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Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed your representation to KASIKORN Securities Public Company Limited and Trinity Securities Co., Ltd. (collectively, the “**Thai Bookrunners**”) and UBS AG Hong Kong Branch (the “**International Bookrunner**” and together with the **Thai Bookrunners**, the “**Joint Bookrunners**”) that (1) either (i) you are not a U.S. person and are located outside the United States, and to the extent you purchase the securities described in the attached Offering Circular you will be doing so pursuant to Regulation S under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), OR (ii) you are acting on behalf of persons who are, or you are, both a **QIB and a QP**, (2) you are not resident in Thailand, AND (3) you consent to delivery of the attached Offering Circular, any final offering circular and any amendments or supplements thereto by electronic transmission.

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Bangkok Commercial Asset Management Public Company Limited

(registered in the Kingdom of Thailand as a public company with limited liability)

This is the initial public offering of 1,535,000,000 ordinary shares (the “**Offering Shares**”) in Bangkok Commercial Asset Management Public Company Limited (our “**Company**” or “**BAM**”). The Offering Shares may be only offered and sold (i) outside the United States to non-U.S. persons in reliance on Regulation S under the United States Securities Act of 1933, as amended (the “**U.S. Securities Act**”), not pre-arranged with a U.S. person, and/or (ii) to U.S. persons or persons in the United States in reliance on Rule 144A under the U.S. Securities Act (“**Rule 144A**”) only to persons who are both “qualified institutional buyers” (“**QIBs**”) (as defined in Rule 144A under the U.S. Securities Act) and “qualified purchasers” (“**QPs**”) within the meaning of Section 2(a)(51) under the U.S. Investment Company Act of 1940, as amended (the “**U.S. Investment Company Act**”) and the rules and regulations promulgated thereunder.

The offering consists of (a) an international offering of 207,250,000 Offering Shares (the “**International Shares**”) outside of Thailand in reliance on Regulation S and Rule 144A under the U.S. Securities Act (the “**International Offering**”), through UBS AG Hong Kong Branch (the “**International Bookrunner**”) and (b) a Thai offering of 1,327,750,000 Offering Shares (the “**Domestic Shares**”) in Thailand (the “**Thai Offering**,” and together with the International Offering, the “**Combined Offering**”), through KASIKORN Securities Public Company Limited and Trinity Securities Co., Ltd. (collectively, the “**Thai Bookrunners**,” together with the International Bookrunner, the “**Joint Bookrunners**”). The Combined Offering will consist of an aggregate of 1,535,000,000 shares in our Company (“**Shares**”), of which we are offering 280,000,000 Shares and the Financial Institutions Development Fund, as selling shareholder (“**FIDF**” or “**Selling Shareholder**”), is offering 1,255,000,000 Shares. Completion of the International Offering and completion of the Thai Offering are each conditional on the completion of the other. The Offering Shares offered in the Combined Offering may be reallocated between the International Offering and the Thai Offering.

This offering circular is only being used in connection with the International Offering in respect of the International Shares. The Thai Offering is being made pursuant to a separate prospectus in the Thai language (the “**Thai Prospectus**”) which was filed with the Office of the Securities and Exchange Commission of Thailand (the “**Thai SEC**”). For information on the methods of sale, see “*Plan of Distribution*.”

There is currently no public market for our Shares. We have applied to have our Shares approved for listing and trading on the Main Board of the Stock Exchange of Thailand (the “**SET**”). Assuming our Shares are approved for listing on the SET, Shares sold in the Combined Offering and purchased by non-Thai persons will be eligible for trading on the SET. For a description of the SET, see “*Thai Securities Market*.”

In connection with the Combined Offering, we have granted Trinity Securities Co., Ltd., as over-allotment agent, an over-allotment option exercisable for 30 days from the date on which our Shares commence trading on the SET to purchase up to an additional 230,000,000 Shares at the offering price per Share in the Combined Offering solely to return Shares borrowed from FIDF to cover over-allotments, if any.

Investing in our Shares involves certain risks. See “*Risk Factors*” beginning on page 11.

Offering Price: Baht 17.50 per Share

In addition to the offering price, international investors will be required to pay a brokerage fee of up to 1.0% of the offering price at the time of settlement. For a description of this brokerage fee, see “*Plan of Distribution*.”

