



## Management Discussion and Analysis

For the fourth quarter and year ended December 31, 2019

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## 1. Executive Summary

The overall business operation of the company in 2019 is considered a satisfactory year and is in line with the management's expectation. In the past year, the company was able to generate cash collection from the overall NPLs and NPAs management business, which are considered key performance indicators used by operators in the same industry, in the amount of Baht 19,732.20 million, increased by Baht 3,163.1 million or 16.03% from the previous year while the Net Profit from operations increased from the last year by Baht 1,347.28 million or 25.90%.

We have managed to grow our asset base comfortably at around 7.6%, which is considered to be an appropriate level given the economic conditions at the time and current cash collection efficiency.

As of 31 December 2019, BAM has net book value of loans purchased of Baht 77,374.66 million against appraisal value of NPLs at Baht 192,189.05 (or 2.48 times over acquisition cost) while book value of properties for sale was at Baht 23,899.11 million against the appraisal value of NPA at Baht 55,069.43 million (or 2.31 times over acquisition cost). This is to confirm our ability to purchase NPLs and NPAs at a favorable price.

The key major event in the year 2019 was the company's initial public offering through the Stock Exchange of Thailand on December 16, 2019, and the transition from state enterprise to a fully commercialized public company. The main objective is to establish the efficiency and strength to our core businesses in acquiring and managing NPLs and NPAs. This enables BAM to consistently and sustainably generate healthy profits for all stakeholders.

## 2. AMC Industry Outlook and Overview

In 2019, the Thai economy expanded at a slower pace at 2.4% of GDP as compared to 2018 (reference: Office of the National Economic and Social Development Council). The decline is due to various factors, such as export contraction led to the decline in manufacturing production and private investment. Together with uncertainties in the trade relationship, weaker global economy, and the Thai Baht's depreciation. On the domestic front, the lower employment rate and high household debt causing most of the financial institutions to offload their NPLs and NPAs for asset management companies (AMCs) to manage further.

The competition among AMCs has risen slightly as several financial institutions auction out more of their NPLs into the market. We have seen more of smaller bundles of NPLs and NPAs being auctioned for lower prices to escalate competition among AMCs. This provides opportunity for small to medium size players to bid and increase their competitiveness. However, BAM still remains major player in secured loans market. (as of 31 December 2019, BAM has Total assets of Baht 115,789.67 million)

In 2019, BAM foresees the economic growth to be maintained at low level and that there will be an ample supply of NPLs and NPAs coming into the market as compared to the previous year. Furthermore, the amount of NPLs to loans ratio is higher, coupled with the new accounting standard which would put some pressure to several financial institutions to auction out more of their NPLs and NPAs while the competition from small to medium players in AMC industry would rise slightly higher as they have better access to sources of funds. Nonetheless, BAM still believes that our strengths and strategy will keep the company to stay highly competitive in this market.

### 3. Regulatory considerations

Changes in banking regulations, such as those relating to bad debts and doubtful accounts provision, may also affect the supply of NPLs and the strategies and policies of commercial banks relating to their loan and NPL portfolio management.

The new Land and Building Tax Act B.E. 2562 (2019) (“Land and Building Tax Act”) was published on the Royal Gazette on March, 12, 2019 and replaces the House and Land Tax B.E. 2475 (1932) and the Land Development Tax B.E. 2508 (1965). The Land and Building Tax Act impose tax on owners of land and buildings and specifies maximum tax rates to be applied based on the value of the asset as appraised by the Department of Lands. Maximum tax rates vary by asset type and will become effective from January 1, 2020, as follows:

Asset types	Maximum Tax Rates (%)
Land or buildings used for the purpose of agriculture	0.15
Land or buildings used for the purpose of residential (owner is not a resident)	0.30
Land or buildings used for other purposes	1.20
Unused land or buildings	1.20

The rates set forth above represent the maximum tax rates applicable. However, under the royal decree of transitional relief announced in 18 January, 2020, BAM as an AMC will receive a 90% tax relief discount on properties that are being held less than five years.

The following tables set forth the appraised value of each category of our NPAs as of December 31, 2019 and the respective applicable tax rates for 2020 and 2021:

### 3.1 Land or buildings for agricultural uses

Category (by asset value in Baht)	Tax rate (%)	Appraised value of NPAs per our appraised value (in millions of Baht) <sup>1</sup>
Not exceeding 75,000,000	0.01	347.04
More than 75,00,000 – 100,000,000	0.03	90.05
More than 100,000,000 – 500,000,000	0.05	-
More than 500,000,000 – 1,000,000,000	0.07	-
More than 1,000,000,000	0.1	-

<sup>1</sup> our appraised value may not be the same as the appraised value as determined by the Department of Lands

