



Management Discussion and Analysis

For six-month period ended June 30, 2020

Bangkok Commercial Asset Management Public Company Limited

99 Surasak Rd., Silom, Bangrak, Bangkok 10500 Thailand

Tel: 0 2267 1900

Website: www.bam.co.th

Investor Relations Email: ir@bam.co.th

Contents

1. Key Highlights in Q2/2020
2. Management Discussion and Analysis
 - 2.1. Selected Financial Position and Operating Results
 - 2.2. Cash Collection from NPLs and NPAs Management Businesses
 - 2.3. Vintage Analysis
 - 2.4. NPLs by Portfolio Concentration
 - 2.5. NPAs Concentration by Region by Type
3. Key Financial Ratios
4. Forward Looking Statement
 - 4.1. BAM's Business Opportunity
 - 4.2. COVID-19 Impact
 - 4.3. Land and Building Tax

IMPORTANT DISCLAIMER

The information contained in this document has been obtained from several sources, and Bangkok Commercial Asset Management Public Company Limited ("BAM") cannot confirm, in all cases, the accuracy and completeness of such data, particularly those from outside the company. In addition, any forward looking statements are subject to change as market conditions and actual outcomes may differ from forecasts. BAM makes no representation or warranty of any type whatsoever on the accuracy or completeness of the information contained herein.

1. Key Highlights in Q2/2020

1.1 BAM was included in MSCI and FTSE

The Company was included in MSCI Global Standard, assessed by Morgan Stanley Capital Investment and FTSE SET Mid Cap, assessed by the collaboration of the Stock Exchange of Thailand and FTSE Group on May 29, 2020 and June 19, 2020 respectively.

1.2 BAM x Shopee Partnership (online shopping platform)

BAM x Shopee Partnership – The Digital Shopping for The New Normal BAM; on June 01, 2020, the Company launched an online marketing campaign via Shopee to capture the demand of customers in E-commerce market.

1.3 Annual General Meet 2020

The Board of Directors of the Company has resolved to hold the 2020 Annual General Meeting of Shareholders on June 19, 2020 at the Company's Head Office, 17th Floor. The Company concerned over the shareholder's health and safety, therefore, conducted the meeting under the precautionary measures regarding the spread of COVID-19.

1.4 The Legal execution Department resumed its public auction activity on June 01, 2020

The Legal execution Department (LED) had temporarily closed from March 30 - May 31, 2020 to prevent the spread of COVID-19 and resumed the public auction activity on June 01, 2020. On June 5 – 6, 2020, together with LED, the Company was able to auction out 164 real estate collaterals from its portfolio worth Baht 525,419,000 or accountable for 141.19% from the appraisal value of Baht 372,138,437.50 million. The event was successfully attracting 200 attendees in joining the public auction.

2. Management Discussion and Analysis for the second quarter ended June 30, 2020

The presentation of 2019 figures was not made in accordance with the new Thai Financial Reporting Standards 9 (TFRS9) related to financial instruments and cannot be compared with the financial statements of 2020. However, the cumulative effect of initially applying these standards is recognized as an adjustment to retained earnings as at January 1, 2020.

The Company announced six-month period ended June 30, 2020 audited Performance with Baht 835 million Net profit which decreased by 79.1% from six-month period ended June 30, 2019 Net profit. For Q2/2020, the Company has Baht 136 million of Net profit, decreased by 82.0% compared to Q2/2019. This results from the Company had received the large amount of payment from significant debtors in Q1/2019, the impact from the spread of COVID-19 affected the debtor's ability to repay which linked to a lower interest income – part of fully received, the proportionate of interest and operating expenses remain the same as it is the core expense for the business, and the revaluation on deferred tax assets that affect net profit.

2.1 Selected Financial Position and Operating Results Q2/2020

Significant items in Balance Sheet (for six-month period ended June 30, 2020)

Assets

As of June 30, 2020, the Company has total assets of Baht 119,678 million, which increased by 3.4% from year-end 2019. This results from the reclassified of financial assets regarding the first time adoption of the current Thai Financial Reporting Standards or TFRS after January 1, 2020. And the Deferred tax assets benefits receiving after privatization.

- In Q2/2020, the Company won NPLs/ NPAs auction with the cost of Baht 1,661 million, consisted of NPLs Baht 1,649 million and direct purchase of NPAs from financial institutions of Baht 12 million. NPLs/ NPAs accumulated six-month period ended June 30, 2020 Baht 6,560 million.
- For six-month period ended June 30, 2020, the Company has deferred tax benefits of Baht 1,459 million which increased 197.0% from year ended 2019. Most of this is temporary differences relating to past differences in interest income for accounting and tax, along with the revaluation on properties for sale and cumulative effects of changes in accounting policies due to the adaptation of new financial reporting standards.
- As at June 30, 2020, the Company recorded Right-of-use assets of Baht 28 million, then less with Accumulated depreciations of Baht 6 million. Right-of-use assets – net Baht 22 million, due to the recognition of lease liability upon initial application of TFRS16 Leases at January 1, 2020.

