



Bangkok Commercial Asset Management Public Company Limited

## Management Discussion and Analysis

For the three-month and year ended

December 31, 2023

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## EXECUTIVE SUMMARY

2023 was the year in which the Company laid emphasis on driving the organization towards sustainability, and the Company has been evaluated to be included in the "SET ESG Ratings" for 2 years in a row with an "AA" rating, reflecting that the Company has uplifted our operations and sustainability reporting under the ESG framework as well as having incorporated sustainability concepts into the business processes. The Company therefore is prepared to deal with social and environmental change factors and give importance to all stakeholders in a balanced way.

Although the outbreak of COVID-19 has come to an end, its impact on the economy still lingers as the government and financial institutions have continued to provide assistance to affected debtors through financial assistance tools such as interest rate reductions, reduced repayments of term debts, suspension of principal repayments, etc. Such measures have resulted in the outstanding balance of NPLs in the financial institutions system remaining stable at Baht 500 billion since 2020 or 2.7 percent of the system's gross loans and in the Special Mention Loans of Baht 110 billion.

Currently, the Company has non-performing loans under management with a total claim amount of Baht 495,007 million and properties for sale with a total value of Baht 71,316 million. The Company believes that the amount of NPLs in the financial institutions system is likely to increase from a transition of loans from Special Mention Loans class to NPLs due to the economic situation that has not yet fully recovered and the household debt problems. The increasing amount of NPLs in the system will be a business opportunity for the Company which is the country's leading asset management company, run by skilled personnel with more than 25 years of experience in bad debt management and supported by an important network of 25 branch offices nationwide that provides comprehensive customer service, with local employees who understand the needs and have good access to debtors/customers.

For operations in 2024, which also marks the Company's 25-year anniversary, the Company has set a collection target of Baht 20,000 million and a goal to expand our asset base with a total claim amount of Baht 70,000 million. The Company has proactive strategies in place to achieve success: a strategy to increase the efficiency of clean loan management by categorizing clean loan debtors into 2 groups which are either to be managed internally by the Company or to be managed by outsourced lawyers/collectors in order to shorten debt collection time; consortia with real estate developers; and pricing model improvement through a selective investment where purchasing and transferring of assets will be carried out with appropriate prices.

In addition, as a data driven organization, the Company has accelerated the creation of a customer service system on online platforms with a payment system and an E-TDR (Electronic Troubled Debt Restructuring) system through BAM Mobile Application. With our DATA Center, the Company has enabled a property purchase reservation/payment system, a debt monitoring/debt repayment system as well as data management dashboards. The Company has also implemented the Lead Management system that will help collect information from target groups interested in products and debtors who want to familiarize themselves with basic information before deciding to restructure their debts as well as allowing them to make contact or register, which will create opportunities for the Company to close sales or to boost debt-restructuring achievements.

## 1. KEY HIGHLIGHTS Q4/2023

### 1.1 BAM issued a debenture no. 2/2023

On October 12, 2023, BAM issued a debenture no.2/2023 of Baht 4,850 million in total for institutional investors and high-net-worth investors. There were 5 series consisting of a 2-year tenure with an interest rate of 3.70% per year, a 3-year tenure with an interest rate of 3.73% per year, a 5-year tenure with an interest rate of 4.17% per year, a 7-year tenure with an interest rate of 4.29%, and a 10-year tenure with an interest rate of 4.64% per year. BAM issued two debentures in 2023, totaling Baht 10,400 million. In addition, TRIS Rating affirmed company and senior unsecured debt ratings on the Company at “A-” with “stable” outlook.

### 1.2 Promotional activities for NPA customers

BAM organized the campaign "BAM NPA in Online Marketplaces" between November 1-30, 2023, offering over 4,000 properties located nationwide to customers via online platforms such as BAANFINDER, DDPROPERTY, SHOPEE, and LAZADA, along with a free right of ownership transfer promotion for customers purchasing any property who made the transfer within 30 days, with which customer would also receive a gift voucher. Under this campaign, BAM joined forces with Bangkok Bank to offer loans with special interest rates, provided different loan options from various banks for customers to compare and apply for a loan online on Refinn.com, and collaborated with BEAVERMAN to provide consulting services in terms of property renovation and cost estimates as well as supplying a contractor and a home construction company which aimed at helping customers stay within their budget. The Company also continued running the program "BAM for Thai Heroes" between August 31 - December 31, 2023, selecting over 1,500 quality properties in good locations to offer for sale with the campaign "discounts, freebies, and lucky draws" as a thank you expression to customers who are medical personnel, educators, police, soldiers, and volunteers all over the country. In addition, BAM organized booths by joining the "Home-Loan-NPA Grand Sale 2023" event at Queen Sirikit National Convention Center on November 17-19, 2023, and the 14th "Thailand Smart Money" event at BCC HALL on 5th floor, Central Ladprao on December 8-10, 2023.

### 1.3 BAM was certified as member of Thai Private Sector Collective Action Coalition against Corruption (CAC) for the second time

On December 7, 2023, BAM received a certificate for renewing the company's membership of the Thai Private Sector Collective Action Coalition against Corruption (CAC) for the second time in a row at the CAC NATIONAL CONFERENCE 2023 event organized by CAC under the theme "Public-Private Collaboration: A Strong Collective Action Against Corruption", indicating that BAM and our personnel at all levels give importance to transparent business operations and good governance, and commitment to combating corruption in all forms while being ready to cooperate with all sectors to create strength and sustainability in organizations and the Thai society.

## 2. 2023 PERFORMANCE

### 2.1 2023 Operational Performance

**Overall operational performance in 2023**, the Company reported a net profit of Baht 1,534 million, a decrease of 43.7 percent compared to the previous year and reported a collection from NPLs management in the amount of Baht 8,452 million and from NPAs management in the amount of Baht 6,698 million, totaling of Baht 15,150 million. The collection and the net profit in 2023 therefore saw weaker results compared to 2022. In 2023, the Company continued to focus on operations that seek to create sustainability and provide assistance to customers as the debt repayment ability of retail debtors was affected by household debt problems while business debtors requested a deferment of debt repayment due to the slow and incomplete economic recovery. Meanwhile, NPAs management remained relatively stable as second-hand houses still gaining attentions although the overall real estate market in the country did not see a rapid growth due to the strictness of lending by financial institutions, especially to home loan applications under 3 million baht, along with the high interest rate situation that put pressure on purchasing power in the real estate sector.