OUR SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT. IN ADDITION, WE ARE NOT REGISTERED, AND WILL NOT BE REGISTERED, UNDER THE U.S. INVESTMENT COMPANY ACT, IN RELIANCE ON THE EXCEPTION PROVIDED BY SECTION 3(c)(7) THEREOF. THE OFFERING SHARES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY PERSON THAT IS A “U.S. PERSON” WITHIN THE MEANING OF REGULATION S UNLESS, AMONG OTHER THINGS, THE PURCHASER IS BOTH (1) A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A AND (2) A “QUALIFIED PURCHASER” WITHIN THE MEANING OF SECTION 2(a)(51) OF THE U.S. INVESTMENT COMPANY ACT AND THE RULES AND REGULATIONS THEREUNDER, ACTING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QUALIFIED INSTITUTION BUYER THAT IS ALSO A QUALIFIED PURCHASER (AND MEETS THE OTHER REQUIREMENTS SET FORTH HEREIN). THE SHARES OFFERED HEREBY TO PERSONS THAT ARE NOT U.S. PERSONS (“NON-U.S. PERSONS”) WILL BE OFFERED AND SOLD IN “OFFSHORE TRANSACTIONS” WITHIN THE MEANING OF REGULATION S, AND IN EACH CASE IN ACCORDANCE WITH ANY OTHER APPLICABLE LAWS, REGULATION AND DIRECTIVES. THE OFFERING SHARES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED UNDER “TRANSFER RESTRICTIONS.” EACH PURCHASER OF OFFERING SHARES IS HEREBY NOTIFIED THAT (A) SELLERS OF THE OFFERING SHARES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A, AND (B) WE WILL NOT BE REGISTERED UNDER, AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS OF, THE U.S. INVESTMENT COMPANY ACT. FOR A MORE COMPLETE DESCRIPTION OF THE RESTRICTIONS ON REALES, PLEDGES, EXCHANGES AND OTHER TRANSFERS OF THE OFFERING SHARES, AS WELL AS CERTAIN ACKNOWLEDGEMENTS, REPRESENTATIONS AND AGREEMENTS THAT INVESTORS MUST MAKE OR WILL BE DEEMED TO MAKE IN CONNECTION WITH THE PURCHASE AND TRANSFERS OF OFFERING SHARES, SEE “TRANSFER RESTRICTIONS.”

Joint Bookrunners



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You should rely only on the information contained in this offering circular (the “Offering Circular”) in making an investment in our Shares. Neither we, the Selling Shareholder or the Joint Bookrunners have authorized anyone to provide you with any additional or different information. If anyone provides you with different or inconsistent information, you should not rely on it. This Offering Circular may only be used where it is legal to offer and sell our Shares. The information in this Offering Circular may only be accurate as at the date of this Offering Circular. You should be aware that since the date of this Offering Circular there may have been changes in our business, financial condition, results of operations, prospects or otherwise that could affect the accuracy or completeness of the information set out in this Offering Circular. Nothing in this Offering Circular should be relied upon as a promise or representation as to future results or events, and neither the delivery of this Offering Circular nor any offering or sale of our Shares shall under any circumstances imply that there has been no change in our affairs or that the information in this Offering Circular is correct as of any date subsequent to the date of such information. We have not undertaken to, nor are we under any obligation to, update any of the information contained in this Offering Circular.

In connection with the Combined Offering, Trinity Securities Co., Ltd. may over-allot or effect transactions that stabilize or maintain the market price of our Shares at levels above those that would otherwise prevail in the open market. Those transactions may be effected on the SET or otherwise. Any market purchases of our Shares will be effected in compliance with all applicable laws and regulatory requirements, and any stabilizing activity will be entered into in accordance with the stabilizing laws, rules and regulations in place in Thailand. There is no obligation on the stabilizing managers to conduct any such stabilizing action, and, if commenced, such stabilizing action may be discontinued at any time. See “*Plan of Distribution*.”

We are furnishing this Offering Circular on a confidential basis in connection with an offering exempt from registration under the U.S. Securities Act, U.S. Investment Company Act and applicable state securities laws solely for the purpose of enabling prospective investors to consider the purchase of our Shares. The information contained in this Offering Circular has been provided by us, the Selling Shareholder and other sources identified in this Offering Circular. The Joint Bookrunners have not independently verified the information contained in this Offering Circular. No representation or warranty, express or implied, is made by the Joint Bookrunners or by their respective affiliates or agents as to the accuracy or completeness of such information, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise or representation by the Joint Bookrunners or their respective affiliates or agents. Any reproduction or distribution of this Offering Circular, in whole or in part, and any disclosure of its contents or use of any information herein is prohibited, except to the extent such information is otherwise publicly available. By purchasing the Offering Shares offered by this Offering Circular, you will be deemed to have acknowledged that you have reviewed this Offering Circular.

The distribution of this Offering Circular and the offer of our Shares offered hereby are restricted by law in certain jurisdictions. You should inform yourselves about and comply with all applicable laws and regulations in force in any jurisdiction in connection with the distribution of this Offering Circular and the offer of our Shares. In making an investment decision, you should rely on your own examination of our Company and the terms of the International Offering including the merits and risks involved. You should not construe the contents of this Offering Circular or its appendices as legal, business or tax advice. You should consult your own attorney, business adviser or tax adviser. Each prospective investor will be deemed to acknowledge that it has not relied on the Joint Bookrunners or any person affiliated with the Joint Bookrunners in connection with its investigation of the accuracy of the information contained in this Offering Circular, or its investment decision. Each person receiving this Offering Circular is advised to read and understand the contents of this Offering Circular, including the financial statements and the related notes hereto, before investing in our Shares. By accepting delivery of this Offering Circular, you agree to these restrictions.