Liabilities

As of June 30, 2020, the Company has Baht 83,016 million in total liabilities, which increased by 5.5% from year ended 2019.

- Debentures issuance and borrowings are the main components in total liabilities which used to invest in NPLs and NPAs. The details are as follows:
 1. Total notes payable Baht 4,779 million which increased by 68.5% from year ended 2019 from assets purchase.
 2. Total borrowings Baht 31,080 million which increased 11.3% from year ended 2019 from assets purchase and use as revolving fund
 3. Total debentures Baht 44,124 million which decreased by 1.8% from year ended 2019, due to the Company repay debenture number 1/2017, series 2 in the amount of Baht 800 million on June 23, 2020. In addition, the 2020 Annual General Meeting has approved the issuance and offering of the debentures for year 2020-2021 of not exceed Baht 25,000 million to use as working capital and/ or business operation and/ or business expansion and/ or refinancing to other purpose as the Board of Directors deems appropriate by issuing from time to time.
- The Company recorded Dividend payables of 2019 performance in Q1/2020 Baht 3,394 million. The actual transaction of dividend payout was made on April 24, 2020 at the rate of Baht 1.05 per share, therefore, no Dividend payables item in total liability as of June 30, 2020.
- As of June 30, 2020, the Company recognized lease liabilities and intangible assets – computer software Baht 28 million, due to the recognition of lease liability upon initial application of TFRS16 Leases at January 1, 2020.

Equity

As of June 30, 2020, the Company has a total equity of Baht 36,662 million, decreased from year ended 2019 by 1.1%. Such change was mainly due to the followings:

- The Company has Unappropriated retained earnings of Baht 12,593 million which decreased 26.1% from year ended 2019, due to
 - April 24, 2020, dividend payout from Retained earnings Baht 3,394 million at the rate of Baht 1.05 per share
 - Decreased in Retained earnings of Baht 1,928 million, due to decrease in cumulative effects of changes in accounting policies due to the adoption of new financial reporting standards since January 1, 2020
- The Company increased its paid-up capital from Baht 15,075 million to Baht 16,160 million by offering common shares for capital gain 217 million shares, Baht 5 per share, totaling Baht 1,085 million to Trinity Securities Co., Ltd., as an over-allotment agent at the rate of Baht 17.50 per share with paid in Capital in Excess of Par Value Account of Baht 2,645 million. In addition, on January 16, 2020, the Company had registered the change in the paid-up capital to the Department of Business Development (DBD).

Interest Income –net

This table mainly presents items that has significant changes.

Unit: Baht in Million	Q 2/2563	Q 1/2563	qoq % Inc. (Dec.)	Q 2/2562	yoy % Inc. (Dec.)	6 Months 2020	6 Months 2019	yoy % Inc. (Dec.)
Interest Income - net	1,644	2,496	(34.1)	871	88.7	4,140	4,857	(14.8)
Total Interest Income	2,225	3,078	(27.7)	1,352	64.6	5,303	5,782	(8.3)
Cash at financial institutions	1	1	0.0	1	0.0	2	2	0.0
Loans purchased of receivables	2,164	3,054	(29.1)	1,312	64.9	5,188	5,719	(9.3)
- Part of fully received	132	202	(34.7)	439	(69.9)	334	787	(57.6)
- Part of account receivable	1,277	1,238	3.2	-	na	2,515	-	na
- Gain on loans purchased of receivables	755	1,584	(52.3)	873	(13.5)	2,339	4,932	(52.6)
Installment sale receivables	23	23	0.0	36	(36.1)	46	55	(16.4)
Others	-	-	-	3	na	-	6	na
Interest expenses	582	581	0.2	481	21	1,163	925	25.7
Debt issued – debentures	379	384	(1.3)	241	57.3	763	495	54.1
Debt issued – promissory notes	24	20	20.0	97	(75.3)	44	168	(73.8)
Borrowings	179	177	1.1	143	25.2	356	262	35.9
Others	-	-	-	-	-	-	-	-

- In Q2/2020, the Company has total interest income Baht 2,225 million, decreased by 27.7% in comparison to Q1/2020 and increased 64.6% in comparison to Q2/2019. For six-month period ended June 30,2020, the Company has total interest income Baht 5,303 million which decreased 8.3% from 2019, mainly due to

