltd.	1952	233	1
Citibank N.A.	1923	934	1
Hongkong and Shanghai Banking Corp. Ltd.	1888	503	1
Standard Chartered Bank	1894	392	1
Deutsche Bank AG.	1978	197	1
Bank of America N.T.& S.A.	1949	170	1
Chase Manhattan Bank, N.A.	1964	86	1
Banque Indosuez	1897	197	1
ABN-AMRO Bank N.V.	1919	92	1
Overseas-Chinese Banking Corp., Ltd.	1909	54	1
International Commercial Bank of China	1947	65	1
Sime Bank Berhad[d]	1964	52	1
Bharat Overseas Bank Ltd.	1947	50	1
Total		**127,433**	**3,251**

na = not available.
[a] Total equity consists of reserves and undivided profits, other reserves, and capital fund.
[b] On 7 November 1996, the Ministry of Finance granted full branch licenses to BIBF offices of seven foreign banks. These banks included Bank of Nova Scotia (Canada), Bank of China (China), Banque Nationale de Paris (France), Dresdner Bank A.G. (Germany), Sumitomo Bank (Japan), Dai-Ichi Kangyo Bank (Japan), and Industrial Bank of Japan (Japan). Bank of Nova Scotia started operation on 2 July 1998.
[c] As a result of merger with Mitsubishi Bank, the Bank of Tokyo changed its name to the Bank of Tokyo-Mitsubishi on 1 April 1996.
[d] United Malayan Banking Corporation Ltd. changed its name to Sime Bank Berhad on 16 December 1996.
Source: Bangkok Bank, Commercial Banks in Thailand 1997.

Total Assets (B million)	Deposits (B million)	Borrowings (B million)	Advances (B million)	Net Profits (B million)	Total Equity[a] (B million)	Advances/ Deposits (%)	Net Profits/ Assets (%)	Net Profits/ Equity (%)
5,087,121	3,805,408	457,655	4,122,903	75,094	443,481	108.3	1.5	16.9
1,155,109	836,354	141,759	904,464	20,747	107,536	108.1	1.8	19.3
715,995	578,406	36,870	581,819	10,341	50,632	100.6	1.4	20.4
646,007	516,906	39,050	540,799	11,862	62,128	104.6	1.8	19.1
541,417	395,812	66,126	441,891	9,015	40,878	111.6	1.7	22.1
414,879	334,899	29,276	346,540	5,030	30,112	103.5	1.2	16.7
333,994	249,913	26,351	270,730	4,920	24,168	108.3	1.5	20.4
252,146	181,545	14,702	214,428	4,582	26,740	118.1	1.8	17.1
234,145	168,948	25,648	178,520	3,509	15,565	105.7	1.5	22.5
191,550	143,675	14,899	156,340	954	14,551	108.8	0.5	6.6
185,575	110,061	14,449	152,973	na	35,454	139.0	-	-
126,508	86,209	16,034	104,363	1,800	11,262	121.1	1.4	16.0
119,598	81,918	13,214	97,793	1,087	12,028	119.4	0.9	9.0
64,610	45,075	7,065	49,730	306	4,097	110.3	0.5	7.5
64,471	46,832	6,457	51,329	702	4,824	109.6	1.1	14.6
41,117	28,855	5,755	31,184	239	3,506	108.1	0.6	6.8
471,910	71,280	136,654	376,992	6,050	184,899	528.9	1.3	3.3
122,419	17,768	84,453	105,193	931	14,668	592.0	0.8	6.3
83,569	10,412	603	73,683	738	63,789	707.7	0.9	1.2
61,099	13,327	13,345	46,018	910	6,640	345.3	1.5	13.7
47,025	9,043	20,326	37,931	na	9,750	419.5	-	-
32,468	6,655	686	16,551	287	12,813	248.7	0.9	2.2
26,692	3,871	109	24,101	365	19,546	622.6	1.4	1.9
25,650	1,967	2,796	17,772	1,319	17,990	903.5	5.1	7.3
23,322	2,012	6,186	19,222	970	11,920	955.4	4.2	8.1
21,019	2,188	1,334	17,311	371	14,804	791.2	1.8	2.5
15,228	749	4,308	9,464	na	6,753	1,263.6	-	-
5,542	546	689	4,387	77	3,446	803.5	1.4	2.2
4,885	1,457	1,654	3,576	82	1,332	245.4	1.7	6.2
1,497	294	9	748	na	1,146	254.4	-	-
1,495	991	156	1,035	na	302	104.4	-	-
5,559,031	**3,876,688**	**594,309**	**4,499,895**	**81,144**	**628,380**	**116.1**	**1.5**	**12.9**

Continued next page

Table A1: **List of Commercial Banks and their Assets, Deposits, Borrowings, Advances, Net Profits, and Equity (Cont'd)**

(b) End of 1997

Item	Number of Employees	Number of Offices
Banks Incorporated in Thailand	122,606	3,386
Bangkok Bank	25,000	501
Thai Farmers Bank	15,370	456
Krung Thai Bank	16,252	476
Siam Commercial Bank	12,679	370
Bank of Ayudhya	12,322	332
Thai Military Bank	8,149	312
First Bangkok City Bank	3,778	89
Siam City Bank	6,130	174
Bangkok Metropolitan Bank	5,760	154
Bank of Asia	2,319	84
Bangkok Bank of Commerce	5,390	148
Thai Danu Bank	3,410	84
Nakornthon Bank	2,149	65
Union Bank of Bangkok	2,721	99
Laem Thong Bank	1,177	42
Banks Incorporated Abroad[b]	4,239	20
Bank of Tokyo-Mitsubishi Ltd.[c]	353	1
Sumitomo Bank	83	1
Dai-Ichi Kangyo Bank	109	1
Sakura Bank Ltd.	241	1
Industrial Bank of Japan	81	1
Citibank N.A.	1,097	1
Hongkong and Shanghai Banking Corp. Ltd.	650	1
Standard Chartered Bank	466	1
Deutsche Bank AG.	202	1
Chase Manhattan Bank, N.A.	106	1
Bank of America N.T.& S.A.	172	1
ABN-AMRO Bank N.V.	108	1
Dresdner Bank	63	1
Credit Agncole Indosuez	195	1
Banque Nationale de Paris	52	1
Overseas-Chinese Banking Corp., Ltd.	52	1
Bank of China	42	1
International Commercial Bank of China	67	1
Bharat Overseas Bank Ltd.	51	1
Sime Bank Berhad[d]	49	1
Total	126,845	3,406

na = not available.
[a] Total equity consists of reserves and undivided profits, other reserves, and capital fund.
[b] On 7 November 1996, the Ministry of Finance granted full branch licenses to BIBF offices of seven foreign banks. These banks included Bank of Nova Scotia (Canada), Bank of China (China), Banque Nationale de Paris (France), Dresdner Bank A.G. (Germany), Sumitomo Bank (Japan), Dai-Ichi Kangyo Bank (Japan), and Industrial Bank of Japan (Japan). Bank of Nova Scotia started operation on 2 July 1998.
[c] As a result of merger with Mitsubishi Bank, the Bank of Tokyo changed its name to the Bank of Tokyo-Mitsubishi on 1 April 1996.
[d] United Malayan Banking Corporation Ltd. changed its name to Sime Bank Berhad on 16 December 1996.
Source: Bangkok Bank, Commercial Banks in Thailand 1998.

Total Assets (B million)	Deposits (B million)	Borrowings (B million)	Advances (B million)	Net Profits (B million)	Total Equity[a] (B million)	Advances/ Deposits (%)	Net Profits/ Assets (%)	Net Profits/ Equity (%)
6,008,009	4,083,120	145,966	4,680,256	-75,605	348,746	114.6	-1.3	-21.7
1,408,619	946,548	80,684	1,016,471	4,057	103,294	107.4	0.3	3.9
795,385	588,414	16,861	582,778	801	56,808	99.0	0.1	1.4
792,664	580,049	3,220	653,076	210	45,773	112.6	0.0	0.5
717,240	558,979	15,356	549,832	3,195	41,735	98.4	0.4	7.7
493,890	389,083	0	395,648	1,962	26,209	101.7	0.4	7.5
389,476	257,575	10,536	294,652	1,368	23,107	114.4	0.4	5.9
316,145	131,617	0	276,607	-31,476	21,288	210.2	-10.0	-147.9
272,124	158,086	4,061	228,744	-13,986	12,075	144.7	-5.1	-115.8
190,560	80,429	80	159,353	-23,616	-7,970	198.1	-12.4	-
156,644	80,086	1,211	130,951	42	10,024	163.5	0.0	0.4
145,971	100,629	4,540	123,208	-15,644	-3,800	122.4	-10.7	-
130,266	89,860	5,032	112,247	28	9,104	124.9	0.0	0.3
73,799	46,762	700	58,367	170	4,253	124.8	0.2	4.0
73,284	48,399	3,285	56,598	-1,825	2,915	116.9	-2.5	-62.6
51,942	26,604	400	41,724	-891	3,931	156.8	-1.7	-22.7
1,433,562	187,248	14,923	1,022,206	4,014	746,840	545.9	0.3	0.5
215,126	30,597	na	184,689	428	43,159	603.6	0.2	1.0
188,086	5,644	na	162,547	na	110,520	2,880.0	-	-
172,581	1,283	na	128,563	381	122,092	10,020.5	0.2	0.3
159,065	20,159	na	119,909	2,274	130,465	594.8	1.4	1.7
128,983	3,885	439	72,924	960	101,648	1,877.1	0.7	0.9
119,539	42,134	1,839	70,705	na	6,710	167.8	-	-
85,438	20,510	12,632	56,854	na	22,404	277.2	-	-
53,262	18,047	na	30,537	-302	25,329	169.2	-0.6	-1.2
50,610	737	na	29,038	-6	23,794	3,940.0	0.0	0.0
50,585	2,676	na	42,492	na	34,718	1,587.9	-	-
43,076	6,766	na	29,284	na	28,184	432.8	-	-
38,646	5,461	na	20,430	-7	11,841	374.1	0.0	-0.1
36,858	13,669	na	14,895	176	22,646	109.0	0.5	0.8
33,298	7,187	na	21,256	3	21,372	295.8	0.0	0.0
27,396	34	na	17,474	na	26,977	51,394.1	-	-
9,736	1,295	na	8,689	na	6,908	671.0	-	-
7,854	600	na	3,582	2	5,581	597.0	0.0	0.0
7,701	3,425	na	5,367	112	1,067	156.7	1.5	10.5
3,538	2,706	na	1,690	49	328	62.5	1.4	14.9
2,184	433	13	1,281	-56	1,097	295.8	-2.6	-5.1
7,441,571	4,270,368	160,889	5,702,462	-71,591	1,095,586	133.5	-1.0	-6.5