We and the Selling Shareholder are making the Combined Offering subject to the terms described in this Offering Circular, the purchase agreement and the underwriting agreement relating to our Shares described in “*Plan of Distribution*.”

This Offering Circular is not a prospectus within the meaning of the Securities and Exchange Act B.E. 2535 (1992), as amended (the “**Securities and Exchange Act**”). In connection with the Thai Offering, the draft Thai Prospectus was filed with the Thai SEC on August 16, 2019 and the Thai SEC declared the Thai Prospectus effective on November 22, 2019. Thai law requires the distribution of a prospectus that has become effective under the Securities and Exchange Act in connection with any public offering of shares in Thailand. This Offering Circular may not be used in lieu of a prospectus in connection with any public offering of our Shares in Thailand.

We are relying on an exemption from registration under the U.S. Securities Act for offers and sales of securities in the United States that do not involve a public offering. By purchasing the Shares you will be deemed to have made the acknowledgements, representations, warranties and agreements described under the heading “*Transfer Restrictions*” in this Offering Circular. You should understand that you will be required to bear the financial risks of your investment for an indefinite period of time. Our Shares offered by this Offering Circular have not been registered under the U.S. Securities Act or any state securities laws and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable state securities laws. You are hereby notified that we and the Selling Shareholder may be relying on the exemption from Section 5 of the U.S. Securities Act provided by Rule 144A under the U.S. Securities Act. For a description on the restrictions on resale and transfer of our Shares offered by this Offering Circular, see “*Transfer Restrictions*.” We, the Selling Shareholder and each of the Joint Bookrunners are not offering to sell the Shares in any jurisdiction where the offer is not permitted.

The Shares we and the Selling Shareholder are offering have not been approved or disapproved by the United States Securities and Exchange Commission or any state or foreign securities commission or regulatory authority. The foregoing authorities have not confirmed the accuracy or determined the adequacy of this Offering Circular. Any representation to the contrary is a criminal offence in the United States. In addition, until the date 40 days after the commencement of the Combined Offering, an offer or sales of the Shares offered hereby within the United States by a dealer (whether or not participating in the Combined Offering) may violate the registration requirements of the U.S. Securities Act, if such offer or sale is made otherwise than in accordance with Rule 144A.

This Offering Circular does not constitute an offer of, or an invitation to purchase, any of the Shares in any jurisdiction in which such offer or invitation would be unlawful.

AVAILABLE INFORMATION

For so long as our Shares remain outstanding and are “restricted securities” within the meaning of Rule 144(a)(3) of the U.S. Securities Act, we will furnish, upon the request of any shareholder, such information as is specified in paragraph (d)(4) of Rule 144A under the U.S. Securities Act, to such holder or beneficial owner or to a prospective purchaser of such shares or any interest therein who is a “qualified institutional buyer” within the meaning of Rule 144A, in order to permit compliance by such holder or beneficial owner with Rule 144A in connection with the resale of such shares or beneficial interest therein in reliance on Rule 144A unless, at the time of such request, we are subject to the reporting requirement of Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the “**U.S. Exchange Act**”), or we are exempt from the registration requirements of Section 12(g) of the U.S. Exchange Act pursuant to Rule 12g3-2(b) under the U.S. Exchange Act.

ENFORCEABILITY OF CIVIL LIABILITIES

We and the Selling Shareholder are incorporated in Thailand. Our and the Selling Shareholder’s directors and executive officers are residents of Thailand. Also, substantially all of our and the Selling Shareholder’s assets are located in Thailand and the assets of our and the Selling Shareholder’s directors and executive officers are located throughout the world, including Thailand. As a result, you may not be able to:

- effect service of process upon us, the Selling Shareholder or these persons outside Thailand, or
- enforce against us or the Selling Shareholder judgments obtained in courts outside of Thailand including judgments based in whole or in part on the federal securities laws of the United States.