- The Company has an interest income on loans purchased of receivables - part of fully received of Baht 132 million in Q2/2020, decreased by 34.7% comparing to Q1/2020 and decreased 69.9% to Q2/2019. For six-month period ended June 30, 2020, The Company has an interest income on loans purchased of receivables - part of fully received Baht 334 million which decreased 57.6% from 2019. This resulted from the COVID-hit clients that have been approved by the Company to delay their payment according to the debt moratorium programs.
- The Company has an interest income on loans purchased of receivables - part of account receivable of Baht 1,277 million in Q2/2020 and Baht 2,515 million for six-month period ended June 30,2020, which increased from the initial adoption of new financial reporting standard. However, the Company also recorded Expected credit losses on loan purchased of receivables in accordance to present the Company's performance on Cash basis
- Gain on loans purchased of receivables in Q2/2020 is Baht 755 million, decreased by 52.3% from Q1/2020 and 13.5% from Q2/2019. For six-month period ended June 30, 2020, the Company has Gain on loans purchased of

receivables Baht 2,339 million which decreased 52.6% from 2019. This due to the Company had received the large amount of payment from significant debtor in Q1/2019.

Gain on sale of properties for sale

The Company acquired NPAs mainly from (i) direct purchase from financial institutions and (ii) bid the collaterals from our clients via LED public auction into our NPAs portfolio. For three - month period ended June 30, 2020, the company has gain on sale of properties for sale of Baht 434 million which increased 91.9% from Q1/2020 and decreased 6.6% from Q2/2019. For six-month period ended June 30, 2020, the company has gain on sale of properties for sale of 661 million which decreased 14.4% in comparison to 2019. This results from the downturn of real estate sector and impact from COVID-19.

Other Operating Expenses

Unit: Baht in Million	Q 2/2563	Q 1/2563	qoq % Inc. (Dec.)	Q 2/2562	yoy % Inc. (Dec.)	6 Months 2020	6 Months 2019	yoy % Inc. (Dec.)
Other operating expenses	622	681	(8.7)	707	(12.0)	1,303	1,587	(17.9)
Employee expenses	358	391	(8.4)	407	(12.0)	749	871	(14.0)
Directors' remunerations	2	1	100.0	2	0.0	3	9	(66.7)
Premises and equipment expenses	54	53	1.9	57	(5.3)	107	111	(3.6)
Taxes and duties	92	110	(16.4)	151	(39.1)	201	439	(54.2)
Impairment loss on properties for sale (reversal)	10	(12)	183.3	(6)	266.7	(2)	(20)	90.0
Properties for sale expenses	24	33	(27.3)	25	(4)	57	49	16.3
Other expenses	83	105	(21.0)	70	18.6	188	129	45.7

- For three months period ended June 30, 2020, the Company had other operating expenses of Baht 622 million which decreased 8.7% from Q1/2020 and decreased 12.0% from Q2/2019. For six-month period ended June 30, 2020, the Company has other operating expenses of Baht 1,303 million which decreased by 17.9% from 2019. The main factors are as follows:

- The main operating cost of the Company is Employee expense. In Q2/2020, this expense item of Baht 358 million has decreased by 8.4% from Q1/2020 and 12.0% from Q2/2019. For six-month period ended June 30, 2020, the Company has Employee expense Baht 749 million which decreased 14.0% from 2019, due to the Company recorded less accrued bonus payment for the employees accordingly to the business performance.
- The Company has Tax and duties of Baht 92 million, decreased by 16.4% from Q1/2020 and 39.1% from Q2/2019. For the six-month period ended June 30, 2020, the company has Tax and duties of Baht 201 million which decreased 54.2% from 2019. This results from the Company pay less special business tax which accordingly to less sales on NPAs.
- The Company had capital lost from Allowance for impairment of properties for sale for Baht 10 million which increased Baht 22 million or 183.3% from Q1/2020 and 266.7% from Q2/2019. For six month period ended June

30, 2020, the company has Allowance for impairment of properties for sale of Baht (2) million which increased 90.0 % from 2019. The changes in Allowance for impairment of properties for sale are from the changes in appraisal value of the assets and the Reversal will be recorded only after NPAs are sold.