Continued next page

Table A1: List of Commercial Banks and their Assets, Deposits, Borrowings, Advances, Net Profits, and Equity (Cont'd)

(c) End of 1998

Item	Number of Employees	Number of Offices
Banks Incorporated in Thailand	114,657	3,332
Bangkok Bank	21,652	505
Krung Thai Bank	18,422	592
Siam Commercial Bank	12,220	390
Thai Farmers Bank	14,927	459
Bank of Ayudhya	12,159	338
Thai Military Bank	7,889	331
First Bangkok City Bank[b]	Merged with Krung Thai Bank	
Siam City Bank[c]	5,752	172
Bangkok Metropolitan Bank[d]	5,421	157
Bank of Asia[e]	2,202	88
DBS Thai Danu Bank[f]	3,271	84
Nakornthon Bank	2,022	66
Bank Thai[g]	2,271	101
Bangkok Bank of Commerce[h]	5,167	na
Radanasin Bank[i]	1,282	49
Banks Incorporated Abroad[j]	4,677	21
Bank of Tokyo-Mitsubishi Ltd.[k]	392	1
Sumitomo Bank	106	1
Sakura Bank Ltd.	265	1
Citibank N.A.	1,346	1
Dai-Ichi Kangyo Bank	130	1
Industrial Bank of Japan	86	1
Hongkong and Shanghai Banking Corp. Ltd.	622	1
Standard Chartered Bank	591	1
Chase Manhattan Bank, N.A.	118	1
Deutsche Bank AG.	197	1
ABN-AMRO Bank N.V.	98	1
Bank of America N.T.& S.A.	135	1
Credit Agncole Indosuez	167	1
Banque Nationale de Paris	61	1
Dresdner Bank	68	1
Bank of China	43	1
Bank of Nova Scotia[l]	40	1
Overseas-Chinese Banking Corp., Ltd.	46	1
International Commercial Bank of China	74	1
Bharat Overseas Bank Ltd.	43	1
Sime Bank Berhad[m]	49	1
Total	119,334	3,353

na = not available.
[a] Total equity consists of reserves and undivided profits, other reserves, and capital fund.
[b] On 6 February 1998, First Bangkok City Bank was ordered to write down capital and to recapitalize. On August 14 1998, it was ordered to be fully acquired by Krung Thai Bank.
[c] On 6 February 1998, Siam City Bank was ordered to write down capital and recapitalize with fund from FIDF. On August 14 1998, it was ordered to be offered for sale.
[d] On 23 January 1998, Bangkok Metropolitan Bank was ordered to write down capital and recapitalize with fund from FIDF. On 14 August, it was ordered to be offered for sale.
[e] Bank of Asia sold 75 percent of its shares to ABN-AMRO Bank.
[f] Thai Danu Bank sold 50.27 percent of its shares to the Development Bank of Singapore.
[g] On 14 August 1998, the Union Bank of Bangkok was ordered to write down capital and recapitalize, then merge with Krung Thai Thanakit Finance Company and 12 intervened finance companies to form a new bank called Bank Thai on 21 December 1998.
[h] On 6 February 1998, Bangkok Bank of Commerce was ordered to write down capital and to recapitalize with fund from Krung Thai Bank and to transform itself into an asset management company.
[i] Radanasin Bank was established on 20 January 1998 and was ordered to merge with Laem Thong Bank on 14 August 1998 when the latter was ordered to write down capital to recapitalize.
[j] On 7 November 1996, the Ministry of Finance granted full branch licenses to BIBF offices of seven foreign banks. These banks included Bank of Nova Scotia (Canada), Bank of China (China), Banque Nationale de Paris (France), Dresdner Bank A.G. (Germany), Sumitomo Bank (Japan), Dai-Ichi Kangyo Bank (Japan), and Industrial Bank of Japan (Japan).
[k] As a result of merger with Mitsubishi Bank, the Bank of Tokyo changed its name to the Bank of Tokyo-Mitsubishi on 1 April 1996.
[l] Bank of Nova Scotia started operation on 2 July 1998.
[m] United Malayan Banking Corporation Ltd. changed its name to Sime Bank Berhad on 16 December 1996.
Source: Bangkok Bank, Commercial Banks in Thailand 1999.

Total Assets (B million)	Deposits (B million)	Borrowings (B million)	Advances (B million)	Net Profits (B million)	Total Equity[a] (B million)	Advances/ Deposits (%)	Net Profits/ Assets (%)	Net Profits/ Equity (%)
5,573,521	4,394,698	141,900	3,979,077	-340,750	283,372	90.5	-6.1	-120.2
1,266,949	969,780	61,012	850,468	-49,489	101,088	87.7	-3.9	-49.0
1,067,034	803,716	2,951	813,900	-61,585	84,608	101.3	-5.8	-72.8
706,142	591,150	16,906	516,156	-19,559	38,187	87.3	-2.8	-51.2
704,293	579,333	14,773	490,672	-39,883	52,407	84.7	-5.7	-76.1
483,598	403,896	7,190	354,498	-9,575	27,246	87.8	-2.0	-35.1
355,672	281,104	14,773	278,117	-7,700	20,954	98.9	-2.2	-36.7
279,418	208,724	14,940	189,670	-42,540	9,581	90.9	-15.2	-444.0
177,793	166,920	80	114,239	-55,899	-	68.4	-31.4	-
148,936	115,629	1,132	116,682	-7,702	9,674	100.9	-5.2	-79.6
132,955	109,103	2,958	97,222	-9,126	8,520	89.1	-6.9	-107.1
74,064	60,958	na	48,540	-3,987	1,166	79.6	-5.4	-341.9
68,162	62,438	2,651	44,047	-16,813	-647	70.5	-24.7	2,598.6
60,130	1,501	2,134	35,181	-	-75,517	2,343.8	-	-
48,375	40,446	400	29,685	-16,892	6,105	73.4	-34.9	-276.7
892,319	185,630	9,205	637,472	-1,083	469,105	343.4	-0.1	-0.2
137,467	31,977	na	114,826	na	43,088	359.1	-	-
118,800	5,784	na	102,867	na	69,322	1,778.5	-	-
91,789	25,939	na	69,236	1,877	63,888	266.9	2.0	2.9
84,981	44,202	1,375	64,024	-829	5,153	144.8	-1.0	-16.1
80,151	4,263	na	51,469	683	74,404	1,207.3	0.9	0.9
64,125	3,750	288	47,294	-3,505	55,959	1,261.2	-5.5	-6.3
62,178	19,591	7,542	33,049	na	10,468	168.7	-	-
44,078	17,669	na	23,907	-1,300	19,381	135.3	-2.9	-6.7
38,192	3,882	na	34,399	2,332	33,268	886.1	6.1	7.0
37,011	9,323	na	17,524	na	4,103	188.0	-	-
32,578	3,193	na	14,804	1,112	20,349	441.1	3.4	5.5
22,222	3,740	na	13,929	-924	12,113	372.4	-4.2	-7.6
20,457	3,701	na	16,588	174	15,062	448.2	0.9	1.2
16,541	595	na	11,217	na	14,497	1,885.2	-	-
8,964	148	na	4,935	-995	7,729	3,334.5	-11.1	-12.9
7,943	1,080	na	2,430	11	5,875	225.0	0.1	0.2
7,312	212	na	2,994	na	6,748	1,412.3	-	-
6,790	764	na	5,868	220	5,165	768.1	3.2	4.3
6,564	3,512	na	3,845	21	1,126	109.5	0.3	1.9
2,497	1,892	na	1,369	37	366	72.4	1.5	10.1
1,679	413		898	3	1,041	217.4	0.2	0.3
6,465,840	4,580,328	151,105	4,616,549	-341,833	752,477	100.8	-5.3	-45.4