Our Thai counsel, Thanathip & Partners Legal Counsellors Limited, has advised us that Thai courts will not enforce any judgment or order obtained outside Thailand, but that a judgment or order from a foreign court may, in the discretion of a court in Thailand, be admitted as evidence of an obligation in a new proceeding instituted in that court, which would consider the issue on the evidence before it. See “*Risk Factors—Risks Relating to Thailand—Non-enforceability of non-Thai judgments may limit your ability to recover damages from us*” and “*Risk Factors—Risks Relating to Ownership of Our Shares—State-owned assets are not liable to execution under the law.*”

PRESENTATION OF FINANCIAL, OPERATIONAL AND STATISTICAL DATA

Our audited financial statements for the years ended December 31, 2016, 2017 and 2018 and our reviewed interim financial statements for the nine-month periods ended September 30, 2018 and 2019 presented in this Offering Circular have each been prepared and presented separately in accordance with Thai Financial Reporting Standards (“**TFRS**”). TFRS differs in certain material respects from International Financial Reporting Standards (“**IFRS**”). For a description of significant accounting differences between TFRS and IFRS that are relevant to the financial statements included in the Offering Circular, see “*Summary of Principal Differences between TFRS and IFRS*.”

Unless otherwise stated, all financial data presented in this Offering Circular is based on our TFRS financial statements.

We maintain our accounts and publish our financial statements in Baht. This Offering Circular contains conversions of certain amounts into U.S. dollars at specified rates solely for the convenience of the reader. Unless otherwise indicated, we have made all conversions of Baht to U.S. dollars at the rate of Baht 30.59 to US\$1.00, the average buying (transfer) rate and the average selling rate published by the Bank of Thailand (“**BOT**”), which we refer to as the reference rate, on September 30, 2019. We do not represent that the Baht or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or Baht, as the case may be, at this reference rate, at any particular rate or at all.

Any discrepancies in the tables included in this Offering Circular between the amounts listed and the totals are due to rounding.

We have obtained certain market data, certain industry forecasts and certain data relating to Thailand used throughout this Offering Circular from market research, publicly available information and industry publications. Industry publications generally state that the information contained therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information is not guaranteed. Similarly, while we believe these industry forecasts and market research to be reliable, we have not independently verified this information and neither we nor the Selling Shareholder nor any of the Joint Bookrunners make any representation as to the accuracy and completeness of this information.

The information contained in the section “*Industry Overview*” has been prepared by Ipsos Business Consulting (“**Ipsos**”), independent market research experts commissioned by our Company to analyze and report on, among others, the market landscape of Thailand’s distressed asset management industry. Such information has been prepared by Ipsos on the basis of various official government publications and other sources as indicated therein. We believe that the information in “*Industry Overview*” has been derived from reliable and appropriate sources, and that reasonable care has been taken in extracting and reproducing the information in this section from such sources. We believe that the information in this section is not false or misleading in any material respect, and that no fact has been omitted that would render such information false or misleading in any material respect. The information in this section has not been independently verified by us, the Joint Global Coordinators or any of their respective affiliates, advisers, directors, officers or representatives. None of the Joint Global Coordinators, nor any of their respective affiliates, advisers, directors, officers or representatives makes any representation as to the accuracy, completeness or fairness of such information.

References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Company.

NON-GAAP FINANCIAL MEASURES

In this Offering Circular, we use the term “**Receivables Collection**,” which comprises (i) interest income from investment in receivables, (ii) gain on investment in receivables and (iii) reduction in principal of investment from debt repayment collections (before certain adjustments). We believe that Receivables Collection is a useful indicator to investors and management of an asset management company’s performance because it provides an indication of cash flows. However, Receivables Collection is not a measure defined under TFRS, IFRS or U.S. GAAP, and should not be used instead of, or as an alternative to, our historical financial results prepared under TFRS as a measure of financial performance.

We present various profitability ratios, efficiency ratios and other financial ratios in this Offering Circular as supplemental measures of our performance, efficiency and/or profitability which are not required by or presented in accordance with TFRS. See “*Summary Financial Data*” and “*Selected Financial Data*.” As such,

these ratios are susceptible to varying calculations and may not be comparable to similarly titled measures presented by other companies. We encourage investors and others to review our financial information in its entirety and not rely on a single financial measure. Non-GAAP financial and other ratios have limitations as analytical tools, and potential investors should not consider such ratios in isolation from, or as substitutes for, analysis of our financial condition or results of operations, as reported under TFRS.

FORWARD-LOOKING STATEMENTS

This Offering Circular includes statements of future expectations, projections and forward-looking statements. Statements that are not historical facts, including statements about our beliefs and expectations, are forward-looking statements and can generally be identified by the use of forward-looking terminology such as the words “believe,” “expect,” “anticipate,” “plan,” “intend,” “estimate,” “project” and similar words. We caution you not to rely unduly on these forward-looking statements.

These forward-looking statements include, without limitation, statements relating to:

- our overall future business and economic performance;
- our estimated financial information regarding, and the future development and economic performance of, our business;
- our future earnings and cash flow;
- our business strategy;
- our expansion plans;
- our expected future dividend payments;
- regulatory changes; and
- future Government policies relating to the Thai financial industry.