Expected credit losses (2019: Bad debts and doubtful accounts)

For the three-month period ended June 30, 2020, the Company recorded a total expected credit losses Baht 1,367 million. Such change resulted from financial asset modification on terms of expected credit losses for “loans purchased of receivables” Baht 1,362 million (which is comprised of expected credit losses of accrued interest income on loans purchased of Baht 1,277 million and less with the reversal of expected credit losses recorded previously of Baht 15 million, due to the Company received and recorded debt repayment over Q1/2020 accounting period)

Income Tax

For six-month period ended June 30, 2020, the Company has income tax expenses reported in statement of comprehensive income of Baht 48 million. The Company recorded a current income tax of Baht 622 million and deferred income taxes from temporary difference income of Baht 574 million.

Deferred Tax Benefits

The Company has an internal policy to record the deferred tax benefits as much as possible within 2020. However, the Company evaluates that there is the remaining uncertainty about the future utilization of the related benefit because they relate to a large amount of historical data and documents. Therefore, for reasons of conservations, the Company did not recognize this amount as an asset in the statement of financial position. The Company will gradually recognize these benefits in the future, when the Company decides that the uncertainty has diminished, which will be when the Company is able to utilize temporary differences as deductions from profit in its annual tax computation, in order to actually decrease its corporate income tax obligation.

For deferred tax benefits that are not recognized as assets in the statement of financial position, most of them are temporary differences relating to past differences in interest income for accounting and tax for purposes until December 11, 2019 (the last day that the Company was not subject to corporate income tax). As at June 30, 2020, the Company has tax benefits totaling Baht 4,993 million which decreased from Baht 5,871 million as at March 31, 2020. Such adjustment arises mainly from deferred tax assets from loan purchased of receivable part of “Accrued income from auction sale”

The accrued income from auction sale is realized as a revenue on accounting whereas revenue on tax standard will only be realized once the cash is received. Hence, the reclassification is required for deferred tax liabilities in relation to such “Accrued income from auction sale” (from external buyers) results in net deferred tax asset of Baht 4,993 million as per auditor’s opinion.

2.2 Cash Collection from NPLs and NPAs management businesses

The Company believes that for the NPLs and NPAs 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 NPLs and NPAs management business. However, cash 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.

2.2.1 Cash Collection Receive from NPLs Management Business

The following table sets forth the cash collection received from NPLs management business for the years ended December 31, 2017, 2018, 2019 and six-month periods ended June 30, 2018, 2019 and 2020.

Cash collection received from	Year ended			For the six-month Period ended		
	December 31,			June 30,		
NPLs Management business	2017	2018	2019	2018	2019	2020
	Baht	Baht	Baht	Baht	Baht	Baht
	(Million)	(Million)	(Million)	(Million)	(Million)	(Million)
Interest income from loans purchased ¹	1,877.52	1,856.82	1,518.8	2,678.67	787.34	2,849.07
Gain on loans purchased	3,509.15	4,438.35	7,449.6	N/A	4,931.71	2,338.58
Net repayment and adjusted entries	8,418.86	9,081.44	10,907.9	3,853.27	6,258.67	4,088.98
Total	13,805.53	15,376.61	19,876.3	6,531.93	11,977.72	9,276.63
Less the portion of accrued interest receivables and receivables repayment from the debtors by collateral ²	(6,029.49)	(6,376.54)	(13,018.2)	(2,969.01)	(9,161.84)	(6,448.68)
Cash collected from the debtors during the period ³	7,776.04	9,000.07	6,858.1	3,562.91	2,815.88	2,827.95
Cash collected from the Legal Execution Department during the period ⁴	1,383.38	1,791.13	7,200.5	958.74	6,241.57	1,713.93
Total Cash collected from NPL management business⁵	9,159.42	10,791.20	14,058.6	4,521.65	9,057.45	4,542.38

Notes: ¹ “Interest income from loans purchased” and “gain on loans purchased” are presented as two separate line items in the audited financial statements for the year ended December 31, 2016, 2017 and 2018 and six-month ended June 30, 2019. However, these items are presented as combined line item, “Interest income from loans purchased” in the audited financial statement for the year ended December 31, 2019 and six-month ended June 30, 2020. As a result of reclassification, “gain on loans purchased” However, due to the new financial reporting standard that became effective in the current period, notes to interim financial statements for the six-month period ended June 30, 2020 presents “interest income on loans purchased of receivable” separately into (i) part of fully received and (ii) part of account receivable.

² See “Critical Accounting Policies and Estimates- Recognition of interest income and gain on loans purchased”

³ 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.

⁴ 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”.

⁵ Cash collected from NPLs 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 NPLs 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 NPLs management business. Cash 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 cash collection items from the NPLs management business which we have 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 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 six-month period ended June 30, 2020, the Company's cash collection received from NPLs management business was Baht 4,542.38 million which consisted of (i) Baht 2,827.95 million from cash collected from the debtors during the period and (ii) Baht 1,713.93 million from the Legal Execution Department during the period which resulted from the Company's policy to proactively continue to collect cash from auction sales from the Legal Execution Department.