Table A2: Assets and Liabilities of Bangkok International Banking Facility Units

(a) End of 1996

		Assets			Liabilities			Lending	
	Date of Opening	Value (B billion)	Share (%)	Share in BIBF (%)	Value (B billion)	Share (%)	Share in BIBF (%)	Value (B billion)	Share (%)
Banks Incorporated in Thailand		352,003	100.0	27.1	6,442	1.9	100.0	na	-
Bangkok Bank	01/04/93	79,986	22.7	6.2	2	0.0	0.0	na	-
Krung Thai Bank	25/03/93	50,947	14.5	3.9	2,216	0.7	34.4	na	-
Siam Comm'l Bank	24/03/93	46,603	13.2	3.6	67	0.0	1.0	na	-
Bank of Ayudhya	01/04/93	35,970	10.2	2.8	25	0.0	0.4	na	-
First Bangkok City Bank	26/05/93	32,835	9.3	2.5	120	0.0	1.9	na	-
Thai Farmers Bank	25/03/93	27,598	7.8	2.1	19	0.0	0.3	na	-
Siam City Bank	15/04/93	24,991	7.1	1.9	43	0.0	0.7	na	-
Bank of Asia	5/04/93	17,330	4.9	1.3	17	0.0	0.3	na	-
Thai Military Bank	19/04/93	11,502	3.3	0.9	1,930	0.6	30.0	na	-
Thai Danu Bank	01/04/93	11,238	3.2	0.9	11	0.0	0.2	na	-
Nakornthon Bank	01/04/94	8,351	2.4	0.6	7	0.0	0.1	na	-
Bangkok Metropolitan Bank	03/04/95	4,653	1.3	0.4	1,984	0.6	30.8	na	-
Existing Foreign Bank Branches		237,578	100.0	18.3	118,935	35.4	100.0	na	-
Bank of Tokyo-Mitsubishi Ltd.[a]	01/04/93	88,577	37.3	6.8	78,474	23.4	66.0	na	-
Sakura Bank Ltd.	01/04/93	51,538	21.7	4.0	2,328	0.7	2.0	na	-
Hongkong & Shanghai Banking Corp. Ltd.	15/04/93	18,953	8.0	1.5	11,302	3.4	9.5	na	-
Chase Manhattan Bank, NA	23/04/93	16,949	7.1	1.3	6,609	2.0	5.6	na	-
Bank of America N.T.& S.A.	19/04/93	15,076	6.3	1.2	4,564	1.4	3.8	na	-
Deutsche Bank AG.	01/04/93	14,888	6.3	1.1	561	0.2	0.5	na	-
Citibank NA	02/07/93	10,812	4.6	0.8	11,100	3.3	9.3	na	-
ABN-AMRO Bank N.V.	08/10/93	7,423	3.1	0.6	3,318	1.0	2.8	na	-
Banque Indosuez	26/03/93	5,377	2.3	0.4	391	0.1	0.3	na	-
Standard Chartered Bank	16/04/93	5,102	2.1	0.4	82	0.0	0.1	na	-
Overseas-Chinese Banking Corp. Ltd.	01/02/95	2,885	1.2	0.2	206	0.1	0.2	na	-
Foreign Banks without Branches in Thailand[b]		707,040	100.0	54.5	210,483	62.7	100.0	536,495	100.0
Sanwa Bank Ltd.	15/06/93	184,092	26.0	14.2	49,389	14.7	23.5	139,586	26.0
Sumitomo Bank Ltd.	30/04/93	145,656	20.6	11.2	42,106	12.5	20.0	127,937	23.8
Dai-Ichi Kangyo Bank Ltd.	03/09/93	130,600	18.5	10.1	39,189	11.7	18.6	102,272	19.1
Industrial Bank of Japan Ltd.	18/05/93	99,624	14.1	7.7	32,385	9.6	15.4	65,813	12.3
Long-Term Credit Bank of Japan Ltd.	19/08/93	69,736	9.9	5.4	24,633	7.3	11.7	58,721	10.9
Societe Generale	01/10/93	18,300	2.6	1.4	6,531	1.9	3.1	13,880	2.6
Dresdner Bank AG.	01/10/93	11,673	1.7	0.9	1,478	0.4	0.7	7,057	1.3
Banque Nationale de Paris	09/11/93	na	-	-	na	-	-	na	-
Development Bank of Singapore Ltd.	02/08/93	8,202	1.2	0.6	595	0.2	0.3	2,031	0.4
Bank of Nova Scotia	24/02/94	8,066	1.1	0.6	11,046	3.3	5.2	3,812	0.7
Korea Exchange Bank	09/10/94	7,792	1.1	0.6	944	0.3	0.4	4,125	0.8
Internationale Nedelanden Bank N.V.	01/12/93	7,412	1.0	0.6	149	0.0	0.1	3,036	0.6
Credit Lyonnais	15/12/93	4,512	0.6	0.3	5	0.0	0.0	3,128	0.6
American Express Bank Ltd.	11/10/93	na	-	-	na	-	-	na	-
Bank of China	21/02/94	3,669	0.5	0.3	1,462	0.4	0.7	2,117	0.4
Overseas Union Bank Ltd.	03/01/95	2,862	0.4	0.2	34	0.0	0.0	1,427	0.3
Bank of New York	01/03/94	2,761	0.4	0.2	521	0.2	0.2	763	0.1
Bankers Trust Company	01/03/94	na	-	-	na	-	-	na	-
United Overseas Bank Ltd.	16/09/94	2,084	0.3	0.2	17	0.0	0.0	791	0.1
Skandinaviska Enskilda Banken	01/02/94	na	-	-	na	-	-	na	-
Total		1,439,736		100.0	335,860	100.0		536,495	

[a] The Mitsubishi Bank Ltd. merged with the Bank of Tokyo Ltd. in April 1996, forming the Bank of Tokyo-Mitsubishi Ltd.
[b] On 7 November 1996, the Bank of Thailand upgraded 7 foreign BIBF offices into full branches. These banks have to start operations within one year and must have minimum assets of B1 billion (and B2 billion within one year from the start of operations). On 25 December 1996, the Bank of Thailand granted BIBF licenses in the second round to seven new foreign banks, which are large and well-known. These banks are the General Bank (Belgium), the Union Bank of Switzerland (Switzerland), the Royal Bank of Canada (Canada), the National Australian Bank (Australia), the Korea Development Bank (Republic of Korea), Fuji Bank (Japan), and Tokai Bank (Japan).
Sources: Bangkok Bank, Commercial Banks in Thailand 1997, 1998, 1999.

Table A2: Assets and Liabilities of Bangkok International Banking Facility Units (Cont'd)

(b) End of 1997	Assets			Liabilities			Lending	
	Value (B billion)	Share (%)	Share in BIBF (%)	Value (B billion)	Share (%)	Share in BIBF (%)	Value (B billion)	Share (%)
Banks Incorporated in Thailand	554,064	100.0	29.1	4,629	100.0	1.0	na	-
Bangkok Bank	131,873	23.8	6.9	36	0.8	0.0	na	-
Krung Thai Bank	90,703	16.4	4.8	555	12.0	0.1	na	-
Thai Farmers Bank	41,131	7.4	2.2	1,231	26.6	0.3	na	-
Siam Commercial Bank	78,462	14.2	4.1	331	7.2	0.1	na	-
Bank of Ayudhya	42,100	7.6	2.2	288	6.2	0.1	na	-
Thai Military Bank	22,311	4.0	1.2	1,349	29.1	0.3	na	-
Bangkok Metropolitan Bank	7,072	1.3	0.4	708	15.3	0.1	na	-
Siam City Bank	43,020	7.8	2.3	48	1.0	0.0	na	-
First Bangkok City Bank	46,155	8.3	2.4	61	1.3	0.0	na	-
Bank of Asia	24,943	4.5	1.3	1	0.0	0.0	na	-
Thai Danu Bank	14,930	2.7	0.8	20	0.4	0.0	na	-
Nakornthon Bank	11,366	2.1	0.6	2	0.0	0.0	na	-
Existing Foreign Bank Branches	978,438	100.0	51.4	360,341	100.0	74.5	na	-
Bank of Tokyo-Mitsubishi Ltd.[a]	171,200	17.5	9.0	134,633	37.4	27.8	na	-
Sakura Bank Ltd.	97,466	10.0	5.1	6,641	1.8	1.4	na	-
Hongkong and Shanghai Banking Corp. Ltd.	27,352	2.8	1.4	17,693	4.9	3.7	na	-
Bank of America N.T.& S.A.	21,775	2.2	1.1	6,229	1.7	1.3	na	-
Standard Chartered Bank	14,765	1.5	0.8	642	0.2	0.1	na	-
Chase Manhattan Bank, NA	39,431	4.0	2.1	12,170	3.4	2.5	na	-
Banque Indosuez	13,362	1.4	0.7	265	0.1	0.1	na	-
Deutsche Bank AG.	22,449	2.3	1.2	1,707	0.5	0.4	na	-
Citibank NA	23,353	2.4	1.2	23,226	6.4	4.8	na	-
Overseas-Chinese Banking Corp. Ltd.	6,692	0.7	0.4	603	0.2	0.1	na	-
ABN-AMRO Bank N.V.	17,614	1.8	0.9	12,546	3.5	2.6	na	-
Sumitomo Bank Ltd	178,106	18.2	9.4	71,368	19.8	14.7	na	-
Dai-ichi Kangyo Bank Ltd	168,794	17.3	8.9	48,898	13.6	10.1	na	-
Industrial Bank of Japan	114,719	11.7	6.0	21,884	6.1	4.5	na	-
Dresdner Bank AG.	20,537	2.1	1.1	110	0.0	0.0	na	-
Bank of Nova Scotia	13,390	1.4	0.7	54	0.0	0.0	na	-
Bank of China	6,129	0.6	0.3	1,643	0.5	0.3	na	-
Banque Nationale de Paris	21,307	2.2	1.1	29	0.0	0.0	na	-
Foreign Banks without Branches in Thailand[b]	370,254	100.0	19.5	118,947	100.0	24.6	256,115	100.0
Sanwa Bank Ltd.	215,196	58.1	11.3	73,081	61.4	15.1	152,949	59.7
Long-Term Credit Bank of Japan Ltd.	46,279	12.5	2.4	22,609	19.0	4.7	30,068	11.7
Korea Exchange Bank	12,225	3.3	0.6	2,554	2.1	0.5	6,565	2.6
Development Bank of Singapore Ltd.	11,555	3.1	0.6	1,693	1.4	0.3	6,333	2.5
Societe Generale	25,842	7.0	1.4	3,507	2.9	0.7	20,470	8.0
Credit Lyonnais	13,122	3.5	0.7	10	0.0	0.0	11,238	4.4
American Express Bank Ltd.	958	0.3	0.1	2	0.0	0.0	255	0.1
Bank of New York	2,047	0.6	0.1	8	0.0	0.0	231	0.1
Bankers Trust Company	3,221	0.9	0.2	47	0.0	0.0	2,155	0.8
United Overseas Bank Ltd.	1,607	0.4	0.1	13	0.0	0.0	468	0.2
Overseas Union Bank Ltd.	4,216	1.1	0.2	76	0.1	0.0	1,964	0.8
National Australia Bank	979	0.3	0.1	-	-	-	939	0.4
Royal Bank of Canada	962	0.3	0.1	1	0.0	0.0	0.0	0.0
Tokai Bank	18,614	5.0	1.0	15,315	12.9	3.2	14,038	5.5
Fuji Bank	3,297	0.9	0.2	13	0.0	0.0	2,668	1.0
Korea Development Bank	945	0.3	0.0	1	0.0	0.0	882	0.3
Generale Bank	710	0.2	0.0	3	0.0	0.0	167	0.1
Total	1,902,756		100.0	483,917		100.0	256,115	