**As for the total operating expenses in 2023**, the figure increased compared to 2022, mainly as a result of interest expenses and expenses for appraisal according to the market conduct, while the change in 2023 profit corresponds to the changes in income, total operating expenses, and expected credit losses.

**For the fourth quarter of 2023**, the Company had a net profit of Baht 459 million, an increase of 19.8 percent qoq and a decrease of 47.1 percent yoy, with the income from debt collection showing improvement compared to the previous quarter but in a limited way as the large-sized debtor requested to postpone their repayment while the small and medium-sized debtors were able to repay debts continuously. On the other side, sales of properties for sale slowed down this quarter with the average selling price being 90.0 percent of the appraisal value. For the year 2023, the average selling price was 89.9 percent of the appraisal value.

**Regarding expected credit loss in 2023**, the Company recorded a total of Baht 4,225 million, an increase of 4.3 percent from the previous year, with the majority of the recorded expected credit loss coming from loans purchased of receivables, a total of Baht 4,190 million which can be divided into loans purchased of receivables – part of accrued receivables of Baht 3,795 million and an additional amount based on the quality of debts of Baht 395 million. The Company had carefully considered recording the additional amount according to the principle of cautions and expected the amount to be sufficient to withstand economic uncertainty and debtors' ability to repay debts.

The Company has a strong financial position and has an appropriate liquidity management plan as well as plans for short-term and long-term loan financing. In 2023, the Company issued and offered debentures for 2 rounds, totaling Baht 10,400 million, which received a positive response from institutional investors and high-net-worth investors. (TRIS Rating affirmed company and senior unsecured debt ratings on the Company at “A-” with “stable” outlook.) As of December 31, 2023, the Company had a debt-to-equity ratio equal to 2.15 times (with loan covenants limiting the debt-to-equity ratio to not exceeding 3 times).

Although the operational performance was challenged by various factors in the second half of 2023, the Company remains confident in our operational potential and growth of the non-performing asset management business. It will commit to implementing strategies to accelerate collection in order to reach the target within the first 10 months and allow improvement for 2024 operating results. The Company has determined a total collection target of Baht 20,000 million (divided into NPL collection and NPA collection of Baht 10,000 million each).

## 2.2 Sustainability Performance

The Company believes that operating under the principle of "sustainability" or ESG (Environmental, Social and Governance) is an important part that leads to prosperous and sustainable growth. Sustainability does not only take care of the business but also sustains the environment, society, and good corporate governance. Effective risk management along with operating with social responsibility allows the next generations to have a better quality of life in the long run and is an important force in creating good values for society going forward.

In 2023, BAM has carried out initiatives to become an organization that lays a strong foundation for sustainability as indicated by the awards of sustainability and pride as follows:

1. BAM received an 'excellent' corporate governance rating from the Corporate Governance Report of Thai Listed Companies (CGR) for the second consecutive year.
2. BAM received a certificate for renewing the company's membership of the Thai Private Sector Collective Action Coalition against Corruption (CAC) from the Thai Institute of Directors (IOD) for the second time in a row on September 30, 2023. The certification will expire in three years' time or on September 30, 2026.
3. BAM has been awarded with an 'AA' rating from SET ESG Ratings 2023 by the Stock Exchange of Thailand for the second consecutive year.
4. BAM has been selected by Thaipat Institute for inclusion in its ESG100 list.
5. BAM received the "2023 Role Model Organization on Human Rights" award at a good level from the Right and Liberties Protection Department, Ministry of Justice so as to continue to exemplify being organization that runs businesses with respect to human rights.
6. BAM participated in the Go Green Together initiative for the first time in 2023 and aimed at reducing GHGs and solving the global warming issue through the 8R (Rethink, Recover, Repair, Refuse, Recycle, Reuse, Reduce, and Regift) program as well as the Green Office program, and for the latter, BAM received an 'Excellent' award.
7. BAM received the Carbon Footprint for Organization (CFO) certification from Thailand Greenhouse Gas Management Organization (Public Organization) on June 30, 2023.
8. BAM received a certificate as a supporter of the Low Emission Support Scheme (LESS) by Thailand Greenhouse Gas Management Organization (Public Organization) for the year 2023 as BAM participated in the Care the Whale activity organized by the Stock Exchange of Thailand, for which the Company's waste management that resulted in GHGs reduction in the amount of 70.08 tonnes of CO<sub>2</sub> equivalents was assessed.
9. BAM received an honorary plaque, as a private sector supporter who has provided support to community forests, from Royal Forest Department, Ministry of Natural Resources and Environment, during the National Community Forest Day on May 24, 2023.
10. BAM received 2023 honorary certificate as a supporter of the Royal Forest Department in the community forest promotion and development category from Royal Forest Department, Ministry of Natural Resources and Environment, as the Company has provided support to the Royal Forest Department's community forest missions and projects.
11. BAM participated in the Care the Wild project organized by the Stock Exchange of Thailand (SET) who collaborated with the Royal Forest Department to invite business partners and networks to reforest over 2,000 trees (10 rai) by which approximately 18,000 kilogram carbon-dioxide has been absorbed.

### 3. 2024 BUSINESS STRATEGIES

BAM has determined business strategies to achieve 2024 collection target of Baht 20,000 million and to expand the asset base which has an acquisition target of total claim amount of Baht 70,000 million to maintain asset size and create business opportunities.

In terms of proactive strategies to achieve our plans, they are projects to help each group of debtors, including Happy To Have Your Home Back Project, BAM Revitalizes Your Business Project, BAM Debt Discounts Project, BAM Helps Farmers Resolve Debts Project, and Transfer of Assets in Satisfaction of Debts Project to enable more efficient debt restructuring. In terms of business expansion, the Company uses a strategy to increase the efficiency of clean loan management by categorizing clean loan debtors into 2 groups which are either to be managed internally by the Company or to be managed by outsourced lawyers/collectors in order to shorten debt collection time. Moreover, there is a consortium project, for which the Company is currently in negotiations with real estate developers.