2.2.2 Cash Collection from NPAs Management Business

The following table sets forth the cash collection from the Company's NPAs management business for the years ended December 31, 2017, 2018 and 2019 and for the six-month periods ended June 30, 2018, 2019 and 2020

Cash collection received from NPA management business	Year ended December 31,			For the six-month Period ended June 30,		
	2017	2018	2019	2018	2019	2020
	Baht (Million)	Baht (Million)	Baht (Million)	Baht (Million)	Baht (Million)	Baht (Million)
Outright sales						
Gain on sale of properties for sale collected in cash	1,740.89	3,105.51	2,907.3	1,429.53	772.23	660.84
Decreased acquisition or transfer costs of properties for sale – net ¹	1,464.21	2,216.79	2,316.9	1,021.97	800.89	542.23
Total cash collected from sale of properties for sale-Outright sales	3,233.05	5,322.30	5,224.2	2,451.50	1,573.12	1,203.37
Installment sales						
Interest income	104.66	89.19	108.0	42.08	54.44	45.87
Collected debt repayment during the periods (in terms of cost and gain)	1,018.61	366.41	341.4	166.16	175.47	101.45
Total cash collected from installment sales of properties for sale	1,123.27	455.60	449.4	208.24	229.91	147.32
Total cash collection received from NPA management business²	4,356.32	5,777.90	5,673.6	2,659.74	1,803.03	1,350.69

Notes: ¹ 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 sale and adjustment and (ii) any reversal from revaluation of properties for sale sold during the periods.

² Cash collected 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. Cash collected from NPAs management business is calculated based on key items only, and so does not include all cash collected 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, cash 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 six-month period ended June 30, 2020, the Company's cash collection received from NPA management business was Baht 1,350.69 million which consisted of (i) Baht 1,203.37 million from Outright sales and (ii) Baht 147.32 million from installment sales.

2.3 Vintage Analysis

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

2.3.1 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 June 30, 2020:

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	Less than 5 years	Less than 5 years (%)
<i>(Baht in million, except for ratios)</i>														
Loans purchased:														
Outstanding balance	11,564.7	11,758.6	9,230.1	9,622.2	7,776.3	8,414.1	5,441.5	4,787.4	2,117.9	823.8	14,641.2	14,641.2	49,951.9	57.96
Appraisal value ¹	23,796.0	23,655.9	19,836.8	18,403.2	16,992.2	17,319.1	12,058.6	19,843.9	6,400.2	2,445.1	34,347.8	195,098.8	102,684.1	52.63
Appraisal value/														
Outstanding balance (x)	2.06	2.01	2.15	1.91	2.19	2.06	2.22	4.15	3.02	2.97	2.97	2.35	2.06	
Foreclosed collateral Properties:														
Outstanding balance ²	82.0	828.3	1,155.1	1,496.6	2,656.2	2,642.2	3,093.0	1,894.5	1,095.7	861.7	6,015.4	21,091.8	6,218.2	29.48
Appraisal value	137.0	1,388.1	2,300.1	2,569.1	4,950.2	4,825.0	6,048.2	5,929.3	2,429.0	4,027.3	15,824.9	44,321.6	11,344.3	25.60
Appraisal value/														
Outstanding balance (x)	1.67	1.68	1.99	1.72	1.86	1.83	1.96	3.13	2.22	4.67	2.63	2.10	1.82	

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 if 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 as of June 30, 2020 is approximately 2 times the outstanding balance across different vintages.

As of June 30, 2020, assets that the company had acquired less than the past 5 years accounted for approximately 57.96% and 52.63% of the total outstanding balance of loans purchased and Foreclosed Collateral Properties, respectively. The total appraised value of such assets was 2.06x and 1.82x of the total outstanding balance of the company's loans purchased and Foreclosed Collateral Properties, respectively.