### 3.2 Land or buildings for residential uses (owner is not a resident)

Category (by asset value in Baht)	Tax rate (%)	Appraised value of NPAs per our appraised value (in millions of Baht) <sup>1</sup>
Not exceeding 50,000,000	0.02	21,751.81
More than 50,00,000 – 75,000,000	0.03	539.55
More than 75,000,000 – 100,000,000	0.05	469.43
More than 100,000,000	0.1	341.25

<sup>1</sup> our appraised value may not be the same as the appraised value as determined by the Department of Lands

### 3.3 Land or buildings for other uses

Category (by asset value in Baht)	Tax rate (%)	Appraised value of NPAs per our appraised value (in millions of Baht) <sup>1</sup>
Not exceeding 50,000,000	0.3	9,331.16
More than 50,00,000 – 200,000,000	0.4	3,961.13
More than 200,000,000 – 1,000,000,000	0.5	3,506.15
More than 1,000,000,000 – 5,000,000,000	0.6	-
More than 5,000,000,000	0.7	-

<sup>1</sup> our appraised value may not be the same as the appraised value as determined by the Department of Lands

### 3.4 Vacant or unused land or buildings

Category (by asset value in Baht)	Tax rate (%)	Appraised value of NPAs per our appraised value (in millions of Baht) <sup>1</sup>
Not exceeding 50,000,000	0.3	8,759.64
More than 50,00,000 – 200,000,000	0.4	3,973.81
More than 200,000,000 – 1,000,000,000	0.5	3,834.80
More than 1,000,000,000 – 5,000,000,000	0.6	1,034.70
More than 5,000,000,000	0.7	-

<sup>1</sup> our appraised value may not be the same as the appraised value as determined by the Department of Lands

#### 4. Management Discussion and Analysis

Analysis of the financial status and operation results of the company in NPLs and NPAs management business should be considered together with the Cash collection, which is a key performance indicator. Please see further details in the section “4.3 Cash Collection Received from Our NPL and NPA Management Business.”

##### 4.1 Net profit and Total Comprehensive Income for Q4/2019 and year ended December, 31 2019

Consolidated Unit: Baht million	2019	2018	Change (% yoy)	Q4-19	Change (%qoq)	Change (% yoy)
<b>Total interest income</b>	9,139.75	6,413.94	42.50	1,191.50	(45.92)	(54.12)
<b>Interest expense</b>	2,132.38	1,769.41	20.51	607.75	1.39	33.88
<b>Total interest income-net</b>	7,007.37	4,644.53	50.87	583.75	(64.01)	(72.76)
Gain (loss) on investment in securities	3.99	(30.31)	(113.17)	0.05	(98.82)	(140.62)
Gain on sale of properties for sale	2,907.24	3,105.51	(6.38)	1,777.21	396.72	196.77
Gain on installment sales	93.60	115.21	(18.77)	12.98	(33.13)	(68.73)
Total other operating income	91.60	146.79	(37.60)	48.11	169.22	(49.14)
Total operating income	10,103.79	7,981.74	26.59	2,422.11	22.20	(15.84)
Total other operating expenses	3,757.13	2,934.63	28.03	1,169.12	16.75	32.90
Doubtful accounts	134.62	(162.19)	(183.00)	(75.02)	(181.40)	(172.95)
Operating profit before income tax expenses	6,212.04	5,209.30	19.25	1,328.01	47.44	(29.94)
Income tax expense	(337.26)	7.28	(4,734.68)	(339.00)	(42,877.36)	(7,869.29)
<b>Net Profit</b>	6,549.30	5,202.02	25.90	1,667.01	103.45	(11.86)
<b>Other comprehensive income (expense)</b>						
<b>Items that may be reclassified to profit or loss</b>						
Gain (loss) on remeasurement of available for sale investment	(23.26)	(11.77)	97.71	(9.32)	(499.57)	-
Income tax relating to components of other comprehensive income	16.26	-	-	16.26	-	-
<b>Items that may not be reclassified to profit or loss</b>						
Actuarial losses on defined benefit plans	(20.80)	-	-	-	-	-
Income tax relating to components of other comprehensive income	17.64	-	-	17.64	-	-
<b>Total other comprehensive income (expenses)</b>	(10.16)	(11.77)	(13.62)	24.58	(1,050.75)	
<b>Total comprehensive income</b>	6,539.14	5,190.26	25.99	1,691.58	111.56	(10.56)
<b>Basic earnings per share (Baht/Share)</b>	2.38	1.90	25.20	0.62	111.56	(10.56)



#### 4.1.1 Interest income

Consolidated Unit: Baht million	2019	2018	Change (% yoy)	Q4-19	Change (%qoq)	Change (% yoy)
<b>Interest income</b>						
Loans purchased	8,968.44	6,295.17	42.47	1,151.90	(46.03)	(55.07)
Investment in securities	33.49	3.73	797.69	8.69	(64.94)	740.90
Cash at financial institutions	15.60	10.33	51.01	6.16	(14.05)	82.37
Installment sale receivables	108.00	89.19	21.08	20.79	(36.50)	(15.25)
Others	14.23	15.52	(8.33)	3.94	(1.61)	(10.44)
<b>Total Interest income</b>	<b>9,139.75</b>	<b>6,413.94</b>	<b>42.50</b>	<b>1,191.50</b>	<b>(45.92)</b>	<b>(54.12)</b>

