

3 (1) Situation of Financial Sector Reforms

	Thailand	Indonesia	Malaysia	Philippines	Rep. of Korea
Nonperforming Loan (NPL) Ratio ¹	42.3% (2000/1) (Domestic commercial banks)	33.3% (2000/1) (Commercial banks)	17.1% (2000/1) (Banking sector)	13.4% (2000/1) (Commercial banks)	8.4% (1999/12) (Deposit banks)
NPL/GDP ²	41.2% (2000/1)	6.8% (2000/1)	22.0% (2000/1)	6.8% (2000/1)	8.2% (1999/12)
Dealing with Impaired Assets	Financial Sector Rehabilitation Authority (FRA) purchases NPLs of finance companies. The purchased loans worth 664.8 billion baht in book value were put to auction, and the highest bid price was 28% of the original book value equivalent to 186 billion baht. Each bank establishes an Asset Management Company (AMC) to deal with its NPLs.	NPLs of closed banks were transferred to Asset Management Unit (AMU) of Indonesian Bank Restructuring Agency (IBRA). 217 trillion rupiah was already transferred to IBRA (2000/3/8).	Danaharta purchased NPLs of banking sector at market value of 19.1 billion ringgit and maintained 26.4 billion ringgit NPLs at the request of the central bank (45.5 billion ringgit was already transferred. 1999/12). Danaharta had restructured or disposed loans and assets with a total gross value of 17.6 billion ringgit.	NPLs are individually dealt with at each financial institution.	Korea Asset Management Corp. (KAMCO) has already purchased 20.5 trillion won NPLs.
Capital Injection	Out of 300 billion baht saved by the authority, only 32.5 billion baht was injected into a private commercial bank as Tier I capital (by 2000/4). 185 billion baht capital was injected into the state bank of Krung Thai by the Financial Institutions Development Fund (FIDF) as of February 2000.	281.8 trillion rupiah government bonds were issued for capital injection (By 2000/1). 178 trillion rupiah government bonds were issued in order to finance Bank Mandiri. Parliament approved 61.8 trillion rupiah of capital injection into the state bank BNI (2000/3/31).	6.2 billion ringgit were injected into 10 banks as of June 1999 by Danamodal (Capital injection institution). 5.2 billion ringgit remained outstanding of capital injection at the end of March 2000.		18.6 trillion won of capital was injected by Korea Deposit Insurance Corp. (KDIC) as of December 1999.
Ratio of Net Worth		-7.2% (2000/1: Commercial banks)	12.8% (2000/3: Banks)	17.9% (the end of 1999: Banks)	10.8% (1999/12: City banks and regional banks)

¹ NPL ratio: NPLs/total amount of loans. NPLs are loans overdue for more than 3 months.

² A percentile against the nominal GDP in 1999. The amount of NPLs in Indonesia was calculated based on the total amount of loans and NPL ratio.

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Financial Restructuring Measures	<p>Finance companies (FC): 56 were closed down (1997/12). 12 were acquired by government non-bank after being nationalized.</p> <p>Commercial banks: 6 banks were nationalized (1998/1~8). 1 bank was nationalized (1999/7). 4 banks (including 2 temporarily nationalized banks) were taken major stakes to foreign banks by the end of 1999.³</p>	<p>Closing down of 16 banks was announced (1997/11). Closing down of 7 banks was announced (1998/4). 3 banks were closed down and 4 were nationalized (1998/8). A capital restructuring plan was announced (1998/9). A decision was made to close down 38 private banks, inject capital into 9 banks, and nationalize 7 banks based on ratio of net worth (1999/3). 1 bank was temporarily nationalized and 2 foreign joint banks were closed down (1999/4). Indonesian government has a plan to merge 8 of 12 nationalized banks into Bank Danamon and the plan is going on.</p>	<p>A restructuring plan was announced to reorganize domestic financial institutions into 6 groups by the end of 2000. (2000/2)</p>	<p>Merger of banks is being advanced in response to the increased capital adequacy ratio and provisioning requirement.</p>	<p>Commercial banks: (1) 2 commercial banks with deteriorated financial conditions were nationalized (1998/1).⁴ (2) 12 banks whose ratio of net worth was below 8% at the end of 1997 submitted restructuring plans. → 5 banks were merged under P&A.⁵ 7 plans were conditionally accepted (replacement of management, strengthening of capital, etc.).</p>
Number of Financial Institutions	<p>(1997/6→1999/12) Commercial banks: 15→13 FC: 91→22</p>	<p>(1997/6→1999/12) National Commercial banks: 7 → 5 (Bank Mandiri which acquired 4 national commercial banks and Bank Export Indonesia started their business around 1999/9.) Private commercial banks: 144→92</p>	<p>(1997/12→2000/2) Commercial banks: 22→20 FC: 38→22 Merchant banks: 12→12</p>	<p>(1997/12 → 1999/12) Commercial banks: 54→52</p>	<p>(1997/12 → 1999/12) City banks: 16→11 Regional banks: 10→6 Merchant banks: 30→11</p>

³ Standard Chartered Bank (Britain) acquired nationalized Nakornthon Bank (1999/9). United Overseas Bank (Singapore) acquired Radanasin Bank (1999/11).