For our customer service, the Company has branch offices nationwide. The regional offices are a crucial network to drive successful business performance by helping to reach customers thoroughly. Most employees in branch offices are local people, so they understand market conditions in the local area and customers' needs very well. This is beneficial to BAM in reaching out to the target audience for marketing and in assessing appraisal value more accurately for NPAs and during the buying price determination process of NPLs. In addition, the Company has accelerated our creation of a customer service system on online platforms with a payment system and an E-TDR (Electronic Troubled Debt Restructuring) by creating BAM Mobile Application, a property purchase reservation/payment system, and a debt monitoring/debt repayment system to facilitate customers in conducting transactions with the Company.

As a data driven organization, the Company manages data management dashboards by creating DATA center as a decision-making tool for efficient management. Meanwhile, the Company has implemented a Lead Management system that collects data of the target audiences who are interested in BAM's products and of debtors who would like to familiarize themselves with basic information before debt restructuring. This creates opportunities for BAM to close NPAs sale or to increase debt restructured accounts. The latter will also be enhanced by the use of AI to analyze debtors and classify them into different groups to pair each with appropriate debt restructuring options.

In addition, the Company plans to develop our pricing model with selective investment to acquire assets at an appropriate price. This will reduce operating risks and increase the efficiency of making profit. Also, there are plans to reduce steps and time in our legal process, appraisal process, and work processes to be flexible as well as to improve various regulations/orders for flexible work practices. For employee readiness, the Company has a successor and talent development plan and a core capability development plan to support capability development in the future.

## 4. MANAGEMENT DISCUSSION AND ANALYSIS

### 4.1 Selected Financial Position

#### Significant items in Balance Sheet (for the year ended December 31, 2023)

##### Assets

As of December 31, 2023, the Company had total assets of Baht 137,315 million, increasing by 3.4% from the year ended 2022.

- The Company has cash of Baht 107 million, increasing by 25.0% from the year ended 2022. Interbank and money market items - deposits at financial institutions – net of Baht 1,626 million, decreasing by 75.5% from the year ended 2022. This is due to operating cash reserves and investment (NPLs and NPAs' acquisition).
- Installment sale receivables and accrued interest receivables – net of Baht 742 million, decreasing by 17.8% from the year ended 2022. This is due to lower numbers of clients participating in installment program and there was an increase in payments received during the year, causing the net balance to decrease.
- Right-of-use assets – net of Baht 29 million decreased by 40.6% from the year ended 2022, mainly due to assets' depreciation.
- Intangible assets – net of Baht 187 million increased by 40.4% from the year ended 2022, mainly due to the Company's investment in software system development.
- Other assets – net of Baht 112 million decreased by 48.6% from the year ended 2022, mainly due to recording dividend receivables from securities held by the Company.

##### Liabilities

As of December 31, 2023, the Company had total liabilities of Baht 93,685 million, increasing by 5.2% from the year ended 2022, and has the debt-equity ratio or D/E of 2.15 times.

- Most of the Company's liabilities are debts issued and borrowings which are significant sources of funds to acquire NPLs and NPAs. The details are as follows:
  1. Total notes payable of Baht 1,608 million decreased by 31.9% from the year ended 2022.
  2. Total borrowings of Baht 15,450 million increased by 51.7% from the year ended 2022.
  3. Net debentures of Baht 73,460 million increased by 0.6% from the year ended 2022.
- Provisions of Baht 808 million decreased by 19.2% from the year ended 2022, mainly due to lower provision for long-term employees' benefits in which the financial assumption has been revised according to actuarial principles.
- Lease liabilities of Baht 19 million decreased by 49.7% from the year ended 2022, mainly because the Company made lease payments for the right to use a software program, resulting in a decrease in liabilities.
- Financial institutions creditors for loan purchased of Baht 252 million decreased by 47.7% from the year ended 2022. This was because the Company made a payment for NPLs transfer agreement.
- Other liabilities of Baht 471 million increased by 25.5% from the year ended 2022. This was due to a suspense account for debt repayment that could not yet be recorded according to the specified conditions.

##### Equity

As of December 31, 2023, the Company had total equity of Baht 43,629 million, decreasing by 0.2% from the year ended 2022.



## Interest Income –net

This table mainly presents items that have significant changes.

Unit: Baht in Million	Q4	Q3	qoq	Q4	yoy	2023	2022	yoy
	2023	2023	% Inc. (Dec.)	2022	% Inc. (Dec.)			% Inc. (Dec.)
<b>Interest Income - net</b>	<b>1,749</b>	<b>1,551</b>	<b>12.8</b>	<b>1,825</b>	<b>(4.2)</b>	<b>6,269</b>	<b>7,202</b>	<b>(13.0)</b>
<b>Total Interest Income</b>	<b>2,505</b>	<b>2,288</b>	<b>9.5</b>	<b>2,519</b>	<b>(0.6)</b>	<b>9,177</b>	<b>9,839</b>	<b>(6.7)</b>
Deposit at financial institutions	2	2	0.0	9	(77.8)	25	17	47.1
Loans purchased of receivables	2,481	2,245	10.5	2,494	(0.5)	9,051	9,779	(7.4)
- Part of amount received	845	710	19.0	776	8.9	2,908	2,398	21.3
- Part of accrued receivables	999	994	0.5	746	33.9	3,795	3,678	3.2
- Gain on loans purchased of receivables	637	541	17.7	972	(34.5)	2,348	3,703	(36.6)
Installment sale receivables	35	39	(10.3)	30	16.7	129	112	15.2
<b>Total interest expenses</b>	<b>756</b>	<b>736</b>	<b>2.7</b>	<b>694</b>	<b>8.9</b>	<b>2,908</b>	<b>2,637</b>	<b>10.3</b>
Debt issued – debentures	656	637	3.0	603	8.8	2,539	2,260	12.3
Debt issued – promissory notes	13	14	(7.1)	23	(43.5)	61	96	(36.5)
Borrowings	87	85	2.4	68	27.9	307	281	9.3

- In Q4/2023, the Company had **interest income – net** of Baht 1,749 million, decreasing by 4.2% yoy, this was due to a decrease in interest income on loans purchased of receivables (recognizing higher interest income - part of amount received but lower gain on loans purchased of receivables). In addition, interest expenses increased by 8.9% yoy, mainly because of interest expenses for debentures increased 8.8% yoy and that for borrowings increased 27.9% yoy.
- **Compared to Q3/2023** Interest income – net increased 12.8% qoq, came from the interest income from loans purchased of receivables increased both part of amount received and gain. Meanwhile, interest income from buyers of NPAs paying in installments (Installment sale receivables) decreased by 10.3% qoq.
- **For the year ended 2023** The Company had interest income – net of Baht 6,269 million, decreasing by 13.0% yoy. This was mainly due to a decrease in interest income on loans purchased of receivables (recognizing higher interest income - part of amount received but lower gain on loans purchased of receivables). In addition, the Company had higher interest expenses, particularly for debentures which increased by 12.3% yoy. As of December 31, 2023, the Company had fixed interest rate debt of 90.4% and floating interest rate debt of 9.6%, and an average cost of funds was 3.38% (as of 2022: 3.19%).