Forward-looking statements involve inherent risks and uncertainties. The forward-looking statements included in this Offering Circular reflect our current views with respect to future events and are not a guarantee of future performance. A number of important factors could cause actual results or outcomes to differ materially from those expressed in any forward-looking statement. These factors include, but are not limited to, the following:

- general political, social and economic conditions in Thailand and the region;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices;
- changes in Government policies, laws or regulations, in particular those affecting the banking industry in Thailand;
- changes in the general operating environment of the Thai banking industry;
- various business opportunities that we may pursue;
- our ability to identify, measure, monitor and control risk in its business, including our ability to improve its overall risk profile and risk management practices;
- the performance of the real estate and financial markets in Thailand;
- the monetary and interest rate policies of the United States, Thailand and other countries in the region;
- legal proceedings; and
- other factors that are described below in the section of this Offering Circular entitled “*Risk Factors*.”

CERTAIN TERMS AND CONVENTIONS

References to “our Company,” “the Company,” “we,” “us,” “our” or “ourselves” are to Bangkok Commercial Asset Management Public Company Limited.

In this Offering Circular, unless otherwise specified or the context otherwise requires, all references to “Thai Baht,” “Baht” and “Bt” are to the lawful currency of Thailand and all references to “U.S. dollars” or “US\$” are to the lawful currency of the United States of America.

All references to “Thailand” or “Thai” in this offering circular are references to the Kingdom of Thailand. All references to the “Government” are references to the government of Thailand.

We refer to all loans that we have acquired and/or purchased as NPLs, regardless of the classification of the loan under the five-category loan system established by the BOT. We refer to our investment in NPLs interchangeably as “investment in receivables.”

We refer to the assets we acquire either through conversion of our own NPLs or through the purchase of assets through bidding from other financial institutions as NPAs. NPAs include investment in securities which once provided collateral for an NPL.

Unless otherwise specified, references to “investment in receivables” are gross, before allowance for impairments and deferred reimbursements from PAMC.

Unless otherwise specified, values of NPAs are presented net of allowances.

“Net NPL” refers to investment in receivables, net of allowances.

Any reference to a time of day in this Offering Circular refers to Thai time unless otherwise stated.

Various names with Thai characters have been translated into English names. These translations are provided solely for your convenience. The English translations may not have been registered with the relevant Thai authorities, and should not be construed as representations that the English names actually represent the names in Thai characters.

Other definitions are included and have been explained in “*Glossary*.”

SUMMARY

This summary may not contain all of the information that may be important to you. You should read this entire Offering Circular, including the financial statements and related notes and the “Risk Factors” beginning on page 11 before making an investment decision.

Overview

We are the largest distressed asset management company in Thailand as of December 31, 2018 based on total asset size, according to the Ipsos Report. We are a state-owned enterprise, with FIDF holding a 99.9% stake, and are under the supervision of the BOT. Our principal business is to manage NPLs and NPAs.

We possess strong capabilities in sourcing and managing NPLs and NPAs. We purchase NPLs from financial institutions in Thailand, including banks and other asset management companies, and manage NPLs through debt restructuring negotiations with debtors to reach optimal solutions for all stakeholders where possible. Our NPLs are mostly collateralized by real estate properties, secured by a first priority mortgage, and are recorded in our financial statements at acquisition cost as loans purchased.

We also manage NPAs, primarily real estate assets such as undeveloped landbanks (which includes agricultural property), hotels, commercial properties and residential properties, including detached houses, townhouses and condominiums as well as certain movable assets and securities. We acquire NPAs through various means, such as negotiating with debtors for the transfer of the underlying collateral in satisfaction of debt, foreclosing on the collateral underlying our NPLs and purchasing NPAs directly from financial institutions. We record our NPAs at acquisition cost (including related expenses, if any) from the Legal Execution Department or financial institutions. We eventually seek to sell our NPAs.

As of December 31, 2016, 2017 and 2018 and September 30, 2019, we generated 62.4%, 70.8%, 65.2% and 84.9%, respectively, of our total operating income from our NPLs and 37.0%, 28.6%, 34.4% and 14.9%, respectively, of our total operating income from our NPAs and investment in securities and had total assets of Baht 93,636.7 million, Baht 99,933.4 million, Baht 107,653.0 million (US\$3,519.2 million) and Baht 121,701.3 million (US\$3,978.5 million), respectively, including assets relating to NPLs management (i.e., loans purchased – net and accrued income from auction sale–net) of Baht 72,913.0 million, Baht 77,867.3 million, Baht 82,549.4 million (US\$2,698.6 million) and Baht 88,194.9 million (US\$2,883.1 million), respectively, assets relating to NPAs management (i.e., investment in securities – net, installment sale receivables, and properties for sale – net and advance for expenses on asset acquisition and others) of Baht 17,512.0 million, Baht 19,340.9 million, Baht 22,615.3 million (US\$739.3 million) and Baht 30,545.9 million (US\$998.6 million), respectively.