⁴ Nationalized First Bank was sold to Newbridge Capital (agreed in 1999/9).

⁵ Regarding financial institutions that are merged under P&A (Purchase & Assumption), purchase of NPLs and capital injection are done by KAMCO. In this case, the assets of a merged institution are selected and all liabilities are taken over by a purchasing institution.

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Prudential Framework					
Capital Adequacy Ratio (CAR)	Required CAR was increased from 8% to 8.5% (1999/6~).	Required CAR was increased to 4% (end 1998), and planned to be raised to 8% (end 1999) and 10% (end of 2000).	Required CAR for FCs will be increased from 8% to 9% (end 1999) and to 10% (end 2000). Required CAR for banks is 10%.	A phased increase of minimum capital: 1998/3: 3.5 billion pesos 2000/12: 5.4 billion pesos. Ratio of minimum capital requirements is 10%.	Required CAR for domestic commercial banks was increased from 4% to 6% (till 1999/3) and will be raised to 8% (by 2000/3).
Definition of NPLs (overdue period)	~1997/12: 12 months 1998/1~: 6 months 1998/6~: 3 months		~1997/12: 6 months 1998/1~: 3 months 1998/6~: 6 months (Ratio under 3 months is also published)	~1998/3: 6 months 1998/4~: 3 months 1999/7~: 30 days	~1998/6: 6 months 1998/7~: 3 months 1999/12~: Forward-Looking Criteria have been applied.)
Provisioning Requirement	Loan classification and provisioning requirement were announced in 1998/3. Financial institutions are obliged to meet the target (by end 2000) step by step.	Unclassified standard (0.5%→1%) Special mentioned (NA→5%) Substandard (10%→15%) (1998/12)	General provisions were raised. (1% → 1.5%) (1998)	Special mentioned (0%→5%) Substandard (0%→25%) General provisions' phased increase (2% in 1999/10).	Forward-Looking Criteria have been applied. (1999/12)
Disclosure, etc.	Quarterly disclosure of financial statement. Capping the ratio of private companies' stock held by banks.	Quarterly disclosure of financial statement. Obligation to report liquidity and strengthening restriction on holding foreign currency. Strengthening of lending regulations to the each conglomerate group.	Quarterly disclosure of major indices. Report on NPLs and capital conditions must be submitted to the authority. Strengthening of lending regulations (30% → 25% of gross capital per borrower).	Disclosure of foreign currency denominated assets and loans. Quarterly disclosure of financial statement. Real estate lending regulation (20% of the total lending). Strengthening of lending regulations.	Quarterly disclosure of NPLs (1998/12~). Enhancement of a guideline including more than 50% of long-term assets should be maintained as long-term loans.

(Sources) Statistics published by each country, etc.

(2) Nonperforming Loan Ratio (a percentile against total loans)

(%)

	Thailand	Indonesia	Philippines	Rep. of Korea	Malaysia	Japan
Jan-97			3.0			
Feb-97			3.1			
Mar-97		9.3	3.3		3.4	
Apr-97			3.3			
May-97			3.3			
Jun-97	5.3		3.4		3.6	
Jul-97			3.5			
Aug-97			3.8			
Sep-97			4.0	6.3	3.7	
Oct-97			4.4			
Nov-97			4.8			
Dec-97			4.7		5.9	
Jan-98			5.8		6.9	
Feb-98			6.6		8.2	
Mar-98		19.8	7.4	7.5	9.1	6.2
Apr-98			8.6		10.6	
May-98			9.4		11.6	
Jun-98	35.9		8.9		12.6	
Jul-98	38.2		9.6		14.3	
Aug-98	39.5		10.5		16.0	
Sep-98	43.2		11.0	7.6	(17.8) 12.3	6.3
Oct-98	46.0		12.0		(19.3) 13.2	
Nov-98	48.5		11.8		(20.4) 14.1	
Dec-98	48.2		10.4	7.6	(18.9) 12.6	
Jan-99	49.7		12.1		(19.2) 13.5	
Feb-99	51.6		12.9		(19.5) 13.6	
Mar-99	51.6	58.7	13.2	8.5	(18.2) 12.9	6.3
Apr-99	51.5		14.5		(18.3) 13.0	
May-99	52.3		14.4		(18.2) 13.3	
Jun-99	51.5		13.1	8.4	(18.1) 13.3	
Jul-99	51.4		14.3		(18.0) 13.3	
Aug-99	50.8		14.4		(18.1) 13.4	
Sep-99	48.8		13.4	6.6	(17.8) 13.2	6.4
Oct-99	48.1		14.5		(17.5) 13.1	
Nov-99	46.4		14.6		(17.4) 13.0	
Dec-99	42.5		12.3	8.4	(16.7) 12.1	
Jan-00	42.3	33.3	13.4		(17.1) 12.3	