The company is diligent in the cash collection and seeks to maintain levels of cash collection from both distressed asset and properties for sale. For assets acquired as distressed debt, a portion of the cash collection is primarily collected throughout the debt restructuring and sale of properties (both cash and installment sales)

The following table sets forth certain details regarding the company's cash collection and acquisition cost for portfolios of loans purchased and Foreclosed Collateral Properties with various holding periods as of June 30, 2020:

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
<i>(Baht in million, except for ratios)</i>												
Loans purchased and Foreclosed Collateral Properties												
Total cash collection.....	134.9	1,088.7	1,867.3	3,217.9	4,709.9	4,859.2	7,595.8	26,972.8	7,668.8	4,549.9	144,091.2	206,756.5
Distressed debt asset cash collection.....	134.9	1,048.2	1,678.0	3,053.2	4,263.2	4,342.4	5,823.9	24,826.5	6,683.4	3,795.2	107,206.7	162,855.5
Foreclosed Collateral Properties cash collection.....	0.0	40.6	189.3	164.7	446.7	516.8	1,771.9	2,146.3	985.5	754.7	36,884.5	43,900.9
Acquisition cost.....	11,764.1	13,209.8	11,527.5	12,876.8	12,782.0	13,568.1	12,114.7	17,747.8	7,312.5	3,555.3	111,417.8	227,876.3
Cash collection/ Acquisition cost (%).....	1.15	8.24	16.20	24.99	36.85	35.81	62.70	151.98	104.87	127.98	129.33	90.73

Cash collection tends to gradually increase within the first 5 years of an asset's acquisition as we carry out preparation, negotiation and restructuring activities, and then accelerates in the recovery period. As of June 30, 2020 total cash collection for assets acquired less than 3 years is 16.20% which is lower than the total cash collection for assets acquired over 10 years ago of 129.33%

For example, from the portfolios of loans purchase that the company have acquired in the 1 to 2 years prior to June 30, 2020 of Baht 13,209.8 million, the company collected Baht 1,088.8 million (of which Baht 1,048.2 million was from distressed debt assets and Baht 26.6 million was from Foreclosed Collateral Properties) and had a total balance of Baht 12,586.9 million of loans purchased which we had acquired within one to two years before (of which Baht 11,758.6 million is from distressed debt assets and Baht 828.3 million is from Foreclosed Collateral Properties), with a total appraisal value of Baht 25,044.0 million (of which Baht 23,655.9 million from distressed assets and Baht 1,388.1 million from Foreclosed Collateral Properties).

2.3.2 Directly Acquired Properties for sale

The following table sets forth certain details regarding the appraisal value and outstanding balance of properties for sale that acquired directly (“Directly Acquired Properties for sale”) as of June 30, 2020.

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	Less than 5 years	Less than 5 years (%)
<i>(Baht in million, except for ratios)</i>														
Directly Acquired Properties for sale:														
Outstanding balance.....	1,575.1	1,127.5	198.1	174.7	264.3	41.5	33.7	1,121.4	125.8	90.8	1,756.5	6,445.8	3,339.7	51.81
Appraisal value.....	2,536.8	2,170.9	390.7	451.3	595.6	163.8	963.5	3,867.8	267.6	258.2	7,371.2	17,097.0	6,145.2	35.94
Appraisal value/ outstanding balance (x)	1.61	1.93	1.97	2.58	2.25	3.95	28.63	3.45	2.13	2.84	4.20	2.65	1.84	

As of June 30, 2020, assets that we have acquired less than five years accounted for approximately 51.81% of our total outstanding balance of Directly Acquired Properties for sale. The total appraised value of the assets that we have acquired less than five years is 1.84x of the total outstanding balance of Directly Acquired Properties for sale.

The following table sets forth certain details regarding the company's cash collection and acquisition cost of the portfolios of Directly Acquired Properties for sale with various holding periods as of June 30, 2020:

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
<i>(Baht in million, except for ratios)</i>												
Direct properties for sale:												
Cash collection.....	6.6	51.3	38.3	45.3	438.9	19.0	350.4	7,869.8	564.8	786.5	33,941.4	44,112.2
Acquisition cost.....	1,820.8	1,270.1	232.2	227.7	607.4	56.2	123.55	3,967.7	502.0	456.2	18,243.8	27,507.6
Cash collection/acquisition cost (%).....	0.36	4.04	16.48	19.91	72.26	33.75	283.58	198.35	112.51	172.41	186.04	160.36

As of June 30, 2020, cash collection for Directly Acquired Properties for sale is 16.48% of the acquisition cost of assets acquired within three past years as compared with 186.04% of that of assets acquired more than 10 years.

For example, we had collected Baht 1,270.1 million from the properties for sale that we directly acquired 1 to 2 years prior to June 30, 2020 for Baht 44.7 million. The properties for sale which we had acquired one to two years before had total outstanding balance of Baht 1,127.5 million and total appraisal value of Baht 2,170.9 million.