Our headquarters are located in Bangkok, and we have a nationwide network of 25 branch offices. We have over 1,200 employees, which help us provide our services throughout Thailand and cater to the specific needs and demands of each region in which we operate. Our nationwide network of branch offices provides us with the physical presence and market knowledge as well as the regional capability to manage NPLs and NPAs efficiently.

We believe some of our competitive advantages are our expertise in negotiating, debt restructuring, selling NPAs and appraising assets, which stems from our management’s deep experience in the distressed asset management industry as well as our extensive nationwide network. This enables us to win bids for NPLs and NPAs at appropriate prices and helps us maintain positive profit margins. We typically bid for NPLs and NPAs as they become available for purchase, and we maintain close relationships with financial institutions throughout Thailand to proactively identify opportunities to purchase NPLs, in particular NPLs secured by real estate properties, and NPAs. During the years 2016 to 2018, our NPLs acquired from financial institutions were Baht 12,636.1 million, Baht 10,252.6 million and Baht 10,971.3 million (US\$358.7 million), respectively. We acquire NPAs from various financial institutions in the total amount of Baht 379.5 million, Baht 269.6 million and Baht 1,117.1 million (US\$36.5 million), respectively.

Our Competitive Strengths

We believe the following strengths have been critical to our success:

- Largest distressed asset management company in Thailand with established experience

- Extensive nationwide sourcing and management network
- Strong track record in sourcing, managing and monetizing NPLs and NPAs
- Strong risk management capabilities
- Well diversified and sustainable sources of funding to support business expansion
- Experienced directors and senior management team with established track record

Our Business Strategy

We aim to maintain our position as the largest distressed asset management company in Thailand with excellent asset management and aim to foster strong relationships with our customers and with the financial institutions from which we purchase our distressed assets, in order to create long-term value for our shareholders.

We intend to achieve that through the following strategies:

- Grow our asset base
- Shorten turnaround time and increase our cash collection
- Invest in employee training, enhance organizational competencies and implement succession scheme

Corporate Information

We are incorporated under the laws of the Kingdom of Thailand. We maintain our principal office at BAM Building, 99 Surasak Road, Silom, Bangrak, Bangkok 10500 Thailand. Our telephone number at that address is +66-2-267-1900.

THE OFFERING

Issuer	Bangkok Commercial Asset Management Public Company Limited
Selling Shareholder	Financial Institutions Development Fund
Securities offered	Ordinary Shares of par value Baht 5.0 per Share, of the Company
Combined Offering	We and the Selling Shareholder are offering a total of 1,535,000,000 Shares (up to 1,765,000,000 Shares, if the over-allotment option described below is exercised in full) in a Combined Offering comprising an International Offering and a Thai Offering. We are offering 280,000,000 Shares (up to 510,000,000 Shares, if the over-allotment option is exercised in full) and the Selling Shareholder is offering 1,255,000,000 Shares in the Combined Offering. Completion of the International Offering and completion of the Thai Offering are each conditional on the completion of the other.
International Offering	We and the Selling Shareholder are offering 207,250,000 Shares outside the United States in reliance on Regulation S under the U.S. Securities Act and other applicable laws, and in the United States in reliance on Rule 144A under the U.S. Securities Act only to persons who are both “qualified institutional buyers” as defined in Rule 144A under the U.S. Securities Act and “qualified purchasers” within the meaning of Section 2(a)(51) of the U.S. Investment Company Act, through the International Bookrunner, concurrently with the Thai Offering.
Thai Offering	We are offering 72,750,000 Shares and the Selling Shareholder is offering 1,255,000,000 Shares in an initial public offering in Thailand concurrently with the International Offering.
Offering Price	The offering price is Baht 17.50 per Share.
Use of Proceeds	<p>The aggregate net proceeds we will receive from the Combined Offering will be Baht 4,489 million (US\$147 million), after deducting underwriting commissions and other estimated transaction expenses relating to the Combined Offering, or Baht 8,448 million (US\$276 million) if the over-allotment option is exercised in full.</p> <p>We intend to use the net proceeds received by us (including any net proceeds from an exercise of the over-allotment option) for the financing of our purchases of investment in receivables and foreclosed property assets, repayment of our loans from financial institutions and working capital. For a further description of how we intend to use the proceeds of the Combined Offering, see “<i>Use of Proceeds.</i>”</p> <p>We will not receive any of the proceeds from the sale of Shares by the Selling Shareholder.</p>
Over-allotment agent	Trinity Securities Co., Ltd.
Over-allotment option	<p>We have granted the over-allotment agent, on behalf of the Joint Bookrunners, an option to purchase an additional 230,000,000 Shares at the offering price per Share in the Combined Offering exercisable for 30 days from the date on which our Shares commence trading on the SET solely to return Shares borrowed from FIDF, the lending shareholder, to cover over-allotments, if any.</p> <p>Trinity Securities Co., Ltd, as over-allotment agent, has entered into a securities borrowing and lending agreement with FIDF dated November 22, 2019, to borrow up to 230,000,000 Shares from it, which will be borrowed on or before December 12, 2019 or any other</p>