(c) End of 1998

	Assets			Liabilities			Lending	
	Value (B billion)	Share (%)	Share in BIBF (%)	Value (B billion)	Share (%)	Share in BIBF (%)	Value (B billion)	Share (%)
Banks Incorporated in Thailand	239,285	100.0	26.2	1,340	100.0	0.6	na	-
Bangkok Bank	54,528	22.8	6.0	2	0.1	0.0	na	-
Krung Thai Bank	47,323	19.8	5.2	294	22.0	0.1	na	-
Thai Farmers Bank	23,537	9.8	2.6	507	37.8	0.2	na	-
Siam Commercial Bank	43,653	18.2	4.8	13	1.0	0.0	na	-
Bank of Ayudhya	18,088	7.6	2.0	60	4.5	0.0	na	-
Thai Military Bank	12,018	5.0	1.3	377	28.1	0.2	na	-
Bangkok Metropolitan Bank	6,134	2.6	0.7	50	3.7	0.0	na	-
Siam City Bank	14,515	6.1	1.6	2	0.1	0.0	na	-
Bank of Asia	8,710	3.6	1.0	27	2.0	0.0	na	-
DBS Thai Danu Bank	5,591	2.3	0.6	9	0.7	0.0	na	-
Nakornthon Bank	5,188	2.2	0.6	-	-	-	na	-
Existing Foreign Bank Branches	522,593	100.0	57.1	145,482	100.0	69.1	na	-
Bank of Tokyo-Mitsubishi Ltd.[a]	93,947	18.0	10.3	58,773	40.4	27.9	na	-
Sakura Bank Ltd.	56,784	10.9	6.2	339	0.2	0.2	na	-
Hongkong and Shanghai Banking Corp. Ltd.	12,781	2.4	1.4	6,909	4.7	3.3	na	-
Bank of America N.T.& S.A.	9,012	1.7	1.0	4,382	3.0	2.1	na	-
Standard Chartered Bank	8,538	1.6	0.9	46	0.0	0.0	na	-
Chase Manhattan Bank, NA	30,210	5.8	3.3	219	0.2	0.1	na	-
Banque Indosuez	8,672	1.7	0.9	4	0.0	0.0	na	-
Deutsche Bank AG.	9,550	1.8	1.0	8,668	6.0	4.1	na	-
Citibank NA	10,113	1.9	1.1	9,859	6.8	4.7	na	-
Overseas-Chinese Banking Corp. Ltd.	4,230	0.8	0.5	30	0.0	0.0	na	-
ABN-AMRO Bank N.V.	10,891	2.1	1.2	6,773	4.7	3.2	na	-
Sumitomo Bank Ltd	108,435	20.7	11.9	43,550	29.9	20.7	na	-
Dai-ichi Kangyo Bank Ltd	71,726	13.7	7.8	367	0.3	0.2	na	-
Industrial Bank of Japan	56,740	10.9	6.2	3,813	2.6	1.8	na	-
Dresdner Bank AG.	9,468	1.8	1.0	223	0.2	0.1	na	-
Bank of Nova Scotia	6,214	1.2	0.7	4	0.0	0.0	na	-
Bank of China	4,750	0.9	0.5	1,000	0.7	0.5	na	-
Banque Nationale de Paris	10,533	2.0	1.2	524	0.4	0.2	na	-
Foreign Banks without Branches in Thailand[b]	152,766	100.0	16.7	63,581	100.0	30.2	115,704	100.0
Sanwa Bank Ltd.	59,889	39.2	6.5	42,756	67.2	20.3	42,931	37.1
Long-Term Credit Bank of Japan Ltd.	8,377	5.5	0.9	92	0.1	0.0	5,354	4.6
Korea Exchange Bank	7,730	5.1	0.8	2,109	3.3	1.0	5,734	5.0
Development Bank of Singapore Ltd.	5,395	3.5	0.6	1,784	2.8	0.8	4,299	3.7
Societe Generale	13,473	8.8	1.5	1,762	2.8	0.8	12,329	10.7
Internationale Nederlanden Bank N.V.	4,191	2.7	0.5	6	0.0	0.0	2,501	2.2
Credit Lyonnais	7,483	4.9	0.8	11	0.0	0.0	6,433	5.6
American Express Bank Ltd.	131	0.1	0.0	1	0.0	0.0	-74	-0.1
Bank of New York	780	0.5	0.1	5	0.0	0.0	0	0.0
Bankers Trust Company	1,784	1.2	0.2	39	0.1	0.0	1,102	1.0
United Overseas Bank Ltd.	910	0.6	0.1	6	0.0	0.0	-1	0.0
Overseas Union Bank Ltd.	1,645	1.1	0.2	96	0.2	0.0	701	0.6
National Australia Bank	1,184	0.8	0.1	15	0.0	0.0	1,136	1.0
Royal Bank of Canada	773	0.5	0.1	20	0.0	0.0	-2	0.0
Tokai Bank	17,344	11.4	1.9	14,807	23.3	7.0	14,342	12.4
Fuji Bank	20,652	13.5	2.3	4	0.0	0.0	18,421	15.9
Korea Development Bank	-	-	-	-	-	-	-	-
Generale Bank	1,027	0.7	0.1	69	0.1	0.0	497	0.4
Total	914,644		100.0	210,404		100.0	115,704	

Table A3: List of Finance Companies and Finance and Securities Companies and Major Balance Sheet Indicators

Item	Classification of Companies	Status at the end of 1997
First 16 FCs and F&SCs Suspended in June 1997[a]		
Finance One Plc.	FC	Closed
CMIC Finance & Securities Plc.	F&SC	Closed
General Finance & Securities Plc.	F&SC	Closed
Thana One Finance & Securities Plc.	F&SC	Closed
Thai Fuji Finance & Securities	F&SC	Closed
ITF Finance & Securities Plc.	F&SC	Closed
Prime Finance & Securities Plc.	F&SC	Closed
Dynamic Eastern Finance & Securities Plc.	F&SC	Closed
GCN Finance Plc.	FC	Closed
Thai Financial Trust Plc.	F&SC	Closed
United Finance Corp. Plc.	FC	Closed
CL Sahaviriya Finance & Securities	F&SC	Closed
Country Finance & Securities Ltd.	F&SC	Closed
Royal International Finance & Securities	F&SC	Closed
Bangkok Metropolitan Trust Ltd.	F&SC	Closed
Subthamrong Finance	FC	Closed
Next 42 FCs and F&SCs Suspended in August 1997[b]		
Wall Street Finance & Securities Plc.	F&SC	Closed
Multi Credit Corporation Plc.	F&SC	Closed
SITCA Investment & Securities Plc.	F&SC	Closed
Nithipat Capital Plc.	FC	Closed
Cathay Trust	FC	Closed
SCCF Finance & Securities Plc.	F&SC	Closed
SCF Finance & Securities Plc.	F&SC	Closed
Chaopraya Finance and Securities	F&SC	Closed
Kitnakin Finance & Securities Plc.	F&SC	Reopened
Thai Thamrong	FC	Closed
Sri Dhana Finance Plc.	FC	Closed
Thanapol Finance and Securities Plc.	F&SC	Closed
Thai Financial Syndicate Plc.	F&SC	Closed
First Bangkok City Finance Plc.	F&SC	Closed
Premier Finance	FC	Closed
Thai Tanakorn Finance Plc.	FC	Closed
Dhana Nakorn Finance and Securities Plc.	F&SC	Closed
Thai Rung Reung Trust Finance & Securities	F&SC	Closed
Thaimex Finance & Securities Plc.	F&SC	Closed
Siam City Syndicate Finance & Securities	F&SC	Closed
Metropolis Trust and Securities	F&SC	Closed
Cathay Finance & Securities Plc.	F&SC	Closed
Krung Thai Finance & Securities Plc.	F&SC	Closed
Poonpipat Finance & Securities Plc.	F&SC	Closed
Pacific Finance & Securities Plc.	F&SC	Closed
Thanasap Finance & Securities	F&SC	Closed
Bangkok Investment Plc.	F&SC	Reopened
Thai Finance & Securities Plc.	F&SC	Closed
Bara Finance & Securities Plc.	F&SC	Closed
Ekapat Finance & Securities Plc.	F&SC	Closed
Asia Financial Syndicate Plc.	FC	Closed