- BAM recorded **Total Interest Income** of Baht 9,139.75 million in 2019, increased by Baht 2,725.81 million, or 42.5% from Baht 6,413.94 million in 2018, primarily due to an increase in cash payments received from debtors and numbers of contracts that has been settled.
- Interest income from investment in securities and from cash at financial institutions in 2019 increased by 740.90% and 82.37% respectively, from the previous recorded in 2018. Such change was due to an increase in related-government bond investment and cash depository at financial institution.
- Our interest income in installment sale receivables decreased by Baht 11.95 million, or 36.50%, to Baht 20.79 million for 4Q.2019 from Baht 32.75 million for 3Q.2019. Change was primarily due to a reclassification line item in the statement of financial position in 3Q.2019 and a decrease in demand for installment sales of NPAs.

#### 4.1.2 Interest expenses

Consolidated Unit: Baht million	2019	2018	Change (% yoy)	Q4-19	Change (%qoq)	Change (% yoy)
<b>Interest expenses</b>						
Interest and discount on promissory notes	224.62	281.50	(20.21)	18.17	(52.82)	(72.61)
Interest paid on loans	637.70	439.80	45.01	188.53	0.78	72.95
Interest on debentures	1,270.06	1,048.15	21.17	401.05	7.27	43.96
<b>Total Interest expenses</b>	<b>2,132.38</b>	<b>1,769.41</b>	<b>20.51</b>	<b>607.75</b>	<b>1.39</b>	<b>33.88</b>

- We recorded Total Interest Expenses of Baht 2,132.38 million, which increased by Baht 362.97 million or 20.51%, due to a higher interest on debentures of Baht 221.9 million and an issuance of the company's new debentures to enhance financial liquidity.
- Interest paid on loans in 4Q.2019 increased by Baht 79.50 million, or 72.95%, from the previous recorded in 3Q.2019, due to an increase in bank loans to acquire new portfolios and short-term loans for working capital.
- Interest and discount on promissory notes in 4Q.2019 was lower by 52.82% comparing to amount recorded in 3Q.2019. Such change resulted from a due for repayment of promissory notes in 3Q.2019

#### 4.1.3 Other operating expenses

Consolidated Unit: Baht million	2019	2018	Change (% yoy)	Q4-19	Change (%qoq)	Change (% yoy)
<b>Other operating expenses</b>						
Employee expenses	2,143.56	1,836.94	16.69	597.71	(10.27)	0.42
Director' remuneration	20.10	10.84	85.42	8.12	171.26	320.60
Premises and equipment expenses	223.94	221.91	0.92	56.36	1.99	(3.07)
Tax and duties	764.60	517.75	47.68	201.24	61.14	54.99
Impairment loss on properties for sale (reversal)	(24.69)	(20.50)	20.45	(15.20)	(245.41)	25.49
Properties for sale expenses	97.49	89.13	9.37	22.59	(12.41)	(6.17)
Other expenses	532.14	278.57	91.03	298.30	174.73	261.10
<b>Total Other operating expenses</b>	<b>3,757.13</b>	<b>2,934.63</b>	<b>28.03</b>	<b>1,169.12</b>	<b>16.75</b>	<b>32.90</b>

- Total other operating expenses in 2019 was Baht 3,757.13 million, increased by 28.03% from a previous year recorded, primarily due to an increase of 47.68% in Tax and duties. In 2019, BAM paid higher Special Business Tax (SBT) from NPAs sales and higher interest income on loan purchased to The Revenue Department, combined with the company's higher other expenses in the amount of Baht 253.50 million, or 91.03%, from expenses related to the initial public offering in The Stock Exchange of Thailand (IPO).
- In 4Q.2019, BAM had reversed an increase in impairment loss on properties on sale of Baht 3.09 million, or 25.49% compared to the same period of time in 2018. This was due to the higher adjustment of appraisal value of NPAs in which has been offset by an increase in Tax and Duties from higher Accrued income from auction sale.
- Directors' remuneration was recorded at Baht 2.99 million in 3Q.2019 and Baht 8.12 million in 4Q.2019. An increase of Baht 5.13 million, or 171.25%, primarily due to numbers of directors have been appointed to fulfill the Board of Directors.