2.4 NPLs by Portfolio Concentration

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

Major Debtors ¹	As of December 31,			As of June 30,	
	2017	2018	2019	2019	2020 ²
	Baht (Million)	Baht (Million)	Baht (Million)	Baht (Million)	Baht (Million)
Debtor 1	3,097.5	3,064.8	3,034.9	3,064.8	1,950.7
Debtor 2	2,127.4	2,127.4	589.2	586.6	589.0
Debtor 3	893.6	586.6	579.0	579.0	499.1
Debtor 4	586.5	579.0	507.9	507.9	388.3
Debtor 5	507.9	507.9	388.5	323.8	334.1
Debtor 6	322.9	323.7	334.1	318.6	323.7
Debtor 7	317.3	317.4	323.8	303.8	258.2
Debtor 8	308.5	303.8	319.0	229.8	229.6
Debtor 9	229.8	229.8	299.9	219.6	219.5
Debtor 10	205.2	216.6	229.8	217.1	201.4
Sub-total	8,596.9	8,257.0	6,606.1	6,351.1	4,993.8
Total NPLs³	72,885.8	75,433.9	77,374.7	76,749.3	77,550.2

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.

² Information regarding top 10 debtors by remaining acquisition of NPLs for the six-month period ended June 30, 2020 may not be comparable to the previous periods due to the calculation of allowance for expected credit losses on loans purchased (2019: Allowance for doubtful account) as per requirement of TFRS

³ Due to the new financial report standards, "loans purchased" (NPLs) is reclassified into "loans purchased of receivables and accrued interest receivables- net"

2.5 NPAs Concentration by Region by Type

Our NPAs are located throughout Thailand. As of June 30, 2020, 44.0% of net value of our NPAs are located in Bangkok and vicinity and 47.4% of net value of our NPAs are Resident properties.

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

	As of December 31,			As of June 30,	
	2017	2018	2019	2019	2020
	Baht	Baht	Baht	Baht	Baht
	(Million)	(Million)	(Million)	(Million)	(Million)
Value of NPAs by Geography of Real estates					
Bangkok and its vicinity	8,164.8	9,066.4	9,987.9	9,675.2	11,854.3
Central and Eastern Thailand	4,939.0	5,389.9	6,137.0	5,801.5	6,550.5
Northern Thailand	2,297.8	3,041.7	3,432.2	3,248.6	3,581.6
Northeast Thailand	1,231.3	1,638.3	2,158.5	1,861.7	2,472.1
Southern Thailand	916.2	1,244.9	1,968.6	1,704.5	2,373.3
Moveable properties	186.1	214.7	214.9	214.6	210.1
Total	17,735.2	20,595.8	23,899.1	22,506.1	27,041.9

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

	As of December 31,			As of June 30,	
	2017	2018	2019	2019	2020
	Baht	Baht	Baht	Baht	Baht
	(Million)	(Million)	(Million)	(Million)	(Million)
Value of NPAs by Type of Real estates					
Vacant land	5,599.7	5,510.2	5,242.7	5,594.9	6,290.6
Hotels	343.0	367.3	449.9	404.4	482.1
Commercial properties	4,638.1	5,413.7	6,452.8	6,080.0	6,990.9
Residential properties	6,968.4	9,090.0	11,538.8	10,212.2	13,068.3
	186.1	214.7	214.9	241.6	210.1
Total	17,735.2	20,595.8	23,899.1	22,506.1	27,041.9

3. Key Financial Ratios

Financial Ratio	Unit	Year ended December 31,			For 6-month period ended June 30,	
		2017	2018	2019	2019	2020
Profitability Ratio ¹						
Gross profit margin ²	%	78.67	81.84	82.55	86.06	86.09
Operating profit margin ³	%	59.00	53.37	50.71	60.24	10.54
Cash flow to income ratio ⁴	%	85.09	157.27	(19.27)	(65.18)	(133.23)
Net profit margin ⁵	%	59.02	53.35	53.52	60.25	9.98
Return on equity	%	11.03	12.55	17.67	18.93 ¹⁶	4.56 ¹⁶
Efficiency Ratio ¹						
Return on total assets	%	4.65	5.01	5.86	7.03 ¹⁶	1.50 ¹⁶
Total assets turnover	times	0.08	0.09	0.11	0.12 ¹⁶	0.28 ¹⁶
Financial Policy Ratio ¹						
Total liability-to-equity ratio	times	1.43	1.57	2.12	1.62	2.26
Interest coverage ratio ⁶	times	3.58	5.54	0.37	(1.77)	0.12
Debt service coverage ratio (Cash Basis) ⁷	times	0.07	0.25	(0.02)	(0.09)	(0.04)
Dividend payout ratio ⁸	%	80.79	97.77	309.91	60.00	N/A
Interest Bearing Debt to equity ⁹	times	1.39	1.38	2.04	1.56	2.18
Specific Ratio for Business ¹						
Cash collection from NPLs management business to net NPLs ¹⁰	%	12.83	14.55	18.40	23.81 ¹⁶	23.46 ¹⁶
Return on NPLs management business ¹¹	%	4.78	4.63	9.50	12.88 ¹⁶	N/A
Allowance for doubtful accounts to NPLs ¹²	%	8.70	7.69	7.47	7.62	12.50
Cash collection from NPAs management business to net NPAs ¹³	%	24.88	29.12	24.75	16.22 ¹⁶	20.68 ¹⁶
Return on NPAs management business ¹⁴	%	6.00	8.72	12.35	7.60 ¹⁶	N/A
Allowance for impairment of NPAs to NPAs ¹⁵	%	2.97	2.47	2.04	2.18	1.80

