Table 1
Choice of sample of distressed firms and the outcome of financial distress.

Panel A gives the sample size, the period from which it was drawn, and the size criterion for entry into each bank's rescue unit. Panel B describes the outcome for distressed companies at t=2: exit as a going concern, bankruptcy; ongoing in the rescue unit, and firms that repaid the bank and moved to another bank. Panel C gives the age, turnover and number of employees at the time of entry into the rescue unit for the sample.

	Bank 1	Bank 2	Bank 3
Panel A: Choice of sample			
Number of firms sampled	241	192	109
Sampling period	Jan 98 – Mar 98	Jan 97 – Mar 98	Dec 97 – Mar 98
Entry criterion into BSU	> 50k (debt)	> 1m (turnover)	> 0.5 m (turnover)
Panel B: Outcome of rescue (at t=2)			
Going concern	34.4%	40.1%	19.3%
Bankruptcy	35.7%	37.0%	12.8%
Ongoing	24.1%	2.6%	34.9%
Rebanking	5.8%	20.3%	33.0%
	100%	100%	100%
Panel C: Firm characteristics	Mean (median)	Mean (median)	Mean (median)
Age (years)	19.6 (13.7)	25.2 (17.6)	17.4 (12.0)
Turnover (£ millions)[1]	3.5 (0.8)	9.6 (5.5)	4.6 (2.1)
Employees (No.)	50 (20)	108 (75)	59 (25.5)
Main bank debt at t =1 (£ thousands)	348 (143)	963 (700)	342 (202)
No. of publicly quoted firms in sample	1 (0.4%)	25 (12.9%)	3 (2.8%)

[1] Turnover is taken from the last P&L account before distress (i.e. between t = 0 and t = 1 in Figure 1).

Table 2
Balance sheet and profit and loss account data for firms with Banks 1 and 2 for the period of entry into the rescue unit and the year prior to and subsequent to it.

Panel A provides some balance sheet ratios for a sample of firms from banks 1 and 2, including leverage, return on book assets, and the liquidity ratio. Leverage includes all bank debt, short and long term, but not current liabilities. The liquidity ratio equals current assets minus inventories over current liabilities. Data is provided for three years: the year including the period when the firm is in the bank's rescue unit, defined as Period 0, the year prior to entry, -1, and the year subsequent to exit, -1. Panel B describes some profit and loss data, including sales turnover, the proportion of firms in the sample reporting profits after tax, and the proportion declaring a dividend

		Bank 1			Bank 2		
t		-1	0	1	-1	0	1
Panel A: Balance sheet data							
Leverage	mean	56%	58%	48%	63%	62%	60%
	median	58%	59%	49%	68%	65%	63%
	N	96	68	59	131	75	65
Return on assets	mean	-8.5%	-44.5%	9.3%	-9.9%	-0.8%	-16.9%
	median	-4.2%	-8.3%	7.8%	1.1%	-0.3%	0.15%
	N	54	48	37	118	75	63
Liquidity ratio	mean	0.60	1.01	2.31	0.56	0.59	1.07
	median	0.60	0.56	0.68	0.53	0.56	0.62
	N	129	109	95	148	92	79
Panel B: Profit and loss account data							
Sales turnover	mean	8.7	7.8	8.4	14.2	15.5	14.6
(£ million)	median	2.7	2.2	2.8	7.6	10.6	9.6
	N	59	50	41	116	76	63
Firms reporting	proportion	0.3	0.4	0.6	0.5	0.5	0.4
profits after tax	N	65	55	45	127	83	70
Firms declaring	proportion	0.2	0.2	0.2	0.3	0.3	0.3
a dividend	N	62	55	46	127	83	70

Table 3
Composition of the debt structure for firms entering each bank's distress unit (BSU), at *t* =1.

Panel A describes the composition of the debt structure of the firms that enter the rescue unit at t = 1. Panel B shows how much sterling lending there is from owners. Panel C describes the amount of collateral for the main bank, proportion of the sample where the main bank has various fixed or floating liens on the firm, and the proportion with loan guarantees from owners.

	Bank 1		Bank 2		Bank 3	
Panel A: Debt composition (%)	mean	median	mean	median	mean	median
Main Bank	38.2	35.3	49.0	49.7	41.9	39.9
Trade Credit	24.0	15.8	37.4	35.5	40.2	40.4
Other lenders/creditors[1]	31.7	33.2	11.1	4.5	15.5	7.4
Owners – Directors	6.1	0.2	2.5	0	2.4	0
	100%		100%		100%	
Interest-rate spread above prime, %	3.46	3	2.58	2.5	1.85	2
Panel B: Lending by owners[2]						
Mean (£ thousands)	38.5		60.8		62.5	
90th percentile (£ thousands)	118		150		97	
95th percentile (£ thousands)	159		339		200	

[1] Including other banks, loans by leasing companies and factors. This figure includes non-banking institutions of the same group as the main bank.
[2] Includes directors' loans.

Panel C: Assets charged[3]			
Percentage of loans with:			
fixed and floating charges	91.2	52.6	78.9
fixed or floating charges	100	97.9	94.5
personal guarantees by owners	60.4	51.0	55.0
Collateral as a percentage of bank loan	103.7%	74.6%	118.5%

[3] Regarding fixed and floating charges, only Bank 1 makes a clear distinction between no-charge and missing observations; hence its numbers tend to be higher.