## Gain on sale of properties for sale and installment sale

- For three-month period ended December 31, 2023, the Company had gain on sale of properties for sale (outright sale) and installment sale of Baht 623 million, decreasing by 25.3% yoy, divided into gain on sale of properties for sale (outright sale) of Baht 496 million and installment sale of Baht 127 million.
- **Compared to Q3/2023** Gain on sale of properties for sale (outright sale) decreased by 17.9% qoq and gain on installment sale decreased by 19.1% qoq which was a result of a slower pace from Q3/2023 of NPAs sale in Q4/2023 and delayed purchase of NPAs buyers from the surge in interest rates and likely to decline interest rates in 2024.
- **For the year ended 2023** the Company had gain on sale of properties for sale (outright sale) and installment sale of Baht 2,759 million, decreasing by 0.8% yoy, divided into gain on sale of properties for sale (outright sale) of Baht 2,165 million and installment sale of Baht 594 million. Overall, NPAs sale in 2023 was similar to the year ended 2022, which was a result of a slower pace impacted by the surge in interest rates and financial institutions' stringent lending policy faced to affect the purchasing decisions.

## Other operating income

- In Q4/2023, the Company had **other operating income** of Baht 21 million, decreasing by 82.4% yoy, mainly due to a record of dividend payment from security held by the Company in Q4/2022.
- **Compared to Q3/2023** Other operating income increasing 23.5% qoq, mainly due to receiving overpayments of the legal expenses and the forfeiture of the marginal deposit for the purchase of properties for sale which decreased when compared to the previous quarter.
- **For the year ended 2023** The Company had other operating income of Baht 69 million, decreasing by 56.6% yoy, mainly due to a record of dividend payment from security held by the Company in Q4/2022.

## Other Operating Expenses

Unit: Baht in Million	Q4	Q3	qoq	Q4	yoy	2023	2022	yoy
	2023	2023	% Inc. (Dec.)	2022	% Inc. (Dec.)			% Inc. (Dec.)
<b>Other operating expenses</b>	<b>824</b>	<b>777</b>	<b>6.0</b>	<b>861</b>	<b>(4.3)</b>	<b>3,028</b>	<b>2,888</b>	<b>4.8</b>
Employee expenses	391	436	(10.3)	484	(19.2)	1,609	1,578	2.0
Directors' remunerations	3	3	0.0	7	(57.1)	10	14	(28.6)
Premises and equipment expenses	50	48	4.2	48	4.2	190	184	3.3
Taxes and duties	146	139	5.0	161	(9.3)	590	550	7.3
Impairment loss on properties for sale (reversal)	15	(6)	350.0	25	(40.0)	(19)	33	(157.6)
Properties for sale expenses	77	65	18.5	53	45.3	236	285	(17.2)
Other expenses	143	94	52.1	82	74.4	412	245	68.2

- In Q4/2023, **other operating expenses** of Baht 824 million decreased by 4.3% yoy, this was because employee expenses decreased by 19.2% yoy, directors' remunerations decreased by 57.1% yoy and the recording of impairment loss on properties for sale decreased by 40.0% yoy. Meanwhile, the Company had properties for sale expenses increasing 45.3% yoy, due to expenses related to properties for sale, common area fees, and other expenses increasing 74.4% yoy, due to the recording of appraisal value according to market conduct.
- **Compared to Q3/2023** Other operating expenses increased by 6.0% qoq, mainly due to expenses related to properties for sale, common area fees, and appraisal value according to market conduct.
- **For the year ended 2023** Other operating expenses increased by 4.8% yoy, mainly due to the recording of appraisal value according to Market Conduct.

## Expected credit loss

For the year ended December 31, 2023, the Company recorded the expected credit loss of Baht 4,225 million, increasing by 4.3% yoy. The Company had collection and interest income on loans purchased of receivables – part of amount received decreased yoy. In addition, expected credit loss on loans purchased of receivables of Baht 4,190 million divided into loans purchased of receivables - accrued interest receivables of Baht 3,795 million and additional amount of Baht 395 million according to debt quality. The Company had considered the additional amount of debt quality based on the principle of caution and expected that it will be sufficient under economic uncertainty.

## 4.2 Collection from NPLs and NPAs management businesses

The Company believes that for the NPLs and NPAs management business, collection is a key performance indicator which is applied by other operators in the same business and various investors. Collection is calculated based on key items and so does not include all collection items from NPLs and NPAs management business. However, collection is not a standard indicator prescribed by TFRS, and so the methods of calculation may differ from methods of calculation used by other companies for similar items.