- Notes:
- 1 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 loans purchased; (iv) gain on properties for sale; (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 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 securities – net; (iii) gain on loans purchased; (iv) gain on properties for sale; (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 NPLs management business to net NPLs is calculated from the sum of cash collection received from NPLs management business divided by loans purchased– net (average). See “Cash collection received from our NPLs management business
 - 11 Return on NPLs management business is calculated from net profit from NPLs business operation divided by loans purchased– net (average).
 - 12 Allowance for doubtful accounts to NPLs is calculated from allowance for doubtful accounts of loans purchased divided by loans purchased (before less allowance for doubtful accounts)
 - 13 Cash collection from NPAs management business to net NPAs is calculated from the sum of cash collection received from NPAs management business divided by the sum of (i) properties for sale – net; and (ii) installment and receivables – net (average). See “Cash collection received from our NPAs management business”
 - 14 Return on NPAs management business is calculated from net profit from NPAs business operation and investment in securities divided by (i) properties for sale– net; (ii) installment and 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 for sale (after revaluation)
 - 16 Calculate by annualizing the relevant items in the statement of comprehensive income and statement of cash flows for the six-month period ended June 30, 2020.

4. Forward Looking Statements

4.1 BAM's Business Opportunity

Thai GDP will shrink by 8-10% given the COVID-19 outbreak in the first half of 2020. The government has launched several measures including the Emergency Decree on Public Administration to limit the impact of the virus. Nevertheless, the impact on the overall economy are more severe than expected.

The economic slowdown situation has indeed affected our performance. (i) For NPLs, our clients have less ability to repay. In order to limit and forecast the impact, the Company has launched relief measures to support the COVID-hit debtors. (ii) As for NPAs, the decrease in demand on real-estate sector, caused by COVID-19, hits our NPAs business as the investors delayed their purchasing decisions.

The company believes that this is our opportunity to support our clients and increase debt-restructuring accounts, along with increasing in NPAs sales activities. The company views that the actual impact of NPLs /NPAs from COVID-19 would likely be building up around year-end 2020 or Q1/2021 and there could be a downward pressure to the selling price, the profits could be enhanced, and eventually, the turnaround time could be shortened.

4.2 COVID-19 Impact

For the care of COVID-hit debtors/customers, the Company has launched three main relief measures to support debtors as follows:

- (1) 3-months moratorium of principal and interest
- (2) 3-months moratorium of principal and interest, then, another 3-months moratorium of principle (interest payment only)
- (3) Principle moratorium (interest payment only) until December 2020

As of August 21, 2020, the company has approved the COVID-19 debt moratorium support programs to 2,037 restructured debtors with outstanding loan installment value as per contract of Baht 8,152.28 million and 304 NPAs installment cases totaling Baht 539.51 million.

NPLs		
Type	No. of cases	Outstanding Loan Installment Value as per contract* (Baht in Million)
Housing Loan	1,674	3,851.44
Corporate	41	2,579.27
SME	45	696.84
Personal Loan	277	1,024.73
Total	2,037	8,152.28

NPAs		
Installment sales	304	539.51

* Outstanding loan installment value includes outstanding loan as per restructured agreements

4.3 Land and Building Tax

The new Land and Building Tax Act B.E. 2562 (2019) (“Land and Building Tax Act”) effective from January 1, 2020 onwards. The impose tax will be applied based on the ownership and value of the asset appraised by the Department of Lands. However, under the royal decree of transitional relief announced in January 18, 2020, BAM as an AMC will receive a 90% tax relief discount on properties that are being held less than five years.

Our Land tax in 2020 is approximately Baht 201 million. The company has tax liability on NPAs assets only due to the ownership title. For NPLs, the underlying collaterals are under the debtors/customers ownership. Our NPAs are categorized as land for residential and commercial use where the tax rate starts from 0.03-0.06% per year.