[Sources and References]

Thailand: Bank of Thailand Statistics, Total Domestic Banks, (Data of Jun-97: Sakura Souken)

Indonesia: Bank Indonesia Statistics, Commercial Banks

Malaysia: Bank Negara Malaysia Statistics, Banking System

Philippines: Bangko Sentral ng Pilipinas Statistics, Commercial Banks

Rep. of Korea: Ministry of Finance and Economy or Financial Supervisory Commission Statistics, Deposit Banks

Japan: Financial Supervisory Agency Statistics, Total Domestic Banks

[Definitions of Nonperforming Loans in This Table]

Thailand: Loans overdue more than 12 months (until Dec. 1997),

6 months (from Jan. 1998 to May. 1998), 3 months (from Jun. 1998)

Indonesia: Loans overdue more than 3 months

Malaysia: Loans overdue more than 6 months (until Dec. 1997, from Sep. 1998),

3 months (from Jan. 1998 to Aug. 1998).

Parenthesized figures from Sep. 1998 are loans overdue more than 3 months.

Philippines: Loans overdue more than 6 months (until Mar. 1998),

3 months (from Apr. 1998 to Jun. 1999), 30 days (from Jul. 1999)

Rep. of Korea: Loans overdue more than 6 months (until Jun. 1998), 3 months (from Jul. 1998)

Japan: Risk Management Loans; Loans overdue more than 3 months (from Mar. 1998)

3 months basis

6 months basis

30 days basis

12 months basis

(3) Situation of Corporate Debt Restructuring

	Thailand	Indonesia	Malaysia	Rep. of Korea
Framework (Mediation organization, guideline)	Corporate Debt Restructuring Advisory Committee (CDRAC) Bangkok Initiative ¹	Indonesian Debt Restructuring Agency (INDRA) Jakarta Initiative ²	Corporate Debt Restructuring Committee ³	Corporate Restructuring Coordination Committee (CRCC) ⁴
Current Situation	Debt restructuring is being discussed at CDRAC (2.3 trillion baht). (2000/1) Debt restructuring was agreed at 1.07 trillion baht (173,709 cases). (1999/12)	According to INDRA, 46 out of 633 companies completed their debt restructuring at 2.1 billion dollars. (1999/9) 331 companies participated in the Jakarta initiative (total debt of 23.4 billion dollars + 14.6 trillion rupiah). 6 companies agreed at less than 1 billion dollars. (2000/3)	CDRC received mediation requests equivalent to 36.3 billion ringgit from 67 companies. Among which: (1) 19 cases were agreed at 14.1 billion ringgit. (2) 13 cases worth 2.8 ringgit declined to accept mediation. (3) Remaining 25 cases worth 16.2 billion ringgit. (2000/1)	A workout program was performed targeting 94 companies including small and medium-sized chaebol-affiliated companies. Debt restructuring was agreed at 33.7 trillion won. (1999/12) After agreement of five principles of corporate restructuring between the government and 5 major chaebols in 1998/1, improvement of corporate financial structure, cancellation of cross-guarantees between business affiliates are being taken. ⁵
Amount of Nonperforming Loans (Domestic banks)	1.93 trillion baht (2000/1)	75 trillion rupiah (2000/1)	67.0 billion ringgit (2000/1)	39.7 trillion won (1999/12)

¹ CDRAC: An advisory committee providing mediation services when debtor/creditor negotiation faces difficulties and collecting information for debt restructuring.

Bangkok Initiative: A guideline for private debt restructuring, e.g., payment postponement when debtors disclose their information.

² INDRA: A debt restructuring agency providing the exchange rate guarantee for debtors which agreed to reschedule their payment.

Jakarta Initiative: A guideline for private debt restructuring aiming at solution with concerning business continuation of debtors.