**4.2.1 Collection Received from NPLs Management Business** The following table sets forth the collection received from NPLs management business for the year ended December 31, 2020, 2021, 2022, and 2023

Collection received from NPLs management business	Year ended December 31,			
	2020	2021	2022	2023
	Baht (Million)	Baht (Million)	Baht (Million)	Baht (Million)
Interest income from loans purchased <sup>1</sup>	5,887.9	6,047.2	6,076.7	6,703.7
Gain on loans purchased of receivables	3,835.4	3,322.1	3,702.8	2,348.1
Net repayment and adjusted entries	8,319.2	7,907.5	8,925.5	8,850.9
<b>Total</b>	<b>18,042.5</b>	<b>17,276.8</b>	<b>18,705.0</b>	<b>17,902.7</b>
Less the portion of accrued interest receivables and receivables repayment from the debtors by collateral <sup>2</sup>	(12,245.0)	(11,234.1)	(12,274.3)	(12,770.1)
<b>Collection from the debtors during the period<sup>3</sup></b>	<b>5,797.5</b>	<b>6,042.7</b>	<b>6,430.7</b>	<b>5,132.6</b>
Collection from the Legal Execution Department during the period <sup>4</sup>	2,598.8	2,675.9	3,683.8	3,319.0
<b>Total Collection from NPLs management business<sup>5</sup></b>	<b>8,396.3</b>	<b>8,718.6</b>	<b>10,114.5</b>	<b>8,451.6</b>

- Notes:
- <sup>1</sup> In Notes to Financial Statements for the year ended December 31, 2023, “interest income from loans purchased” are presented as two separate line items: (i) part of amount received and (ii) part of accrued receivables.
  - <sup>2</sup> See “Critical Accounting Policies and Estimates- Recognition of interest income and gain on loans purchased of receivables”
  - <sup>3</sup> Collection from the debtors during the period is calculated from (i) gain on interest income of loans purchased; (ii) plus gain on loans purchased; (iii) plus net repayment and adjusted entries; and (iv) less the portion of accrued interest receivables and receivables repayment from the debtors by collateral.
  - <sup>4</sup> Collection from the Legal Execution Department is shown as a third-party purchaser won the auction of underlying collateral and the Company has a certainty in receiving and recognizing an income from auction sale.
  - <sup>5</sup> Collection from NPLs management business is calculated from the sum of (i) collection from the debtors during the period; and (ii) cash collected from the Legal Execution Department during the period. We believe that, for our NPLs management business, collection is a key performance indicator which is applied by other operators in the same business and various investors for the estimated collection of NPLs management business. Collection from NPLs management business reflects interest income from loans purchased, gain on loans purchased and net repayment and adjusted entries, and is calculated based on key items only, and so does not include collection items from the NPLs management business which we have recognized (such as collection from auction sale pending recognition, suspended account for debt repayment, check pending collection and suspended account for write-off). However, collection is not an indicator of actual cash flow of our NPLs management business nor a standard indicator prescribed by TFRS, and so our methods of calculation may differ from the methods of calculation used by other companies for similar items.

For the year ended December 31, 2023, the Company’s collection received from NPLs management business was Baht 8,451.6 million which consisted of collection from the debtors during the period of Baht 5,132.6 million and collection from the Legal Execution Department of Baht 3,319.0 million.

**4.2.2 Collection from NPAs Management Business** The following table sets forth the collection from the Company's NPAs management business for the year ended December 31, 2020, 2021, 2022 and 2023.

Collection received from NPAs management business	Year ended December 31,			
	2020	2021	2022	2023
	Baht (Million)	Baht (Million)	Baht (Million)	Baht (Million)
<b>Outright sales</b>				
Gain on sale of properties for sale collected in cash	1,997.9	2,963.2	2,535.2	2,164.8
Decreased acquisition or transfer costs of properties for sale – net <sup>1</sup>	1,881.5	3,280.8	3,381.2	3,424.8
<b>Total collection from sale of properties for sale-Outright sales</b>	<b>3,879.4</b>	<b>6,244.0</b>	<b>5,916.4</b>	<b>5,589.6</b>
<b>Installment sales</b>				
Interest income	95.0	115.0	112.0	128.5
Collected debt repayment during the period (in terms of cost and gain)	724.0	917.0	688.6	943.3
<b>Total collection from installment sales of properties for sale</b>	<b>819.0</b>	<b>1,032.0</b>	<b>800.6</b>	<b>1,071.8</b>
<b>Total collection received from NPAs Management business<sup>2</sup></b>	<b>4,698.4</b>	<b>7,276.0</b>	<b>6,717.0</b>	<b>6,661.4</b>

Notes: <sup>1</sup> Decreased net acquisition or transfer costs of properties for sale is calculated from (i) the total decreased acquisition, transfer costs of properties for sale and adjustment and (ii) any reversal from revaluation of properties for sale sold during the periods.

<sup>2</sup> Collection from NPAs management business is calculated from (i) cash collected from outright sales; (ii) plus cash collected from installment sales. We believe that, for our NPAs management business, cash collection is a key performance indicator which is applied by other operators in the same business and various investors for the estimated cash flow from NPAs management business. Collection from NPAs management business is calculated based on key items only, and so does not include all collection from the NPAs management business, such as (i) dividends from our investment in securities; (ii) rent; (iii) gain from foreclosures of installment sales and (iv) other income from the breach of agreements, including asset sale agreements. However, this collection is not an indicator of actual cash flow of our NPAs management business nor a standard indicator prescribed by TFRS, and so our methods of calculation may differ from methods of calculation used by other companies for similar items.

For the year ended December 31, 2023, the Company's collection received from NPAs management business was Baht 6,661.4 million which consisted of Baht 5,589.6 million from outright sales and Baht 1,071.8 million from installment sales, and the Company's other incomes, such as rents and forfeiture of the marginal deposit of Baht 36.8 million, thus collections totaling Baht 6,698.2 million.

### 4.3 Vintage Analysis

The company maintains a portfolio of loans purchased and properties for sale acquired at various points in time.

#### 4.3.1 Loans purchased and foreclosed collateral properties

The following table sets forth certain details regarding the appraisal value and outstanding balance of our loans purchased and properties for sale that had been converted from collateral (“Foreclosed Collateral Properties”) as of December 31, 2023:

Time since acquisition	Less than 1 year	From 1 – less than 2 years	From 2 – less than 3 years	From 3 – less than 4 years	From 4 – less than 5 years	From 5 – less than 6 years	From 6 – less than 7 years	From 7 – less than 8 years	From 8 – less than 9 years	From 9 – less than 10 years	From 10 years and above	Total
<b>Loans purchased:</b>												
<b>(Baht in million, except for ratios)</b>												
<b>Outstanding balance</b>	14,107.3	7,253.6	2,998.5	7,828.5	8,251.4	6,240.4	4,694.3	5,656.2	6,098.3	4,921.8	18,524.9	86,575.3
<b>Appraisal value<sup>1</sup></b>	32,848.0	14,035.8	5,748.8	16,525.9	14,941.3	11,114.7	10,904.5	10,797.7	13,090.2	9,246.6	51,236.8	190,490.2
<b>Appraisal value/ Outstanding balance (x)</b>												
	2.3	1.9	1.9	2.1	1.8	1.8	2.3	1.9	2.1	1.9	2.8	2.2
<b>Foreclosed collateral properties:</b>												
<b>(Time since transferred to NPAs)</b>												
<b>Outstanding balance<sup>2</sup></b>	6,053.6	5,030.8	3,677.3	3,616.2	3,372.1	2,333.9	1,812.7	1,223.3	1,388.7	397.5	2,206.6	31,112.5
<b>Appraisal value</b>	10,901.6	8,980.8	6,618.8	6,925.5	6,592.5	4,766.6	3,591.8	2,727.9	2,505.3	930.4	4,748.2	59,289.3
<b>Appraisal value/ Outstanding balance (x)</b>												
	1.8	1.8	1.8	1.9	2.0	2.0	2.0	2.2	1.8	2.3	2.2	1.9