## 4.2 Statement of Financial Position

The following table sets forth a summary of the statement of financial position for the years ended December 31, 2018 and 2019, prepared based on the audited financial statements for the years ended December 31, 2018 and 2019:

### 4.2.1 Assets

Consolidated Unit: Baht million	2019	2018	Change (% yoy)
<b>Assets</b>			
Cash	4.71	3.61	30.21
<b>Cash at financial institutions</b>	<b>1,378.91</b>	<b>1,031.80</b>	<b>33.64</b>
Investment in securities - net	70.18	93.94	(25.29)
Loans purchased - net	77,374.66	75,433.94	2.57
Installment sale receivables- net	649.15	708.30	(8.35)
Properties for sale - net	23,899.11	20,595.82	16.04
<b>Accrued income from auction sale - net</b>	<b>9,595.61</b>	<b>7,115.45</b>	<b>34.86</b>
Premises and equipment- net	1,243.22	1,251.54	(0.67)
Intangible assets - net	15.92	13.28	19.83
Advance for expense on asset acquisition and others	888.36	1,217.28	(27.03)
Deferred tax assets	491.32	-	-
Other assets	178.61	188.05	(5.02)
<b>Total assets</b>	<b>115,789.67</b>	<b>107,653.00</b>	<b>7.56</b>

- As of 31 December 2019, our total asset was Baht 115,789.67 million, which increased by Baht 8,136.66 million when compared to 2018. Such change was due to an increase of NPA of Baht 3,303.29 million that has been converted from NPL and/or through auction sale. Another factor was the accrued income from auction sale in 2019 that increased by Baht 2,480.16 million, or 34.86% of the amount recorded in 2018.

#### 4.2.2 Liabilities and Shareholder's Equity

<b>Consolidated</b> Unit: Baht million	<b>2019</b>	<b>2019</b>	<b>Change</b> (% yoy)
<b>Liabilities</b>			
Debt issued and borrowing	75,687.52	57,709.28	31.15
Accrued interest payable	504.20	245.36	105.51
Provisions	1,052.33	769.52	36.75
Unearned and accrued income from auction sales	-	5,342.01	(100.00)
Other liabilities	1,479.45	1,737.82	(14.87)
<b>Total liabilities</b>	<b>78,723.55</b>	<b>65,804.00</b>	<b>19.63</b>
<b>Shareholders' equity</b>			
Issued and paid-up share capital	15,075.00	13,675.00	10.24
Capital surplus (deficit) from common shares	3,399.43	-	-
Other component of shareholders' equity	(65.02)	(58.02)	12.08
Retained earnings			
Legal reserve	1,622.50	1,622.50	-
Unappropriated	17,034.22	26,609.53	(35.98)
<b>Total shareholders' equity</b>	<b>37,066.12</b>	<b>41,849.01</b>	<b>(11.43)</b>
<b>Total liabilities and shareholders' equity</b>	<b>115,789.67</b>	<b>107,653.00</b>	<b>7.56</b>

- The total liabilities as of 31 December 2019 was Baht 78,723.55 million, which increased by Baht 12,919.56 million, or 19.63% from 2018. This was due to company issuance of Baht 20,000.00 million debentures and decrease in accrued income from auction sales in amount of Baht 5,342.01 million after the disposal of asset and revenue recognition in 2019.
- Shareholders' equity as of 31 December 2019 was Baht 37,066.12 million which decreased by Baht 4,782.89 million, or equivalent to 11.43% from amount recorded in 2018. Such change on Capital Structure was due to
  - The profit from company operation was lower than the extra dividend paid to the FIDF (pre-IPO).
  - The retained earnings were decreased by Baht 13,000.00 million which was paid out to the FIDF according to the consent obtained from extraordinary general meeting 3/2019 in 12 November 2019 (pre-IPO).
  - The proceeds from the IPO of Baht 4,799.43 million comprising of issued and paid-up share capital of Baht 1,400.00 million and capital surplus from common shares of Baht 3,399.43 million.

### 4.3 Cash Collection Received from Our NPL and NPA Management Business

We believe that, for our NPL and NPA management business, cash collection is a key performance indicator which is applied by other operators in the same business and various investors. Cash collection is calculated based on key items and recognizable cash items only, and so does not include all cash collection items from the NPL and NPA management business. However, cash collection is not 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

#### 4.3.1 Cash Collection from NPL management business

The following table sets forth the cash collection received from our NPL management business for the years ended December 31, 2017, 2018 and 2019

Cash collection received from NPL management business	For the year ended December 31,		
	2017	2018	2019
	Baht (Million)	Baht (Million)	Baht (Million)
Interest income from loans purchased <sup>1</sup>	1,877.5	1,856.8	1,518.8
Gain on loans purchased	3,509.2	4,438.3	7,449.6
Net repayment and adjusted entries	8,418.9	9,081.4	10,907.9
<b>Total</b>	<b>13,805.5</b>	<b>15,376.6</b>	<b>19,876.3</b>
Less the portion of accrued interest receivables and receivables repayment from the debtors by collateral <sup>2</sup>			
<b>Cash collected from the debtors during the period<sup>3</sup></b>	<b>7,776.0</b>	<b>9,000.1</b>	<b>6,858.1</b>
Cash collected from the Legal Execution Department during the period <sup>4</sup>	1,383.4	1,791.1	7,200.5
<b>Total cash collected from NPL management business<sup>5</sup></b>	<b>9,159.4</b>	<b>10,791.2</b>	<b>14,058.6</b>