at End-1996

Assets (B million)	Equity (B million)	Debt/ Equity (%)	Loans & Interest Accrued (B million)	Interest Accrued/ Loans (%)	Loan Loss Reserves (B million)	Loan Loss Reserves/ Loans (%)	Nonperforming Loans/ Loans (%)
78,292	[634]	nm	62,288	2.88	7,343	11.79	11
71,577	6,564	10	60,441	2.79	604	1.00	na
61,022	3,977	14	58,364	5.24	3,140	5.38	28
35,702	1,398	25	30,377	2.24	1,103	3.63	na
29,884	156	191	25,283	2.88	2,550	10.09	na
29,098	1,112	25	27,921	5.61	1,543	5.53	21
14,310	522	26	12,559	3.76	411	3.27	21
13,178	1,415	8	10,709	3.57	1,039	9.70	36
12,788	322	39	12,195	3.85	827	6.79	7
12,285	232	52	11,112	4.73	961	8.65	27
12,213	715	16	11,417	4.68	390	3.41	20
8,014	641	12	7,101	2.01	103	1.45	na
5,251	509	9	4,420	1.21	31	0.71	na
5,069	482	10	4,218	3.59	41	0.97	n.a.
3,403	170	19	2,813	7.75	140	4.98	n.a.
1,891	237	7	1,505	5.54	9	0.59	n.a.
34,044	2,300	14	29,183	2.69	297	1.02	10
33,773	1,665	19	30,413	1.92	1,571	5.17	11
33,038	5,710	5	25,601	3.04	185	0.72	7
32,336	2,619	11	27,947	2.04	119	0.43	5
31,347	1,971	15	26,294	2.08	319	1.21	na
29,800	1,376	21	25,745	3.43	478	1.86	13
29,727	1,863	15	26,515	2.29	151	0.57	6
22,778	1,481	14	19,601	2.27	389	1.98	na
22,006	1,978	10	19,525	1.01	323	1.66	9
21,530	1,661	12	18,567	2.21	410	2.21	na
20,246	1,608	12	17,544	2.29	214	1.22	6
19,525	1,422	13	16,945	2.54	149	0.88	na
18,580	1,109	16	15,422	3.01	172	1.12	na
18,071	2,312	7	16,225	3.39	249	1.53	na
17,723	1,642	10	14,940	1.69	243	1.63	na
16,359	1,230	12	14,200	3.65	200	1.41	27
15,474	958	15	12,430	0.97	73	0.59	na
15,131	1,029	14	12,931	1.52	273	2.11	n.a.
14,849	1,455	9	13,268	3.33	381	2.87	8
13,935	769	17	12,095	2.03	94	0.78	na
12,163	1,767	6	8,333	1.48	60	0.72	na
10,961	1,279	8	10,122	1.76	296	2.92	11
10,555	380	27	9,682	5.29	570	5.89	17
10,501	182	57	9,685	1.82	861	8.89	17
10,363	969	10	9,350	2.84	157	1.68	12
10,044	825	11	8,301	1.92	99	1.19	na
9,693	1,430	6	8,956	1.94	221	2.46	13
8,647	614	13	7,355	2.12	17	0.23	na
8,222	524	15	7,180	1.87	91	1.27	na
8,206	540	14	7,273	2.79	471	6.48	11
7,347	601	11	6,537	1.94	24	0.37	na

Continued next page

Table A3: **List of Finance Companies and Finance and Securities Companies and Major Balance Sheet Indicators**

Item	Classification of Companies	Status at the end of 1997
Chatiphaibul Finance	FC	Closed
Bangkok Finance	FC	Closed
Thanamass Finance	FC	Closed
Union Finance Plc.	FC	Closed
Thai Oversea Trust	F&SC	Closed
Teerachai Trust Corporation Limited	FC	Closed
Inter Credit & Trust	F&SC	Closed
Siam Commercial Trust	F&SC	Closed
Lila Finance & Securities	F&SC	Closed
People Trust Limited	FC	Closed
Muang Thong Trust	F&SC	Closed
33 FCs and F&SCs Allowed to Continue Operations in August 1997[c]		
Phatra Thanakit Plc.	F&SC	Opened
Dhana Siam Finance & Securities Plc.	F&SC	Opened
National Finance PLc.	FC	Opened
Asia Credit Plc.	F&SC	Opened
Thai Investment & Securities Plc.	F&SC	Opened
Nava Finance & Securities	F&SC	Opened
Krung Thai Thanakit Plc.	F&SC	Opened
Union Asia Finance Plc.	F&SC	Opened
First City Investment Plc.	FC	Opened
The Siam Sanwa Industrial Credit Plc.	F&SC	Opened
Ekachat Finance Plc.	FC	Opened
IFCT Finance & Securities Plc.	F&SC	Opened
The Book Club Finance & Securities Plc.	F&SC	Opened
Ayudhya Investment & Trust Plc.	F&SC	Opened
Bangkok First Investment & Trust Plc.	F&SC	Opened
The Ocean Securities & Finance	F&SC	Opened
Vichirathanatun Finance	FC	Opened
Citicorp Finance & Securities (Thailand)	F&SC	Opened
Thai Summit Finance & Securities	F&SC	Opened
Eastern Finance & Securities	F&SC	Opened
Sethakara Finance	FC	Opened
KSIT Finance & Securities Plc.	F&SC	Opened
Thai Sakura Finance & Securities	F&SC	Opened
Bangkok Asian Finance	FC	Opened
HSBC Finance & Securities (Thailand)	F&SC	Opened
ASEC Finance & Securities	F&SC	Opened
Asia Finance Corp.	FC	Opened
BTM (Thailand) Finance & Securities	F&SC	Opened
Taksin Thanakit Finance	FC	Opened
National Finance Co.Ltd.	FC	Opened
Mahatun Finance	FC	Opened
Thai Capital Finance & Securities	FC	Opened
Erawan Trust	FC	Opened

na = not available, FC = finance company, F&SC = finance and securities company.
[a] These companies remained closed at end-1997.
[b] Except for Kitnakin Finance & Securities Plc. and Bankgkok Investment Plc. which were reopened, the rest of the 42 companies remained closed at end-1997.
[c] The 33 companies continued to operate as of end-1997. Data are as of end-June 1997 for listed companies and as of end-December 1996 for unlisted companies.
Source: Securities One Plc.

at End-1996 (Cont'd)

Assets (B million)	Equity (B million)	Debt/ Equity (%)	Loans & Interest Accrued (B million)	Interest Accrued/ Loans (%)	Loan Loss Reserves (B million)	Loan Loss Reserves/ Loans (%)	Nonperforming Loans/ Loans (%)
7,052	596	1	6,450	2.90	67	1.04	na
6,707	805	7	5,634	1.76	175	3.11	na
5,356	370	13	4,623	2.42	209	4.52	na
5,155	580	8	4,569	1.79	86	1.88	na
3,890	355	10	3,211	1.62	11	0.34	na
3,144	255	11	2,462	2.92	52	2.11	na
2,981	184	15	2,373	4.93	109	4.59	na
2,351	206	10	2,037	2.90	34	1.67	na
2,140	205	9	1,956	4.45	28	1.43	na
1,845	155	11	1,650	4.12	12	0.73	na
1,590	374	3	1,415	3.67	14	0.99	na
77,044	11,539	6	61,979	1.94	1,015	1.64	7
68,684	10,127	6	52,495	2.04	840	1.60	9
66,602	10,149	6	47,596	1.91	1,124	2.36	7
60,295	6,608	8	51,864	1.79	1,115	2.15	10
52,350	6,666	7	42,250	0.37	351	0.83	2
51,372	7,530	6	44,462	2.50	945	2.13	7
51,097	5,361	9	43,261	1.58	644	1.49	6
44,182	4,496	9	36,970	2.14	700	1.89	11
25,516	3,026	7	20,091	3.18	373	1.86	11
21,329	1,899	10	16,065	1.06	377	2.35	0
18,539	3,117	5	13,761	0.91	433	3.15	15
15,713	1,649	9	13,460	2.80	220	1.64	15
15,621	1,160	12	13,797	1.79	190	1.38	11
15,343	1,055	14	13,432	0.80	60	0.45	1
10,938	1,576	6	7,539	0.77	120	1.59	1
10,899	854	12	9,159	1.23	139	1.52	na
10,173	850	11	8,962	2.18	87	0.97	na
9,539	921	9	7,909	0.78	28	0.36	na
8,564	593	13	7,163	16.83	72	1.00	na
4,770	1,185	3	3,449	28.95	13	0.38	na
4,050	290	13	3,560	2.80	29	0.82	na
3,860	669	5	3,158	19.92	49	1.54	na
3,800	339	10	2,850	9.72	6	0.20	na
3,489	585	5	3,268	1.99	93	2.83	na
3,309	224	14	2,776	0.89	85	3.06	na
2,496	484	4	1,666	7.15	25	1.51	na
1,891	237	7	1,505	1.07	9	0.59	na
1,671	272	5	855	7.53	-	0.00	na
1,669	258	5	1,545	1.75	12	0.78	na
1,299	164	6	830	3.06	11	1.35	na
1,073	184	8	737	2.67	6	0.83	na
941	453	1	360	1.51	9	2.61	na
734	[91]	[9]	272	7.55	57	20.95	na

Table A4: Assets and Liabilities of Commercial Banks[a] (B million)