Notes: 1 Collateral value calculated based on the appraised price in accordance with the latest resolution of the committee on the appraise price (notwithstanding that some of the appraisal price may have been appraised not less than 3 years ago) and collateral has been auctioned and bids have already been received, based on the bid price less estimated expenses. The collateral value is based on appraisal price before taking into account the accrued debt obligation and the mortgage value.

2 The actual cost of acquiring the assets before revaluation of properties for sale.

The appraisal value of loans purchased and foreclosed collateral properties was approximately 2.2 and 1.9 times the outstanding balance across different vintages. The Company is diligent in the collection and seeks to maintain levels of collection from both distressed assets and properties for sale.

The following table sets forth certain details regarding the company's collection and acquisition cost for portfolios of loans purchased and foreclosed collateral properties with various holding periods as of December 31, 2023:

Time since acquisition	Less than 1 year	From 1 – less than 2 years	From 2 – less than 3 years	From 3 – less than 4 years	From 4 – less than 5 years	From 5 – less than 6 years	From 6 – less than 7 years	From 7 – less than 8 years	From 8 – less than 9 years	From 9 – less than 10 years	From 10 years and above	Total
<b>Loans purchased and foreclosed collateral properties</b>												
(Baht in million, except for ratios)												
Total collection	648.9	2,238.1	2,762.1	5,622.7	8,691.3	6,894.7	8,715.8	8,320.2	10,667.7	9,742.4	192,506.1	256,810.0
Distressed debt asset collection	217.4	858.6	601.6	2,776.2	4,274.3	3,418.9	5,318.8	5,265.6	7,786.9	6,989.5	156,417.7	193,925.5
Foreclosed collateral properties collection	431.5	1,379.5	2,160.5	2,846.4	4,417.0	3,475.8	3,397.0	3,054.6	2,880.8	2,752.9	36,088.5	62,884.5
Acquisition cost	14,318.0	8,120.0	3,663.9	10,619.7	12,790.2	11,006.8	10,678.2	12,634.7	15,203.0	13,852.3	147,188.1	260,075.0
Collection/ Acquisition cost (%)	4.5	27.6	75.4	52.9	68.0	62.6	81.6	65.9	70.2	70.3	130.8	98.7

Collection tends to gradually increase within the first 2 to 3 years after an asset acquisition as we carry out preparation, negotiation, and restructuring activities, and then accelerates in the recovery period. As of December 31, 2023, total collection for assets acquired from 2 - less than 3 years is 75.4% which was lower than the total collection for assets acquired over 10 years ago of 130.8%

From the portfolios of loans purchase that the Company have acquired in the 1 to 2 years prior to December 31, 2023 of Baht 2,238.1 million (of which Baht 858.6 million was from distressed debt assets and Baht 1,379.5 million was from foreclosed collateral properties) and had a total balance of Baht 12,284.4 million of loans purchased which we had acquired within 1 to 2 years before (of which Baht 7,253.6 million is from distressed debt assets and Baht 5,030.8 million is from foreclosed collateral properties), with a total appraisal value of Baht 23,016.6 million (of which Baht 14,035.8 million from distressed assets and Baht 8,980.8 million from foreclosed collateral properties).

**4.3.2 Directly Acquired Properties for sale** The following table sets forth certain details regarding the appraisal value and outstanding balance of properties for sale acquired directly (“Directly Acquired Properties for Sale”) as of December 31, 2023.

Directly Acquired Properties for sale:	Time since acquisition											Total
	Less than 1 year	From 1 – less than 2 years	From 2 – less than 3 years	From 3 – less than 4 years	From 4 – less than 5 years	From 5 – less than 6 years	From 6 – less than 7 years	From 7 – less than 8 years	From 8 – less than 9 years	From 9 – less than 10 years	From 10 years and above	
Outstanding balance	24.1	161.8	5.5	856.3	231.7	852.6	146.2	135.8	86.8	6.9	1,849.6	4,357.3
Appraisal value	44.4	345.1	9.8	1,775.5	452.5	1,566.1	332.6	283.7	155.2	15.3	7,046.0	12,026.1
Appraisal value/ outstanding balance(x)	1.8	2.1	1.8	2.1	2.0	1.8	2.3	2.1	1.8	2.2	3.8	2.8

As of December 31, 2023, the total appraised value of the assets is 2.8x of the total outstanding balance of Directly Acquired Properties for sale.

The following table sets forth certain details regarding the Company’s collection and acquisition cost of the portfolios of Directly Acquired Properties for sale with various holding periods as of December 31, 2023.

Direct Acquired properties for sale:	Time since acquisition											Total
	Less than 1 year	From 1 – less than 2 years	From 2 – less than 3 years	From 3 – less than 4 years	From 4 – less than 5 years	From 5 – less than 6 years	From 6 – less than 7 years	From 7 – less than 8 years	From 8 – less than 9 years	From 9 – less than 10 years	From 10 years and above	
Collection	0.0	18.5	0.0	570.8	403.3	256.6	209.5	802.1	119.1	15.0	46,843.9	49,239.0
Acquisition cost	24.1	174.0	6.0	1,340.9	583.3	1,223.6	283.8	629.4	170.1	17.9	23,305.7	27,758.8
Collection/acquisition cost (%)	0.0	10.7	0.0	42.6	69.1	21.0	73.8	127.4	70.0	83.8	201.0	177.4

As of December 31, 2023, collection for Directly Acquired Properties for sale is 10.7% of the acquisition cost of assets acquired from 1 – less than 2 years as compared with 201.0% of that of assets acquired more than 10 years.