Remarks: <sup>1</sup> “Interest income from loans purchased” and “gain on loans purchased” are presented as two separate line items in the audited financial statements for the years ended December 31, 2016, 2017 and 2018. However, these items are presented as a combined line item, “interest income from loans purchased” in the audited financial statement for the year ended December 31, 2019. As a result of the reclassification, “gain on loans purchased” is a component of interest income for audited financial statement in the future. For the year ended December 31, 2019, interest income from loans purchased was Baht 8,968.4 million comprising (i) interest income from loans purchased of Baht 1,518.8 million and (ii) gain from loans purchased of Baht 7,449.6 million.

<sup>2</sup> See “Critical Accounting Policies and Estimates – Recognition of interest income and gain on loans purchased”

<sup>3</sup> Cash collected 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> Only the portion where a third party purchaser won the auction of our debtors' collateral and we once recognized accrued income from auction sales. See “-Accrued income from auction sale.”
- <sup>5</sup> Cash collected from NPL management business is calculated from the sum of (i) cash collected from the debtors during the period; and (ii) cash collected from the Legal Execution Department during the period. We believe that, for our NPL 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 of NPL management businesses. Cash collection from NPL 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 cash collection items from the NPL management business which we have not recognized (such as cash collected from auction sale pending recognition, suspended account for debt repayment, check pending collection and suspended account for write-off). However, cash collection is not an indicator of actual cash flow of our NPL 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.

#### 4.3.2 Cash collection received from NPA management business

The following table sets forth the cash collection from our NPAs management business for the year ended December 31, 2017, 2018 and 2019

Cash collection received from NPA management business	Year ended December 31,		
	2017	2018	2019
	Baht (Million)	Baht (Million)	Baht (Million)
<b>Outright sales</b>			
Gain on sale of properties for sale collected in cash	1,740.9	3,105.5	2,907.3
Decreased acquisition or transfer costs of properties for sale – net(1) <sup>1</sup>	1,492.2	2,216.8	2,316.9
<b>Total cash collected from sale of properties for sale-</b>			
<b>Outright sales</b>	<b>3,233.1</b>	<b>5,322.3</b>	<b>5,224.2</b>
<b>Installment sales</b>			
Interest income	104.7	89.2	108.0
Collected debt repayment during the periods (in terms of cost and gain)	1,018.6	366.4	341.4
<b>Total cash collected from installment sales of properties for sale</b>	<b>1,123.3</b>	<b>455.6</b>	<b>449.4</b>
<b>Total cash collection received from NPA management business<sup>2</sup></b>	<b>4,356.3</b>	<b>5,777.9</b>	<b>5,673.6</b>

Remarks: <sup>1</sup> For the year ended December 31, 2017, 2018 and 2019, decreased net acquisition or transfer costs of properties for sale is calculated from (i) the total decreased acquisition, transfer costs of properties for sales and adjustment and (ii) any reversals from revaluation of properties for sale sold during the periods.

<sup>2</sup> Cash collected from NPA management business is calculated from (i) cash collected from outright sales; (ii) plus cash collected from installment sales. We believe that, for our NPA 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 NPA management business. Cash collected from our NPA management business is calculated based on key items only, and so does not include all cash collected from the NPA management business, such as (i) dividends from our investment in securities, (ii) rent, (iii) gains from foreclosures of installment sales and (iv) other income from the breach of agreements, including asset sale agreements. However, cash collection is not an indicator of actual cash flow of our NPA 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.

#### 4.4 Vintage Analysis

We maintain a portfolio of credit for the purchase of receivables and properties for sale acquired at various points in time

##### 4.4.1 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, 2019:

Time since acquisition	Less than 1 years	From 1 to Less than 2 years	From 2 to Less than 3 years	From 3 to Less than 4 years	From 4 to Less than 5 years	From 5 to Less than 6 years	From 6 to Less than 7 years	From 7 to Less than 8 years	From 8 to Less than 9 years	From 9 to Less than 10 years	From 10 years and above	Total	Less than 5 years	Less than 5years (%)
<i>(Baht in million, except for ratios)</i>														
<b>Loans purchased:</b>														
Outstanding balance	12,351.8	9,883.9	8,245.3	9,131.9	9,768.9	8,266.6	3,537.1	4,527.9	1,869.3	1,444.8	14,594.2	83,621.6	49,381.8	59.05
Appraisal value <sup>1</sup>	25,968.8	19,543.4	18,769.0	17,496.6	21,689.9	16,271.7	8,121.6	21,242.3	5,635.4	4,315.9	33,134.3	192,189.1	103,467.7	53.84
<b>Appraisal value/</b>														
Outstanding balance (x)	2.10	1.98	2.28	1.92	2.22	1.97	2.30	4.69	3.01	2.99	2.27	2.30	2.10	
<b>Foreclosed collateral Properties:</b>														
Outstanding balance <sup>2</sup>	165.0	509.1	1,095.4	1,516.1	2,782.0	2,569.9	1,958.2	1,696.8	987.5	1,244.5	5,410.6	19,935.2	6,067.7	30.44
Appraisal value	325.1	888.9	2,159.3	2,567.4	5,183.1	4,593.4	3,982.2	5,007.2	2,190.2	2,928.6	11,902.8	41,728.1	11,123.8	27.14
<b>Appraisal value/</b>														
Outstanding balance (x)	1.97	1.75	1.97	1.69	1.86	1.79	2.03	2.95	2.22	2.35	2.20	2.09	1.83	