	1991 Dec	1992 Dec	1993 Dec	1994 Dec	1995 Dec	1996 Jun	Sep
ASSETS							
Cash and claims on Bank of Thailand:	60,415.2	60,900.3	73,546.6	79,716.2	117,826.9	115,039.4	134,401.5
Cash in hand	23,529.7	24,989.3	29,396.6	36,391.4	41,011.2	40,971.8	41,507.9
Balances at BoT	33,645.5	35,911.0	44,150.0	43,324.8	70,506.7	58,161.6	72,880.6
BoT bonds	3,240.0	0.0	0.0	0.0	6,309.0	15,906.0	12,575.0
FIDF bonds	0.0	0.0	0.0	0.0	0.0	0.0	7,438.0
Claims on commercial banks:	23,029.2	25,189.1	32,945.4	34,772.8	28,830.5	48,592.0	35,787.7
Deposits	4,856.4	4,775.2	7,036.7	7,597.5	8,525.3	5,759.1	7,305.7
Advances and bills	18,172.8	20,413.9	25,808.7	27,175.3	20,305.2	42,832.9	28,482.0
Claims on other financial institutions:	94,158.7	113,118.0	126,582.4	158,041.5	213,444.0	200,167.4	224,210.3
Deposits	17,320.8	11,622.1	7,851.2	7,724.5	8,964.4	4,090.2	4,731.6
Advances and bills	69,825.0	90,007.9	100,866.6	121,058.4	155,446.5	144,021.7	158,484.4
Securities	7,012.9	11,488.0	17,864.6	29,268.6	49,033.1	52,055.5	60,994.3
Foreign assets:	72,599.7	77,728.0	157,462.5	169,088.3	235,898.2	259,607.0	206,153.5
Claims on other nonresident banks:	40,349.4	37,712.6	109,187.9	107,315.4	162,368.0	196,648.8	136,097.4
Deposits and cash in hand	34,644.8	27,148.9	80,822.8	83,301.7	122,456.0	168,311.3	91,168.0
Advances and bills	5,704.6	10,563.7	28,365.1	24,013.7	39,912.0	28,337.5	44,929.4
Capital funds allocated	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on other nonresidents:	29,788.4	37,535.0	46,432.2	57,403.8	69,723.5	54,828.0	61,465.7
Advances and bills	289.0	298.8	652.4	882.7	2,109.2	2,233.5	8,020.6
Export bills	28,546.5	36,218.8	42,065.1	43,230.5	44,266.3	39,526.6	41,516.2
Securities	952.9	1,017.4	3,714.7	13,290.6	19,348.0	13,067.9	11,926.9
Other foreign assets	2,461.9	2,480.4	1,842.4	4,369.1	7,806.7	8,130.2	6,590.4
Claims on government:	82,878.1	69,679.3	50,284.1	36,003.5	25,054.0	24,925.5	2,070.2
Advances and bills	1,826.2	2,256.4	2,507.6	840.4	2,926.3	750.0	2,070.2
Bonds	81,051.9	67,422.9	47,776.5	35,163.1	22,127.7	24,175.5	0.0
Treasury bills	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Claims on nonfinancial public enterprises:	44,692.0	53,151.3	76,459.0	94,198.3	108,414.2	115,257.9	106,574.8
Advances and bills	8,894.3	9,820.6	16,943.7	12,131.3	12,884.7	10,844.4	16,412.4
Securities	35,797.7	43,330.7	59,615.3	82,067.0	95,529.5	104,413.5	90,162.4
Claims on business and household sector	1.696,883.0	2,045,064.8	2,536,520.5	3,304,080.5	4,089,203.1	4,394,813.2	4,498,532.6
Advances	1,294,165.1	1,570,021.1	1,970,292.7	2,553,488.4	3,175,093.2	3,400,873.2	3,492,316.0
Bills:	384,456.7	450,380.9	532,670.7	693,863.0	833,249.5	906,711.0	917,443.2
Domestic bills	297,163.6	356,486.1	435,865.6	566,881.6	655,353.0	723,235.0	735,277.8
Import bills	17,944.0	16,436.3	19,185.8	23,945.4	29,529.7	31,660.6	32,427.0
Trust receipts	69,349.1	77,458.5	77,619.3	103,036,0	148,366.8	151,815.4	149,738.4
Securities	18,261.2	24,662.8	33,557.1	56,729.1	80,860.4	87,229.0	88,773.4
Other assets	95,258.3	110,788.6	150,942.2	188,800.6	226,354.7	253,871.7	250,886.6
Total assets	**2,169,914.2**	**2,555,619.4**	**3,204,642.7**	**4,064,701.7**	**5,045,025.7**	**5,412,274.1**	**5,488,617.2**
LIABILITIES							
Credit from Bank of Thailand	37,608.2	36,330.5	21,215.4	13,691.3	14,678.9	33,334.7	13,774.7
Liabilities to commercial banks:	22,742.0	27,868.8	33,924.1	40,780.4	37,435.1	49,400.4	30,407.1
Deposits	4,956.5	4,433.2	4,292.1	3,457.2	3,988.0	3,273.8	3,313.3
Borrowings	17,785.5	23,435.6	29,632.0	37,323.2	33,447.1	46,126.6	27,093.8
Borrowings from other financial institution	10,369.5	14,932.8	19,996.3	55,861.5	86,313.7	81,858.3	92,903.4
Total deposits of nongovernment sector[b]	1,680,010.5	1,934,184.4	2,293,298.2	2,579,395.6	3,016,557.1	3,244,436.3	3,287,883.8
Demand deposits	70,032.9	66,106.2	82,354.4	96,446.1	94,274.7	100,300.7	122,087.2
Savings deposits	421,382.0	493,770.1	621,787,8	691,291.7	681,936.3	716,608.7	705,730.2
Time deposits	1,184,053.2	1,370,399.3	1,582,655.3	1,785,299.9	2,229,075.2	2,413,836.6	2,450,408.5
Foreign currency deposits	3,684.0	3,109.1	5,759.6	5,623.1	10,254.5	12,238.3	8,532.7
Marginal deposits	858.4	799.7	741.1	734.8	1,016.4	1,452.0	1,125.2
Foreign liabilities:	123,917.9	167,599.0	352,431.4	779,952.1	1,164,131.9	1,223,836.4	1,213,281.3
Banks abroad:	109,886.0	151,769.8	329,425.0	755,204.9	1,136,848.2	1,198,155.5	1,183,170.8
Deposits	3,593.7	5,813.8	16,040.5	34,986.2	72,697.8	58,680.3	43,211.7
Borrowings	106,292.3	145,956.0	313,384.5	720,216.7	1,064,150.4	1,139,475.2	1,139,959.1
Other nonresidents	12,535.8	14,184.8	21,387.6	19,373.9	18,368.5	20,668.9	24,859.1
Other foreign liabilities	1,496.1	1,644.4	1,618.8	5,373.3	8,915.2	5,012.0	5,251.4
Government deposits	50,524.7	76,481.6	92,685.9	122,538.0	135,532.0	157,232.8	168,898.3
Capital accounts	143,463.2	170,226.3	220,635.6	306,449.4	394,952.8	434,898.2	507,590.7
Other liabilities	101,278.2	127,996.0	170,455.8	166,033.4	195,424.2	187,287.0	173,877.9
Total liabilities	**2,169,914.2**	**2,555,619.4**	**3,204,642.7**	**4,064,701.7**	**5,045,025.7**	**5,412,274.1**	**5,488,617.2**

BoT = Bank of Thailand, FIDF = Financial Institutions Development Fund.
[a] Include interbank transactions.
[b] Consist of business and household sectors, nonfinancial public enterprises and other financial institutions.
Source: Bank of Thailand.