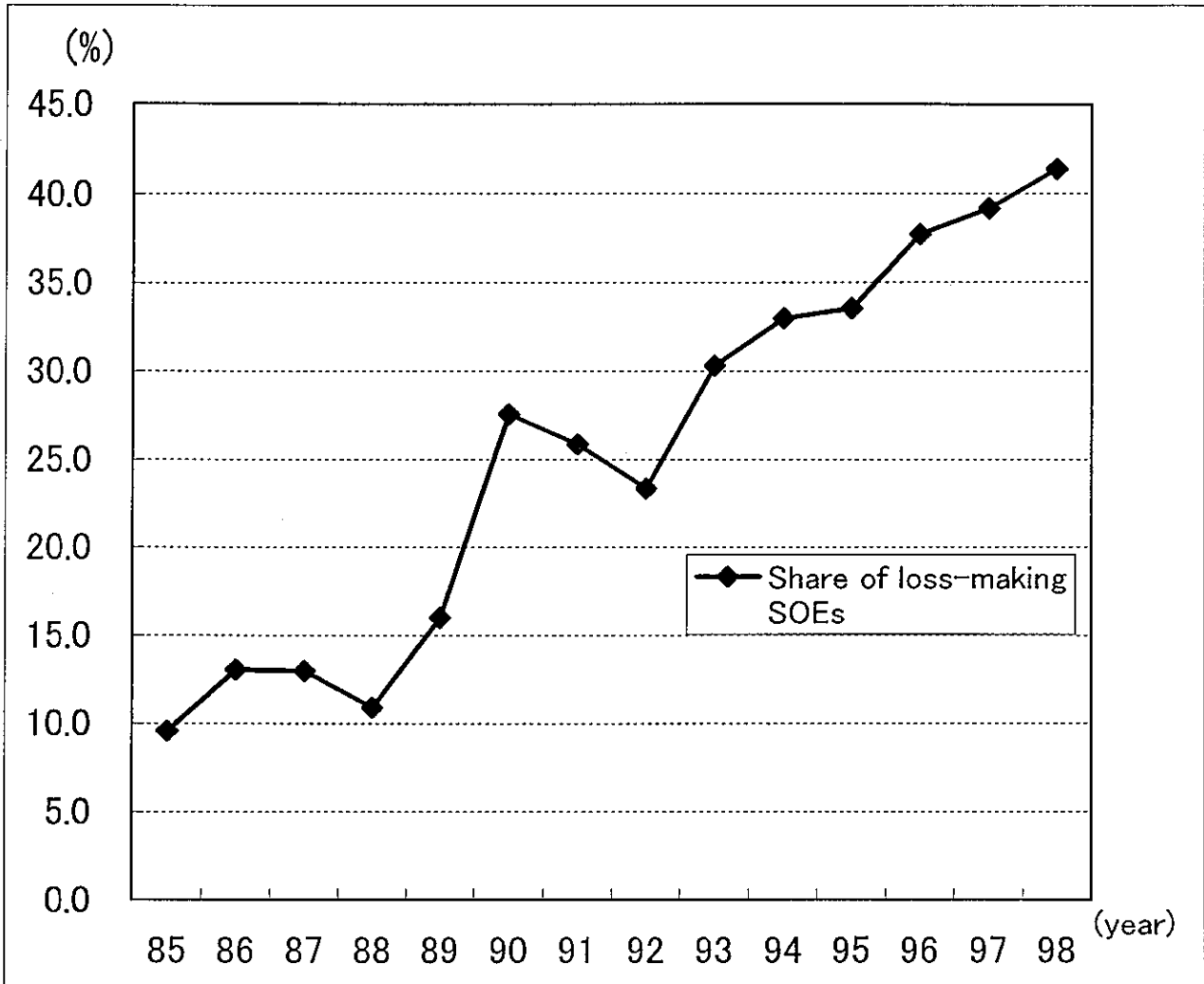
³ CDRAC: An informal debtor/creditor broker (which sends a consultant when necessary) to achieve debt restructuring.

⁴ CRCC: A framework for voluntary workouts between creditors, (banks) and borrowers (corporations). In July 1999, more than 200 financial institutions signed Corporate Restructuring Agreements (CRAs), under which they agreed to follow specific procedures for debt workouts. Under the CRAs, CRCC arbitrates and advises between creditors and borrowers.

⁵ Five principles of reform: (a) Improvement of transparency, (b) Prohibition of cross-guarantees between business affiliates, (c) Improvement of corporate financial structure, (d) Business concentration on core competence, and (e) Responsibility reinforcement of governing shareholders and management.

(Sources) Publications of each government, etc.

(4) Share of Loss-making State-owned Enterprises in China



(Note) The formula is the total number of loss-making state-owned industrial enterprises / the total number of state-owned industrial enterprises.

(Source) "China Statistical Yearbook", and "A Statistical Survey of China"