We had collected Baht 18.5 million from the properties for sale that we directly acquired 1 to less than 2 years prior to December 31, 2023. The Company had total outstanding balance of Baht 161.8 million and total appraisal value of Baht 345.1 million.

#### 4.4 NPLs Concentration by Portfolio

The following table sets forth information regarding our individual debtors with the 10 largest remaining acquisition costs of NPLs as of the dates indicated.

Major Debtors <sup>1</sup>	Baht in millions			
	Year ended December 31,			
	2020	2021	2022	2023
Debtor 1	3,035	3,035	3,035	3,035
Debtor 2	589	589	589	589
Debtor 3	558	558	558	558
Debtor 4	389	389	389	389
Debtor 5	334	334	323	324
Debtor 6	324	323	291	291
Debtor 7	290	290	287	288
Debtor 8	287	287	260	260
Debtor 9	261	261	223	255
Debtor 10	224	224	204	224
<b>Sub-total</b>	<b>6,291</b>	<b>6,291</b>	<b>6,160</b>	<b>6,213</b>
<b>Total NPLs</b>	<b>77,726</b>	<b>73,406</b>	<b>72,384</b>	<b>77,959</b>

Notes: 1 Represents our top 10 debtors by remaining acquisition of NPLs as of the dates indicated. Our top 10 debtors may vary from year to year.



#### 4.5 NPAs Concentration by Region and by Type

Our NPAs are located throughout Thailand. As of December 31, 2023, 37.0% of net value of our NPAs are located in Bangkok and its vicinity and 56.1% of net value of our NPAs are residential properties.

The following table sets forth certain details of our NPAs by region as of the date indicated.

Value of NPAs by Geography of Real estate	Baht in millions			
	Year ended December 31,			
	2020	2021	2022	2023
Immovable assets				
Bangkok and its vicinity	12,255	11,976	12,225	12,933
Central and Eastern Thailand	6,582	6,893	7,532	8,220
Northern Thailand	3,742	4,089	4,360	4,717
Northeast Thailand	2,698	3,034	3,553	4,090
Southern Thailand	2,587	3,450	4,245	4,909
Moveable assets	214	224	111	78
<b>Total</b>	<b>28,078</b>	<b>29,666</b>	<b>32,026</b>	<b>34,947</b>

The following table sets forth a breakdown of the value of our NPAs by type as of the date indicated

Value of NPAs by Type of Real estate	Baht in millions			
	Year ended December 31,			
	2020	2021	2022	2023
Immovable assets				
Vacant land	6,023	5,415	5,168	5,172
Hotels	591	697	636	784
Commercial properties	7,186	7,720	8,362	9,301
Residential properties	14,065	15,610	17,749	19,612
Moveable assets	214	224	111	78
<b>Total</b>	<b>28,078</b>	<b>29,666</b>	<b>32,026</b>	<b>34,947</b>

As of December 31, 2023, the Company had net NPAs value of Baht 34,947 million and the appraisal NPAs value of Baht 71,316 million (of which Baht 72,214 million for immovable assets and Baht 102 million for movable assets).

## 5. SOURCES AND USES OF FUNDS

As of December 31, 2023, the capital structure according to the financial statements consists of debt of Baht 94,889 million and equity of Baht 43,633 million, representing a debt-to-equity ratio equal to 2.15 times. Important components of debt funding sources include debt instruments. Most of them are debentures totaling Baht 73,520 million and borrowings totaling Baht 15,450 million, accounting for 77.48 percent and 16.28 percent of total debt, respectively. Changes in the debt issued and borrowings accounts for the year ended December 31, 2023 are as follows.

	Baht in millions			
	Year ended December 31,			
	Beginning balance	Additions	Payment	Ending balance
Notes payable	2,498	1,896	(2,703)	1,691
Borrowings	10,186	23,640	(18,376)	15,450
Debentures	73,070	10,400	(9,950)	73,520

In 2023, the Company repaid 4 tranches of debentures due for redemption, with a total value of Baht 9,950 million, and had 6 tranches of debentures due for redemption in 2024, with a total value of Baht 11,800 million, details as follows.

	Maturity Date	No.	Series	Number issued (million units)	Amount Issued (Baht in millions)	Maturity Period	Interest Rate (% p.a.)
1	9 April 2024	1/2021	3	1.00	1,000	3 years	2.11
2	27 April 2024	1/2022	1	3.75	3,750	2 years	2.13
3	25 May 2024	3/2022	1	0.65	650	1 year 6 months	2.54
4	23 June 2024	1/2017	4	1.40	1,400	7 years	3.64
5	18 July 2024	1/2019	3	4.50	4,500	5 years	2.90
6	2 December 2024	2/2021	1	0.50	500	3 years	1.67
<b>Total</b>				<b>11.80</b>	<b>11,800</b>		

The Company has an important use of sources of funds, i.e. loans purchased of receivables from financial institutions. In 2023, the Company purchased NPLs for a total claim amount of Baht 49,852 million, and as of December 31, 2023, the Company had loans purchased of receivables and net accrued interest receivables of Baht 77,959 million, with a total claim amount of Baht 495,007 million.

## 6. ECONOMIC TRENDS AND NPLS IN THE FINANCIAL INSTITUTIONS SYSTEM

### 6.1 Economic Situation in 2023 and 2024

In 2023, the global economy was on track to recover but still faced uncertainty and bore the effects of the prolonged COVID-19 situation as well as the Russia-Ukraine conflict that has caused soaring oil prices and the food security crisis. In addition, there were the impact of the US banking crisis and that of strict monetary policies used by central banks to cope with inflation. As for the Thai economy, it expanded at a slower pace, compared to the 2022 economy, as it was affected by the global economic situation, the contraction of domestic consumption, and government investment. Moreover, the demand for exports shrank, resulting in a decrease in industrial production. Political uncertainty was another factor affecting the Thai economy and both Thai and foreign investors' confidence.