Dec	1997 Mar	Jun	Aug	Sep	Oct	Nov	Dec	1998 Jan	Feb	Mar
165,806.6	195,934.8	290,646.5	321,418.5	385,338.5	485,367.0	399,905.2	399,083.7	446,362.0	479,109.1	483,845.0
61,286.4	46,659.1	46,474.5	39,993.5	38,983.3	38,718.5	39,401.4	63,775.3	42,350.2	39,808.3	41,277.4
75,094.0	90,580.2	159,482.5	81,518.3	83,429.8	83,535.1	82,906.4	73,792.0	75,176.4	85,534.4	86,468.2
18,664.0	37,939.0	13,410.0	16,862.0	14,447.0	12,777.0	12,297.0	11,192.0	11,165.0	10,365.0	10,365,0
10,762.2	20,756.5	71,279.5	183,044.7	248,478.4	350,336.4	265,300.4	260,324.4	317,670.4	343,401.4	345,734.4
40,740.9	36,462.9	91,478.3	100,410.4	86,971.1	93,634.0	98,052.7	95,804.4	109,115.3	95,435.6	81,466.3
10,109.9	8,118.6	25,175.2	24,739.0	18,976.1	19,044.1	17,404.9	19,499.7	25,968.8	27,186.4	19,717.0
30,631.0	28,344.3	66,303.1	75,671.4	67,995.0	74,589.9	80,647.8	76,304.7	63,146.5	68,249.2	61,749.3
213,918.9	219,627.5	251,005.0	300,879.1	327,916.3	331,758.1	323,701.2	338,243.5	338,522.1	319,058.9	283,686.0
4,106.2	8,254.0	4,509.3	3,781.3	3,791.7	3,786.2	3,817.8	3,384.0	3,406.7	3,419.2	3,419.4
146,172.1	140,989.2	175,068.0	227,635.9	256,658.9	261,934.2	254,524.9	271,829.3	273,512.5	254,577.4	220,197.1
63,640.6	70,384.3	71,427.7	69,461.9	67,465.7	66,037.7	65,358.5	63,030.2	61,602.9	61,062.3	60,069.5
179,985.0	190,100.8	225,484.6	346,917.7	346,203.6	339,011.1	400,045.4	470,491.8	590,227.1	437,207.9	360,852.8
102,225.9	108,389.4	139,802.3	244,484.3	245,176.7	234,310.7	297,697.6	347,618.8	455,930.0	327,480.0	261,297.4
66,058.5	72,984.1	81,998.3	177,050,6	153,539.6	143,919.3	216,081.1	242,073.6	318,953.8	222,946.1	182,659.7
36,167.4	35,405,3	57,804.0	67,433.7	91,637.1	90,391.4	81,616.5	105,545.2	136,976.2	104,533.9	78,637.7
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
64,559.7	70,698.2	70,835.3	86,452.1	87,809.6	91,716.8	90,332.0	110,402.1	120,865.0	97,242.3	87,679.8
6,182.7	8,044.7	6,975.6	2,714,7	6,579.7	7,282.7	7,065.3	15,517.3	18,066.4	11,917.2	13,050.1
44,175.0	47,197.1	45,808.4	53,878.7	54,579.2	58,606.9	58,431.0	64,150.9	68,193.4	57,196,8	49,992.9
14,202.0	15,456.4	18,051.3	29,858.7	26,650.7	25,827.2	24,835.7	30,733.9	34,605.2	28,128.3	24,636.8
13,199.4	11,013.2	14,847.0	15,981.3	13,217.3	12,983.6	12,015.8	12,470.9	13,432.1	12,485.6	11,875.6
8,528.4	7,682.1	6,831.4	7,291,6	10,395.4	10,868.2	11,148.3	15,571.0	12,492.2	12,671.1	11,644.1
2,342.3	1,647.9	929.9	1,404.4	2,256.3	2,757.6	3,574.2	8,019.6	5,607.7	5,871.1	4,814.3
6,186.1	6,034.2	5,901.5	5,887.2	8,139.1	8,110.6	7,574.1	7,551.4	6.a84.5	6,800.0	6,829.8
0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
112,735.2	159,275.4	111,450.5	111,184,5	101,094.6	97,624.7	100,754.4	99,894.8	99,389.5	101,926.4	101,744.4
14,566.6	15,430.1	18,256.6	23,694.4	22,597.1	20,647.1	19,910.3	19,652.5	21,884.9	23,806.8	24,140.1
98,168.6	143,845.3	93,193.9	87,490.1	78,497.5	76,977.6	80,844.1	80,242.3	77,504.6	78,119.6	77,604.3
4,688,334.1	4,793,182.3	4,825,146.9	5,119,562.2	5,211,403.8	6,376,775.0	5,355,065.3	5,615,585.2	5,849,211.6	5,475,057.7	5,386,002.3
3,630,320.5	3,689,404.5	3,716,154.5	3,964,291.7	4,036,337.8	4,179,782.4	4,174,964.5	4,384,386.2	4,582,790.9	4,274,914.2	4,220,568.4
967,887.6	1,008,102.5	1,020,186.3	1,074,194.5	1,094,498.4	1,119,650.7	1,106,950.2	1,167,866.6	1,206,612.7	1,135,546.1	1,109,605.8
780,720.6	818,871.8	827,733.8	830,019.9	84l,955.1	850,153.9	840,376.9	880,898.4	899,460.2	872,701.7	864,893.8
35,261.1	42,318.5	38,010.9	46,358.7	50,248.8	54,367.1	57,419.7	62,692.6	71,969.2	69,377.9	63,878.3
151,905.9	146,912.2	154,441.6	197,815.9	202,294.5	215,129.7	209,153.6	224,275.6	235,183.3	193,466.5	180,833,7
90,126.0	95,675.3	B8,806.1	81,076.0	80,567.6	77,341.9	73,150.6	63,332.4	59,808.0	64,597.4	55,828.1
278,021.3	354,109.5	348,134.2	294,554.4	296,314.8	317,589,4	318,265.3	335,321.0	342,273.1	329,306.8	326,483.6
5,688,070.5	**5,956,375.3**	**6,150,177.4**	**6,602,218.4**	**6,765,638.1**	**7,052,627.5**	**7,006,937.8**	**7,369,995.4**	**7,787,592.9**	**7,249,773.5**	**7,035,724.5**
24,606.8	21,313.8	28,958.5	134,448.2	173,870.8	208,077.8	229,406.0	296,393.6	344,709.4	246,609.0	228,750.9
36,557.8	36,651.9	31,383.0	32,236.0	44,139.1	36,505.4	32,610.9	30,785.9	44,743.6	34,245.1	26,479.7
4,088.4	2,270.0	2,165.4	1,327.3	1,904.4	2,209.0	3,374.5	10,459.2	10,416.9	6,019.9	1,999.6
32,469.4	34,381.9	29,217.6	30,908.7	42,234.7	34,296.4	29,236.4	20,326.7	34,326.7	28,225.2	24,480.1
85,696.5	104,588.4	109,428.2	114,125.3	136,156.0	160,262.3	120,066.3	118,191.1	132,148.5	118,677.2	112,617.1
3,409,034.4	3,489,105.7	3,661,410.5	3,820,668.3	3,860,000.8	3,920,814.9	3,932,092.3	3,997,143.7	4,065,427.0	4,074,612.9	4,092,126.8
106,068.0	104,974.7	99,710.6	117,692.6	94,253.5	88,381.6	89,810.2	86,583.6	92,884.2	91,029.0	89,251.8
743,712.4	788,701.7	757,274.8	733,938.4	734,453.8	738,242.9	735,248.2	755,212.0	775,256.1	746,208.7	723,932.9
2,546,439.0	2,580,938.3	2,783,882.7	2,941,197.1	2,980,819.2	3,043,771.1	3,062,187,9	3,102,170.5	3,133,611.5	3,188,358.0	3,232,954.7
11,576.4	12,851.8	18,870.7	34,199.7	49,039.8	48,109.2	43,300.6	51,350.0	61,920.3	46,994.8	44,312.7
1,238.6	1,639.2	1,671.7	1,740.5	1,434.5	2,310.1	1,545.4	1,827.6	1,754.9	2,022.4	1,674.7
1,249,293.6	1,337,518.5	1,346,958.0	1,545,033.2	1,609,034.9	1,775,718.4	1,686,611.5	1,904,400.2	2,144,378.9	1,675,953.1	1,454,230.0
1,219,873.5	1,301,117.1	1,303,933.0	1,507,680.8	1,566,980.8	1,733,618.4	1,646,527.9	1,857,328.3	2,095,939.0	1,619,124.0	1,411,671.4
63,340.8	92,960.7	138,737.2	74,949.3	71,358.4	92,443.3	78,987.6	84,394.0	81,346.3	68,962.8	36,162.1
1,156,532.7	1,208,156.4	1,165,195.8	1,432,731.5	1,495,622.4	1,641,175.1	1,567,540.3	1,772,934.3	2,014,592.7	1,550,161.2	1,375,509.3
24,887.1	31,200.4	36,510.8	30,921.9	34,152.7	34,845.7	32,648.4	39,436.1	40,194.6	49,583.9	35,715.7
4,533.0	5,201.0	6,514.2	6,430,5	7,901.4	7,254.3	7,435.2	7,635.8	8,245.3	7,245.2	6,842.9
178,065.6	190,045.4	183,395.2	186,376.6	181,031.8	160,720.8	189,702.8	190,530.9	205,900.9	201,309.2	196,199.0
509,894.3	510,380.1	523,494.2	536,948.8	540,908.6	539,474.1	543,047.3	540,215.6	459,418.1	579,822.1	581,734.0
194,921.5	266,771.5	265,149.8	224,382.0	220,496.1	231,053.8	273,400.7	292,334.4	390,866.5	318,544.9	343,587.0
5,688,070.5	**5,956,375.3**	**6,150,177.4**	**6,602,218.4**	**6,765,638.1**	**7,052,627.5**	**7,006,937.8**	**7,369,995.4**	**7,787,592.9**	**7,249,773.5**	**7,035,724.5**

Table A5: Assets and Liabilities of Finance and Finance & Securities Companies[a] (B million)

	1992 Dec	1993 Dec	1994 Dec	1995 Dec	1996 Mar	Jun
ASSETS;						
Cash and balances at the Bank of Thailand:	2,489.2	3,727.0	5,425.0	7,836.6	7,980.1	8,320.0
Cash in hand	89.2	38.7	39.5	51.6	47.8	59.0
Balances at the Bank of Thailand	2,399.9	3,688.3	5,385.5	7,785.0	7,932.3	8,261.0
Claims on commercial banks:	20,211.3	27,485.1	34,823.4	40,795.9	42,056.3	39,436.0
Deposits[b]	11,992.8	15,606,0	15,662.7	20,732.5	22,135.5	19,578.3
Advances and notes receivable	4,557.5	5,891,9	4,956.8	5,821,1	6,516.0	6,579.8
Securities and participations[c]	3,661.1	5,987.3	14,203.9	14,242,3	13,404,8	13,277.9
Claims on other financial institutions	19,910.2	30,034.6	39,756.2	56,065.7	44,941.4	54,663.2
Deposits	17.2	18.3	270.1	937.0	1,059.5	747.4
Advances and notes receivable	17,151.2	24,507,1	32,423.4	43,449.5	32,644.3	40,464.6
Securities and paticipations[c]	2,741,8	5,509,2	7,062.8	11,679.2	11,237.6	13,451.2
Claims on government:	28,254.5	40,0175	46,575.2	58,0731	65,820.8	65,989.7
Treasury bills	-	-	-	-	-	-
Bonds	28,254.5	40,017.5	46,575.2	58,073.1	65,820.8	65,989.7
Claims on nonfinancial public enterprises:	4,429.6	10,629.6	12,693.7	14,374.0	14,070.2	16,045.7
Bills	-	-	-		-	-
Securities and participations	4,429.6	10,629.6	12,605.7	14,329,7	14,029.2	16,006.3
Advances	na	na	88.0	44.3	410	39,4
Overdrafts and loans	na	na	na	na	na	na
Other advances	na	na	na	na	na	na
Claims on business and household sectors:	568,521.3	761,078.8	1,032,222.9	1,347,491.4	1,434,838.6	1,495,740.0
Bills[d]	254,575,3	342,294.4	449,196.7	494,606.4	527,723.6	558,006.5
Securities and participations	30,118.2	35,378.6	51,906.6	89,303.4	91,465.6	97,933.4
Advances	217,925.0	293,459.3	413,210.9	638,437.6	691,349.6	719,222.6
Overdrafts and loans	139,196.8	191,037.3	305,738.0	508,114.1	555,039.4	577,251.7
Other advances	78,728.3	102,422.0	107,473.0	130,323.5	136,310.2	141,970.9
Margin loans[e]	65,902.8	89,946.5	117,9087	125,144.0	124,299.8	120,577.5
Claims on nonresidents:	-	-	682.2	862.6	775.2	1,059.8
Banks	-	-	148.5	0.3	7.3	14.3
Nonbanks	-	-	533.7	862.3	767.9	1,045.5
Other assets	46,046.2	58,366.5	51,284.6	62,627.1	66,918.9	68,931.2
Total assets	**689,682.3**	**931,339.2**	**1,223,463.3**	**1,588,126.4**	**1,677,401.4**	**1,750,185.6**
LIABILITIES						
Credits from the Bank of Thailand	3,800.0	3,500.0	1,550.0	280.0	100.0	762.6
Credits from commercial banks:	52,708.8	68,453.5	98,593.4	146,637.0	152,389.5	153,795.4
Deposits	-	-	-			-
Borrowings	52,708.8	68,453.5	98,593.4	146,637.0	152,389.5	153,795.4
Overdrafts	2,986.5	3,390.2	3,652.8	5,838.9	4,103.3	2,695.2
Other borrowings	49,722.4	65,063.3	94,940.6	140,798.1	148,286.2	151,100.2
Borrowing from business and household sector	415,393.4	558,986.0	763,217.7	931,770.9	996,922.2	1,046,126.2
Notes payable	415,393,4	541,693.0	747,450.3	914,567.1	976,162.7	1,016,986.4
At call	62,057.0	86,534.7	117,544.1	152,298.3	113,223.1	109,759.6
Time	353,336.4	455,158.3	629,906.2	762,268.8	862,939.6	907,226.8
Financial instruments	-	17,293.0	15,767.5	17,203.8	20,759.5	29,139.9
Other borrowings	-	-		-	-	-
Foreign liabilities:	41,1954	58,818,9	71,301.9	116,546.6	116,983.0	128,856.3
Banks	40,881.6	58,436.3	70,653.8	114,916.0	115,857.7	122,568.2
Nonbanks	313.8	382.6	648.1	1,630.6	1,125.3	6,288.1
Credit and deposits from government	-	-	-	-	-	-
Other financial institutions:	36,344.5	49,002.6	55,343.6	81,975.8	79,960.5	91,614.8
Notes payable	33,899.0	47,558.8	54,334.5	79,015.9	74,663.5	85,689.8
Other borrowings	2,417.6	1,343.9	1,009.1	2,959.9	5,197.0	5,246.0
Rediscounts	28.0	100.0		-	100.0	679.0
Capital accounts[f]	76,595.6	100,976.9	145,592.5	196,743.9	208,551.4	214,156.4
Other liabilities	63,824.7	91,601.3	87,864.2	114,172.2	122,494.9	114,873.9
Total liabilities[f]	**689,862.3**	**931,339.2**	**1,223,463.3**	**1,588,126.4**	**1,677,401.5**	**1,750,185.6**