Remark <sup>1</sup> Collateral value before depreciation according to the BOT criteria, 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 more than 3 years ago)

<sup>2</sup> The actual cost of acquiring the assets before revaluation of properties for sale.



The appraisal value of loans purchased and Foreclosed Collateral Properties as of December 31, 2019 is approximately two times the outstanding balance across different vintages.

As of December 31, 2019, assets that we had acquired within the past five years accounted for approximately 59.05% and 30.44% of our total outstanding balance of loans purchased and Foreclosed Collateral Properties, respectively. The total appraised value of such assets was 2.10x and 1.83x of the total outstanding balance of our loans purchased and Foreclosed Collateral Properties, respectively.

We are diligent in our cash collection. We seek to maintain healthy levels of cash collection during the distressed debt asset lifecycle as well as the properties for sale lifecycle. For assets acquired as distressed debt, a portion of the cash collection is primarily collected throughout the asset's life as restructured loans purchased while properties for sale also yield amounts of cash collection primarily through an outright sale or installment sale of such properties

The following table sets forth certain details regarding our cash collection and acquisition cost for portfolios of loans purchased and Foreclosed Collateral Properties with various holding periods as of December 31, 2019:

Time since acquisition	Less than 1 years	From 1 to Less than 2 years	From 2 to Less than 3 years	From 3 to Less than 4 years	From 4 to Less than 5 years	From 5 to Less than 6 years	From 6 to Less than 7 years	From 7 to Less than 8 years	From 8 to Less than 9 years	From 9 to Less than 10 years	From 10 years and above	Total
<i>(Baht in million, except for ratios)</i>												
<b>Loans purchased and Foreclosed</b>												
<b>Collateral Properties:</b>												
Total cash collection.....	375.2	841.8	1,920.0	3,069.6	5,226.0	4,943.1	5,613.5	26,281.3	5,789.0	7,523.4	141,239.9	202,822.8
Distressed debt assets cash collection.....	375.2	816.3	1,746.5	2,851.6	4,747.3	4,443.3	4,015.5	24,345.4	4,838.8	5,892.3	104,241.6	158,313.7
Foreclosed Collateral Properties cash collection.....	0.0	25.5	173.5	218.0	478.7	499.8	1,598.0	1,935.9	950.2	1,631.1	36,998.3	44,509.1
Acquisition cost.....	12,819.1	10,978.0	10,678.2	12,634.7	15,190.6	13,852.3	8,333.4	18,045.5	5,789.3	6,049.5	108,970.5	223,340.9
<b>Cash Collection /Acquisition cost</b> <b>(%).....</b>	2.93	7.67	17.98	24.30	34.40	35.68	67.36	145.64	100.00	124.36	129.61	90.81

Cash collection tends to gradually increase within the first five years of an asset's acquisition as we carry out preparation, negotiation and restructuring activities, and then accelerates in the recovery period. As of December 31, 2019, total cash collection for assets acquired within the last three years is 9.10% which is lower than the total cash collection for assets acquired more than 10 years ago of 129.61%

For example, from the portfolios of loans purchased that we have acquired in the 1 to 2 years prior to December 31, 2019 of Baht 10,978.0 million, we collected Baht 841.8 million (of which Baht 816.3 million was from distressed debt assets and Baht 25.5 million was from Foreclosed Collateral Properties)

As of December 31, 2019, we had a total balance of Baht 10,390 million of loan purchased which we had acquired within one to two years before (of which Baht 9,883.9 million is from distressed debt assets and Baht 509.1 million is from Foreclosed Collateral Properties), with a total appraisal value of Baht 20,432.3 million (of which Baht 19,543.4 million is from distressed debt assets and Baht 888.9 million is from Foreclosed Collateral Properties).