Table 4
Outcome of the Debt Recovery Unit (DRU), recovery rates for different creditors in bankruptcy, and the costs of bankruptcy.

Panel A describes the number of firms placed in each bank's Debt Recovery Unit (DRU), and the outcome according to different existing bankruptcy procedures. Panel B describes recovery rates for the main bank and preferential creditors when the outcome is bankruptcy. Panel C shows how the proceeds of bankruptcy are shared between the main bank, preferential creditors and the costs of the bankruptcy procedure; for Banks 1 and 3 only data on recovery rates for the main bank and costs of bankruptcy are available.

	Bank 1		Bank 2		Bank 3	
Panel A: Outcome of DRU	No. of cases		No. of cases		No. of cases	
Total no. in DRU	85		71		14	
Receivership	20		44		7	
Administration/CVA	4		11			
Winding-up	32		7		5	
Ongoing	29		9		2	
	mean	median	mean	median	mean	median
Panel B: Recovery rates at t = 2 (%)						
Main bank	73.8	87.9	76.7	100	76.2	100
Preferential creditors	N/A	N/A	33.9	3.3	N/A	N/A
Trade creditors	N/A	N/A	N/A	0	N/A	N/A
Panel C: Distribution of proceeds (%)[1]						
Main bank	57.6	73.2	70.8	74.1	61.3	60.1
Preferential creditors[1]	N/A	N/A	4.9	1.1	N/A	N/A
Direct cost[2]	42.4	26.78	24.3	18.5	38.7	39.9

[1] Including sales tax and income tax authorities.
[2] The percentage of direct costs is overstated for Banks 1 and 3, as for them we do not have recovery rates for preferential creditors and trade creditors.

Table 5
Features of each bank's rescue process (between t = 1 and t = 2).

Panel A describes some general features of the rescue process including growth in different forms of debt and changes in interest rate spreads. Panel B describes the incidence of debt forgiveness, including debt writedowns. Panel C describes the incidence of managerial replacement.

	Bank 1			Bank 2			Bank 3		
Panel A: Debt structure	N	mean	median	N	mean	median	N	mean	median
Growth in main bank debt (%)	219	-32.9	-19.1	192	-30.8	-18.1	80	-43.5	-33.2
Growth in trade credit (%)	72	32.6	0	142	11.1	0	16	26.3	-5.8
Change in interest rate spread (%)	126	-0.1	0	162	0	0	13	0.7	0.7
Panel B: Debt forgiveness in rescue	N	Debts forgiven		N	Debts forgiven		N	Debts forgiven	
No. of firms with debt writedowns	219	1 (0.4%)		192	0		192	0	
Panel C: Managerial replacement	N	Incidence		N	Incidence		N	Incidence	
Replacements, % of sample	241	5.0		192	22.4		109	17.4	

Table 6

The determinants of the outcome of rescue process for Bank 2.

Dependent variable: a dummy variable, equals 1 if the firm goes bankrupt, and 0 otherwise. Value in parenthesis: z-statistic. Estimation method: probit. The independent variables are
L(MAIN1): Log(debt to main bank at t=1)
SPREAD1: interest rate spread at t=1
D-PRSNL: dummy variable, equals 1 if personal security is placed and zero otherwise
D-MANGE: dummy variable, equals one if manager is replaced during BSU process
GR-MAIN-1-2: growth of main-bank credit from t=1 to at t=2
GR-TRADE-1-2: growth of trade credit from t=1 to at t=2
L(MAIN1/TOT1): Log(debt to main bank over total debt, both at t=1)
L(SCRT1/MAIN1): Log(collateral over bank debt at t=1)
D-SLOPE: slope dummy, equals L(SCRT1/MAIN1) if SCRT1/MAIN1>1, and 0 otherwise
D-PUBLIC: dummy variable, equals 1 if firm is publicly traded and zero otherwise

	(1)	(2)	(3)	(4)	(5)	(6)
constant term	1.824 (1.402)	2.924 (1.648)	2.810 (1.566)	2.856 (1.457)	2.747 (1.424)	2.778 (1.550)
L(MAIN1)	-0.278 (-1.916)	-0.416 (-2.045)	-0.389 (-1.897)	-0.393 (-1.818)	-0.380 (-1.752)	-0.377 (-1.829)
SPREAD1	0.146 (0.816)	0.053 (0.248)	0.067 (0.314)	0.066 (0.306)	0.105 (0.471)	0.059 (0.276)
D-PRSNL	0.162 (0.647)	0.142 (0.499)	0.133 (0.464)	0.130 (0.450)	0.155 (0.529)	0.119 (0.414)
D-MANGE	-1.416 (-3.291)	-1.965 (-3.586)	-1.905 (-3.532)	-1.902 (-3.508)	-1.820 (-3.326)	-1.876 (-3.445)
GR-MAIN-1-2	0.014 4.410		0.006 (1.404)	0.006 (1.405)	0.005 (1.198)	0.005 (1.351)
GR-TRADE-1-2		0.004 (2.093)	0.004 (1.853)	0.004 (1.807)	0.004 (1.823)	0.004 (1.760)
L(MAIN1/TOT1)				0.017 (0.059)		
L(SCRT1/MAIN1)					0.138 (0.713)	
D-SLOPE					-1.067 (-1.126)	
D-PUBLIC						-0.233 (-0.533)
pseudo R-square	0.284	0.238	0.249	0.249	0.243	0.251
observations	163	123	123	123	119	123