na = not available.
[a] The data were revised following the change in reporting format. The new series covers the period from June 1992. Data are quarterly for June 1992 to June 1994 and monthly from June 1994 onward.
[b] Exclude deposits of finance and securities companies starting July 1994.
[c] Include debentures beginning July 1994.
[d] Previously, data included only checks while other bills of exchange were included in advances. In the new series, “Bills” include both checks and bills of exchange.
[e] Prior to the change in the reporting requirement in June 1992, this item was included in advances.
[f] Include allowance for doubtful debts.
Source: Bank of Thailand.

Sep	Dec	1997 Mar	Jun	Jul	Aug	Sep	Oct	Nov
7,893.1	7,936.2	7,778.9	7,166.5	5,222.6	7,345.1	5,483.2	6,831.7	6,169.5
52.8	46.0	49.5	85.9	50.9	76.2	64.9	64.1	65.5
7,840.3	7,890.2	7,729.4	7,080.6	5,171.7	7,268.9	5,418.3	6,767.6	6,104.0
38,546.7	39,860.8	33,8404	37,719.2	27,310.0	24,694.9	30,400.5	26,735.4	26,665.5
14,394.5	17,174.0	13,0075	15,418.8	9,760.6	11,847.7	14,950.7	11,304.2	10,959.7
10,611.7	9,835.5	6,333.8	8,931.5	4,440.9	2,662.1	2,552.4	2,916.3	3,288.7
13,540.5	12,851.3	14,499.1	13,368.9	13,108.5	10,185.1	12,897.3	12,514.9	12,417.1
50,058.6	59,531.4	58,876.6	41,522.4	39,047.8	30,832.9	33,531.3	35,577.2	34,314.1
687.4	467.5	899.4	851.5	964.7	1,165.0	1,146.7	1,123.4	1,135.6
33,361.2	40,972.4	40,230.1	22,833.8	20,110.8	17,484.4	15,717.1	17,849.7	17,791.5
16,010.0	18,091.5	17,747.1	17,837.1	17,972.3	12,183.5	16,667.5	16,604.1	15,387.0
58,604.3	64,125.7	63,814.1	36,167.2	55,165.9	45,943.8	50,357.4	55,753.6	59,703.1
			-	-	-	-	-	-
58,604.3	64,125.6	63,814.1	36,167.2	55,165.9	45,943.8	50,357.4	55,753.6	59,703.1
21,931.1	17,309.8	18,294.8	18,651.5	18,539.6	20,707.8	19,258.2	18,881.0	18,867.9
-	-	-	-		-	-	-	
21,894.4	17,272.8	18,261.0	18,619.0	18,509.8	20,678.0	19,228.4	18,851.1	18,838.1
36.7	37.0	33.8	32.5	29.8	29.8	29.8	29.8	29.8
na	na	na	na	na	na	na	na	
na	na	na	na	na	na	na	na	
1.513,659.8	1,546,940.8	1,514,241.4	1,463,682.7	1,432,516.1	1,407,258.5	1,376,801.7	1,362,121.6	1,358,865.4
561,573.6	591,506.3	560,958.6	524,299.5	492,271.5	482,416.6	475,923.7	476,910.4	476,345.1
104,070.2	102,155.1	97,810.0	95,868.7	92,856.7	100,563.1	87,767.7	86,301.2	88,618.2
734,211.7	751,051.9	768,832.5	778,905.4	791,180.7	773,207.8	766,275.8	755,643.7	751,507.0
587,316.7	606,203.4	628,570.5	643,710.5	661,463.7	650,575.0	647,827.3	641,674.9	640,173.2
146,895.0	144,848.5	140,262.0	135,194.9	129,717.0	122,632.8	118,448.5	113,968.8	111,333.8
113,804.3	102,227.5	86,640.3	64,609.1	56,207.2	51,071.0	46,834.5	43,266.4	42,395.1
722.8	831.8	760,1	763.0	989.7	1,190.5	962.5	843.0	826.9
3.4	1.8	4.3	-	174.4	355.3	182.2	19.6	7.5
719.4	830.0	755.8	763.0	815.3	835.2	780.3	823.4	819.5
75,040.2	75,401.1	83,834.2	96,387.0	100,899.6	165,446.6	174,578.0	178,880.0	184,236.9
1,766,456.6	**1,811,937.6**	**1,781,440.5**	**1,702,059.5**	**1,679,691.5**	**1,703,420.1**	**1,691,372.9**	**1,685,623.5**	**1,689,649.3**
1,220.0	865.0	4,279.0	500.0	587.0	13,171.2	11,252.9	11,299.3	11,149.3
145,926.0	148,086.8	128,591.7	124,542.1	136,580.3	172,340.6	210,441.3	223,856.6	222,912.0
-	-	-	-		-	-	-	-
145,926.0	148,086.8	128,591.7	124,542.1	136,580.3	172,340.6	210,441.3	223,856.6	222,912.0
3,524.5	3,180.0	2,457.3	4,140.0	4,388.8	4,760.8	3,522.7	2,618.0	1 10,740.4
142,401.5	144,906.8	126,134.4	120,402.0	132,191.5	167,579.8	206,918.6	221,238.6	112,171.6
1,050,326.6	1,081,057.8	995,071.6	841,033.4	717,364.3	548,993.4	470,640.7	421,762.6	421,481.4
1,011,296.5	1,040,075.2	954,060.0	800,531.8	676,345.4	507,879.6	429,352.4	379,084.6	378,895.7
176,113.8	185,145.1	184,464.9	180,360.0	119,160.8	78,753.2	56,418.3	46,064.9	44,564.9
835,182.7	854,930.1	769,595.1	620,171.8	557,184.6	429,126.4	372,934.1	333,019.7	334,330.9
39,030.1	40,982.6	41,011.6	40,501.6	41,018.9	41,113.8	41,288.3	42,678.0	42,585.6
-	-	-	-	-	-	-	-	-
130,651.9	132,621.7	127,309.3	103,952.9	116,408.8	120,360.0	125,050.3	125,557.0	126,233.8
125,208.1	127,627.2	123,070.7	100,615.1	112,957.4	115,954.9	121,073.2	121,629.2	122,314.4
5,443.8	4,994.5	4,238.6	3,337.8	3,451.4	4,405.1	3,977.1	3,927.8	3,919.3
-		-	-		-	-	-	-
106,508.7	121,077.1	214,232.3	332,234,5	423,945.6	509,081.0	530,541.4	561,686.5	564,417.1
97,137.6	108,290.1	192,619.3	291,166.1	364,533.0	437,971.5	455,636.6	485,849.3	489,893.2
8,762.1	12,372.0	21,248.0	40,968.4	59,312.6	71,009.5	74,904.8	75,837.2	74,523.8
609.0	415.0	365.0	100.0	100.0	100.0	-	-	-
221,725.5	226,322.3	226,495.2	225,371.8	219,742.4	215,621.3	205,238.0	195,878.5	91,034.4
110,097.9	101,907.0	85,461.4	74,424.9	65,063.1	123,852.6	138,208.4	145,583.1	104,493.5
1,766,456.6	**1,811,937.6**	**1,781,440.5**	**1,702,059.5**	**1,679,691.5**	**1,703,420.1**	**1,691,372.9**	**1,685,623.5**	**1,689,649.3**