#### 4.4.2 Directly Acquired Foreclosed Properties

The following table sets forth certain details regarding the appraisal value and outstanding balance of foreclosed properties that we directly acquired (“Directly Acquired Foreclosed Properties”) as of December 31, 2019:

Time since acquisition	Less than 1 years	From 1 to Less than 2 years	From 2 to Less than 3 years	From 3 to Less than 4 years	From 4 to Less than 5 years	From 5 to Less than 6 years	From 6 to Less than 7 years	From 7 to Less than 8 years	From 8 to Less than 9 years	From 9 to Less than 10 years	From 10 years and above	Total	Less than 5 years	Less than 5years (%)
<i>(Baht in million, except for ratios)</i>														
<b>Directly Acquired Foreclosed Properties:</b>														
Outstanding balance.....	663.5	348.5	437.5	738.5	31.8	0.2	389.6	889.6	194.1	49.6	2,260.8	6,003.6	2,219.7	36.97
Appraisal value.....	1,259.6	668.0	945.6	1,281.6	54.0	0.3	952.6	3,011.6	467.0	188.1	7,330.5	16,158.9	4,208.9	26.05
<b>Appraisal value/ Outstanding balance (x)</b>	1.90	1.92	2.16	1.74	1.70	1.44	2.44	3.39	2.41	3.79	3.24	2.69	1.90	

As of December 31, 2019, assets that we have acquired within the past five years accounted for approximately 36.97% of our total outstanding balance of Directly Acquired Foreclosed Properties. The total appraised value of the assets that we have acquired within the past five years is 1.90x of the total outstanding balance of Directly Acquired Foreclosed Properties.

The following table sets forth certain details regarding our cash collection and acquisition cost of our portfolios of Directly Acquired Foreclosed Properties with various holding periods as of December 31, 2019:

Time since acquisition	Less than 1 years	From 1 to Less than 2 years	From 2 to Less than 3 years	From 3 to Less than 4 years	From 4 to Less than 5 years	From 5 to Less than 6 years	From 6 to Less than 7 years	From 7 to Less than 8 years	From 8 to Less than 9 years	From 9 to Less than 10 years	From 10 years and above	Total
<i>(Baht in million, except for ratios)</i>												
<b>Direct properties for sale:</b>												
Cash collection.....	84.5	327.0	45.6	132.6	20.2	0.8	3,733.4	4,930.1	1,301.3	1,469.3	32,619.2	44,663.9
Acquisition cost.....	788.7	609.0	525.1	878.7	42.4	0.2	1,831.1	2,617.7	868.0	764.4	17,316.7	26,242.0
Cash collection/acquisition cost (%).....	10.71	53.70	8.68	15.09	47.68	451.24	203.88	188.34	149.92	192.21	188.37	170.20

As of December 31, 2019, cash collection for Directly Acquired Foreclosed Properties is 23.78% of the acquisition cost of assets acquired within three past years as compared with 188.37%

For example, we had collected Baht 327.0 million from the foreclosed properties that we directly acquired 1 to 2 years prior to December 31, 2019 for Baht 609.0 million. The foreclosed properties which we had acquired one to two years before had total outstanding balance of Baht 348.6 million and total appraisal value of Baht 668.0 million.

## 5. Key Financial Ratios

Financial Ratio	Unit	Year ended December 31,		
		2017	2018	2019
<b>Profitability Ratio<sup>1</sup></b>				
Gross profit margin <sup>2</sup>	%	78.67	81.84	82.55
Operating profit margin <sup>3</sup>	%	59.00	53.37	50.71
Cash flow to income ratio <sup>4</sup>	%	85.09	157.27	(19.27)
Net profit margin <sup>5</sup>	%	59.02	53.35	53.52
Return on equity	%	11.03	12.55	17.67
<b>Efficiency Ratio<sup>1</sup></b>				
Return on total assets	%	4.65	5.01	5.86
Total assets turnover	times	0.08	0.09	0.11
<b>Financial Policy Ratio<sup>1</sup></b>				
Total liability-to-equity ratio	times	1.43	1.57	2.12
Interest coverage ratio <sup>6</sup>	times	3.58	5.54	0.37
Debt service coverage ratio (Cash Basis) <sup>7</sup>	times	0.07	0.25	(0.02)
Dividend payout ratio <sup>8</sup>	%	80.79	97.77	309.91
Interest Bearing Debt to equity ratio <sup>9</sup>	times	1.39	1.38	2.04
<b>Specific Ratio for Our Business<sup>1</sup></b>				
Cash collection from NPL management business to net NPLs <sup>10</sup>	%	12.83	14.55	18.40
Return on NPL management business <sup>11</sup>	%	4.78	4.63	9.50
Allowance for doubtful accounts to NPLs <sup>12</sup>	%	8.70	7.69	7.47
Cash collection from NPA management business to net NPAs <sup>13</sup>	%	24.88	29.12	24.75
Return on NPA management business <sup>14</sup>	%	6.00	8.72	12.35
Allowance for impairment of NPLs to NPAs <sup>15</sup>	%	2.97	2.47	2.04

Remark <sup>1</sup> The financial statements for the year ended December 31, 2018 used in calculations include reclassification of some items to be consistent with the presentation of the financial statements for the year ended 31 December, 2019. This reclassification has no effect on the operating results of the Company presented in the previous report