As for the trends in 2024, the world economy will continue to slow down. There are still many risk factors that need to be monitored, such as weak international trade, high public debt, low international investment, and geopolitical concerns. Meanwhile, policy interest rate cuts by central banks in various countries after the pressure of inflation gradually subsides will have a positive impact on the world economy. The Chinese and the US economies that were doing better than expected in 2023 will also enhance global economic growth. Regarding the Thai economy, it is still likely to be in the direction of recovery with domestic consumption and tourism being important supporting factors. However, geopolitical risks and financial policy are still factors that need to be monitored while there is still concern over the economic situation that is likely to weaken from consecutive negative inflation trends since the fourth quarter of 2023.

### 6.2 Industry Overview

AMCs industry in 2023 remained relatively unchanged compared to that of 2022, with 2 new companies obtaining AMCs license from the BOT. Currently, there are 85 AMCs (including BAM) in the system, divided into: 1) 14 AMCs that are subsidiary or related to banks; 2) 45 AMCs that operate the business of managing NPLs and NPAs, of which 14 AMCs are direct competitors of BAM; and 3) 26 AMCs that operate other businesses.

Financial institutions had auctioned off 3 main types of NPLs in the previous year: corporate loans, SMEs loans, and housing loans. It was found that most loans auctioned off were housing loans. In the second half of 2023, financial institutions began auctioning off corporate loans, reflecting the diversity of the current distressed debt portfolios.

### 6.3 NPLs in the Financial Institutions System

The non-performing loans (NPLs) in the financial institutions system as of the end of 2023, according to the Bank of Thailand, comprised of the outstanding balance of Baht 492,833 million (a decrease of 1.3 percent compared to the outstanding NPLs balance as of the end of 2022 of Baht 499,199 million) which accounted for 2.7 percent of gross loans in the system (gross loans as of the end of 2023: Baht 18,544,293 million).

For loans classified as Special Mention Loans (SML) which have overdue principal or interest repayments for more than 1 month but not more than 3 months and are considered to have significant increase in credit risk according to TFRS 9, the balance was Baht 1,085,559 million or 5.9 percent of gross loans as of the end of 2023.

## 7. FACTORS THAT MAY AFFECT THE COMPANY'S OPERATIONS

### 7.1 Sustainable Measures to Help Debtors

The banking sector continues to provide assistance to debtors as the Bank of Thailand (BOT) and the Thai Bankers Association (TBA) announced that in 2024 they will adhere to the principle of providing comprehensive and sustainable assistance to take care of debtors in accordance with the responsible lending practice, 3 standard guidelines have been disclosed:

**1. Continuously support debtors through debt restructuring.** Retail and SMEs debtors who have never undergone debt restructuring process will be offered options for debt restructuring at least once. This is for both debtors who have begun to have problems repaying their debts which have not yet turned into bad debts and for debtors who have problems repaying NPLs. Furthermore, the accounts of such debtors will not be transferred or auctioned off to an AMC until the 60<sup>th</sup> day after the date on which the conditions for debt restructuring have been proposed.

**2. Help chronically vulnerable debtors to be able to settle their debts.** Chronic debtors in vulnerable groups will receive assistance to pay off debt faster within 5 years and a reduction in an interest burden that will occur with an interest rate not exceeding 15% per year.

**3. Protect debtors' rights more fairly.** Debtors will not be penalized for early redemption of loans. This applies to all types of personal loans, except for the case of refinancing a home loan during the first 3 years and for other fees that do not comply with BOT regulations. Additionally, debtors will be informed of important information that is accurate, complete, and comparable through advertisements regarding loan sale and debt settlement. Also, retail debtors will not be charged for interest on interest for loans provided (including current account loans or overdraft loans).

The abovementioned measures will indicate the importance given to taking care of debtors before and during their indebtedness as well as to helping them solve debt problems, which can be considered as precautionary measures. In addition, the banking sector will encourage people at all levels to have an understanding of financial discipline and financial planning, and this will effectively help delay the occurrence of NPLs in the financial institutions system.

### 7.2 The BOT holds hearings about improving operating regulations for joint ventures to address the problem of non-performing assets resulting from the COVID-19 situation.

As the BOT recognizes that Specialized Financial Institutions (SFIs) still have limitations of managing non-performing assets that have long been accumulated in the Specialized Financial Institutions' system, especially those of individuals and business operators who have not had access to commercial financing and most of which are unsecured and often affected by events or situations that cannot be controlled, worsen by the impact of the recent COVID-19 situation. Therefore, the BOT sees the need to promote joint investment in the form of joint venture between SFIs and asset management companies but within a specified period of time, so that SFIs have another tool to provide assistance to debtors and can carry out the management of non-performing assets more efficiently.

The BOT had held hearings about improving operating regulations for joint ventures on December 1-15, 2023. However, at present, the BOT has not yet disclosed a summary of opinions or issued any announcement of such matter.

### **7.3 Fees for registration and legal transactions of sale and mortgage of immovable property**

The government has extended measures to reduce fees for registering ownership right transfer and legal transactions regarding the purchase and sale of immovable property with a purchase price and an appraisal value not exceeding Baht 3 million and a mortgage amount not exceeding Baht 3 million to help lighten the burden for expenses on those who want to have their own residence and stimulate real estate trading while strengthening the economy. Regarding this, a buyer must be of a Thai nationality. The ownership right transfer registration fee is now set to remain at 1 percent, and the mortgage registration fee is set to remain at 0.01 percent, effective until December 31, 2024.

### **7.4 Rules for holding Non-Performing Assets (NPAs)**

The BOT has issued Notification Sor Nor Sor. 11/2023 containing rules asset management companies must adhere to, effective on November 14, 2023. The notification specifies rules for holding period of assets. If NPAs are purchased or transferred from financial institutions or financial business operators or are assets transferred in satisfaction of debts or purchased from public auctions, they are to be sold within 10 years from the date of acquisition. For NPAs which were previously used as establishments for conducting business or for employees of financial institutions in accordance with the law on financial institution business, the assets are to be sold within 5 years from the date of acquisition. However, if an asset management company as a holder is unable to sell such assets within the specified period, the company can apply for deferment on a case-by-case basis to extend the holding period for another 5 years. In this regard, these criteria have resulted in companies having to expedite the sale of NPAs within the period specified by the BOT. In case NPAs cannot still be sold, a company must request another deferment from the BOT along with explaining the reasons and outlining an action plan to enable the sale of such NPAs.