date as agreed by the parties, or before the registration of the increase in our paid-up capital with the MOC, to cover over-allotments, if any. Any Shares that may be borrowed by the over-allotment agent under the securities borrowing and lending agreement will be returned by the over-allotment agent to FIDF either through the purchase of Shares on the SET by the over-allotment agent in the conduct of stabilization activities and / or through exercise of the over-allotment option by the over-allotment agent on behalf of the International Bookrunner and the Thai Bookrunners. Immediately upon acquiring sufficient Shares on the SET and / or exercising the over-allotment option, in either case, to return all the Shares borrowed from FIDF, the over-allotment agent will be required to cease engaging in stabilization activities (or, in the event stabilization activities have not commenced at this point, the over-allotment agent will be unable to engage in any stabilization activities).

Dividends Owners of our Shares will be entitled to receive dividends our shareholders may approve or our board of directors may declare from time to time. The Company has a policy to pay dividend at the rate of not less than 40 percent of net profit after tax on the basis of standalone financial statements and after legal reserves.

The actual dividend payout ratio may vary above or below the level indicated in our dividend policy and is subject to the risks outlined in the section entitled “*Risk Factors*” in this Offering Circular. See “*Risk Factors—Risks Relating to Ownership of our Shares—We may not be able to pay dividends*” and other risks described in “*Risk Factors*.”

Under the PLCA and our Articles of Association, we may not make any distribution of dividends otherwise than out of our Company’s net profit derived from our Company’s unconsolidated financial statements. Therefore, we cannot pay dividends if our Company’s standalone retained earnings are not positive, even if we record positive net profit for the current year. Furthermore, in any year in which we have a net profit, we are required, both under the PLCA and our Articles of Association, to set aside as reserve, an amount not less than 5.0% of our annual net profit less any accumulated losses carried forward until the total reserve is an amount not less than 10% of our registered share capital. Dividends in respect of our Shares are generally subject to Thai income tax withholding at a rate of 10% when paid to either non-resident corporate investors or to non-resident individual investors. See “*Dividend Policy*” for a description of our dividend policy and “*Taxation—Thai Taxation*” for a description of Thai taxation on dividends.

Share capital Our paid-up share capital prior to the Combined Offering is Baht 13,675,000,000, consisting of 2,735,000,000 Shares of Baht 5.0 par value each, while our registered share capital is Baht 16,225,000,000, consisting of 3,245,000,000 Shares of Baht 5.0 par value each.

Listing of and Market for our Shares We have applied to have our Shares approved for listing and trading on the SET promptly after the increase of paid-up capital represented by the Shares we are offering has been registered with the MOC. We expect the registration to occur no later than five business days after the day we receive payment for the Shares. The SET granted an approval in principle of our listing application on November 5, 2019. The SET shall complete the consideration of an application for approval of ordinary shares within seven days from the date on which it receives correct and complete documents and evidence from us.

Assuming our Shares are approved for listing on the SET, Shares purchased by non-Thai persons in the Combined Offering will be eligible for trading on the Foreign Board of the SET. Unless and until the SET gives final listing approval, none of our Shares sold in the Combined Offering may be traded on the SET, but buyers and sellers may be matched in off-exchange transactions. For a description of risks relating to the trading and delivery of our Shares, see “*Risk Factors—Risks Relating to Ownership of our Shares—There are risks associated with the trading and delivery of our Shares on the SET.*”

Voting rights Owners of our Shares will be entitled to full voting rights, as described in “*Description of our Ordinary Shares—Voting Rights.*”

Settlement and delivery of our Shares We and the Selling Shareholder expect the Joint Bookrunners to pay for the Shares offered under the Combined Offering into an escrow account on or about December 11, 2019, which will be prior to the date on which delivery of the Shares will be made. We expect that delivery of the Shares offered in the Combined Offering will be made through the SET’s depository facilities with the TSD no later than five business days after such payment.

Under Thai law, the status of purchasers of Shares sold by us in the period between payment for such Shares and the acceptance of registration of the increase in paid-up capital by the MOC is uncertain. During this period, investors may not be shareholders and instead would likely be considered unsecured creditors. We expect registration of the Shares to occur no later than five business days after the day payment for the Shares is made. See “*Risk Factors—Risks Relating to Ownership of our Shares—There are risks associated with the trading and delivery of our Shares on the SET*” for a summary of certain delivery and listing-related risks relating to the ownership of our Shares.