- 2 Gross profit margin is calculated from the sum of (i) total interest income (excluding interest income on deposits); (ii) gain (loss) on investment in securities – net; (iii) gain on credit for purchase of receivables; (iv) gain on sale of properties foreclosed;(v) gain on installment sales; and (vi) other operating income less total interest income and further divided by the sum of (i) – (vi)
- 3 Operating profit margin is calculated from operating profits before income tax expenses less interest income on deposits and further divided by the sum of (i) total interest income (excluding interest income on deposits) ;(ii) gain (loss) on investment in securities – net; (iii) gain on credit for purchase of receivables; (iv) gain on sale of properties foreclosed; (v) gain on installment sales; and (vi) other operating income
- 4 Cash flow to income ratio is calculated from cash flows from operations divided by operating profits before income tax expenses and further less operating profits before income tax expenses.
- 5 Net profit margin is calculated from net profit divided by the sum of (i) total interest income; (ii) gain (loss) on investment in securities – net; (iii) gain on credit for purchase of receivables; (iv) gain on sale of properties foreclosed; (v) gain on installment sales; and (vi) other operating income
- 6 Interest coverage ratio is calculated from cash flows from operating add back cash paid on interest and cash paid on income tax and further divided by cash paid on interest
- 7 Debt service coverage ratio (Cash Basis) is calculated from cash flows from operating divided by sum of (i) cash paid on repayment of loans and debt securities (ii) cash paid on debentures (iii) cash paid on purchase of property, plant, and equipment (iv) cash paid on purchase of intangible assets and (v) cash paid on dividend payment to shareholders
- 8 Dividend payout ratio is calculated from cash paid on dividend payment stipulated in statement of cash flows divided by net profit of the preceding year
- 9 Interest-bearing debt to equity ratio is calculated from debt issued and borrowing divided by shareholders’ equity (average)
- 10 Cash collection from NPL management business to net NPLs is calculated from the sum of cash collection received from NPL management business divided by credit for purchase of receivables - net (average). See 4.3.1 “Cash collection received from our NPL management business”
- 11 Return on NPL management business is calculated from net profit from NPL business operation divided by credit for purchase of receivables – net (average)
- 12 Allowance for doubtful accounts to NPLs is calculated from allowance for doubtful accounts of credit for purchase of receivables divided by credit for purchase of receivables (before less allowance for doubtful accounts)
- 13 Cash collection from NPA management business to net NPAs is calculated from the sum of cash collection received from NPA management business divided by the sum of (i) properties foreclosed – net; (ii) installment sale receivables- net (average). See 4.3.2“Cash collection received from our NPA management business”
- 14 Return on NPA management business is calculated from net profit from NPA business operation and investment in securities divided by (i) properties foreclosed – net; (ii) installment sale receivables-net; and (iii) investment in securities – net (average)
- 15 Allowance for impairment of NPAs to NPAs is calculated from Allowance for impairment of NPAs divided by properties foreclosed (after revaluation)

## 6. Forward Looking

### Performance

Following the listing in the Stock Exchange of Thailand (SET), the company will be entitled to corporate income tax (In the past, we have enjoyed significant tax benefits). However, the company is expecting to achieve improved profits before income tax through efficient NPLs and NPAs management in the future.

### Financial Status

BAM has ability to maintain the growth rate of asset base through economic lifecycle and turn investment into cash efficiently and effectively. BAM is also capable of managing and diversifying sources of fund to support ongoing business.

### Potential Factors and Impact

1. Supportive Factors
  - 1.1 NPLs in the financial institution system are growing consistently along with the expansion of new loans. This will enhance BAM's ability to grow its asset base consistently which will benefit the profitability in the future.
  - 1.2 BAM has experienced team with established track record in acquiring and managing NPLs and NPAs at favourable and reasonable price.
  - 1.3 Company's NPAs Renovation Scheme will enhance the opportunity to expedite Sale Performance.
  - 1.4 Specialize in negotiating, debt restructuring, selling NPAs and appraising assets, as well as extensive nationwide network allow BAM to manage both NPLs and NPAs effectively in the way that would maintain revenue growth
2. Considerations
  - 2.1 During the slowdown of the economy and the real estate market in Thailand, our company may have difficulty in managing NPLs and selling NPAs.
  - 2.2 The company may face competition in sourcing NPLs and NPAs from competitors. However, our competitors are currently focusing mainly on unsecured loans, unlike our targeted on real-estate collateralized NPLs.
  - 2.3 Moreover, we are expecting a significant capital intensive from the foreign investment that may enter into the Thai AMC business, which arises the competition in the market.
  - 2.4 The company has estimated the impact of the Land and Building Tax Act that impose specifically on NPAs. However, under the royal decree of transitional relief, BAM as an AMC will receive a 90% tax relief discount on properties that are being held less than five years.
  - 2.5 As a result of the initial adoption of TFRS 9, our financial statements for the year ended December 31, 2020 may not be comparable to the previous financial statements.