SET trading symbol BAM

Timing of the Combined Offering The following is a tentative timetable of various events in the Combined Offering (Bangkok time):

Pricing of the Combined Offering	December 2, 2019
Final allocation of Shares under the Combined Offering	December 2, 2019
Closing of the Combined Offering	December 6, 2019
Registration of the increase in our paid-up capital with the MOC	December 12, 2019
Delivery of Shares through the TSD	December 12, 2019
Commencement of trading of Shares on the SET	December 16, 2019

The foregoing schedule may change as a result of, among other things, changes in market conditions or the cancellation of the Combined Offering.

Transfer restrictions The Shares offered in the Combined Offering have not been, and will not be, registered under the U.S. Securities Act. Therefore, resales by purchasers of all Shares offered in the Combined Offering will be subject to certain restrictions described in “*Transfer Restrictions.*”

Risk Factors Investing in our Shares involves certain risks which are described in “*Risk Factors*” beginning on page 11.

SUMMARY FINANCIAL DATA

Statement of Comprehensive Income

The following table sets forth a summary of the statement of comprehensive income for the years ended December 31, 2016, 2017 and 2018, prepared based on the audited financial statements for the years ended December 31, 2016, 2017 and 2018:

	For the year ended December 31,			
	2016	2017	2018	
	Baht	Baht	Baht	US\$
	<i>(in millions)</i>			
Interest income				
Loans purchased.....	1,232.3	1,877.5	1,856.8	60.7
Investment in securities.....	1.7	12.6	3.7	0.1
Cash at financial institutions	10.4	23.3	10.3	0.4
Installment sale receivables	148.6	104.7	89.2	2.9
Others	9.4	9.9	15.6	0.5
Total interest income	1,402.4	2,028.0	1,975.6	64.6
Total interest expenses	1,244.2	1,622.0	1,769.4	57.8
Interest income—net.....	158.2	406.0	206.2	6.8
Gain/(loss) on investment in securities—net	20.0	(2.6)	(30.3)	(1.0)
Gain on loans purchased.....	4,224.4	3,509.2	4,438.3	145.1
Gain on sale of properties for sale	2,362.6	1,740.9	3,105.5	101.5
Gain on installment sales	584.1	184.5	115.2	3.7
Total other operating income	169.5	165.9	146.8	4.8
Total operating income	7,518.8	6,003.9	7,981.7	260.9
Total other operating expenses.....	2,581.9	2,519.8	2,934.6	95.9
Doubtful accounts	21.1	(1,024.9)	(162.2)	(5.3)
Operating profit before income tax expenses	4,915.8	4,509.0	5,209.3	170.3
Income tax expenses.....	12.2	8.2	7.3	0.2
Net profit.....	4,903.6	4,500.8	5,202.0	170.1
Items that may be reclassified to profit or loss				
Gain (loss) on remeasurement of available for sale investment.....	3.8	(2.5)	(11.7)	(0.4)
Items that may not be reclassified to profit or loss				
Actuarial losses on defined benefit plans	(67.4)	—	—	—
Total other comprehensive income (expenses)	(63.6)	(2.5)	(11.7)	(0.4)
Total comprehensive income	4,840.0	4,498.3	5,190.3	169.7
Basic earnings per share	1.79	1.65	1.90	0.06

The following table sets forth a summary of the statement of comprehensive income for the nine-month periods ended September 30, 2018 and 2019, prepared based on the reviewed interim financial statements for the nine-month periods ended September 30, 2018 and 2019:

	For the nine-month period ended September 30,		
	2018	2019	
	Baht	Baht	US\$
	<i>(in millions)</i>		
Interest income			
Loans purchased	3,731.3	7,816.5	255.5
Investment in securities	2.7	24.8	0.8
Cash at financial institutions	7.0	9.4	0.3
Installment sale receivables	64.6	87.2	2.9
Others	11.1	10.3	0.3
Total interest income ⁽¹⁾	3,816.7	7,948.2	259.8
Total interest expenses	1,315.5	1,524.6	49.8
Interest income—net	2,501.2	6,423.6	210.0
Gain/(loss) on investment in securities—net	(30.2)	3.9	0.1
Gain on sale of properties for sale	2,506.7	1,130.0	37.0
Gain on installment sales	73.7	80.6	2.6
Other operating income	52.2	43.5	1.4
Total operating income	5,103.6	7,681.6	251.1
Total other operating expenses	2,055.0	2,588.0	84.6
Doubtful accounts	(265.1)	209.6	6.8
Operating profit before income tax expenses	3,313.7	4,884.0	159.7
Income tax expenses	2.9	1.7	0.1
Net profit	3,310.8	4,882.3	159.6
Items that may be reclassified to profit or loss			
Gain (loss) on remeasurement of available for sale investment	0.6	(13.9)	(0.4)
Items that may not be reclassified to profit or loss			
Actuarial losses on defined benefit plans	—	(20.8)	(0.7)
Total other comprehensive income (expenses)	0.6	(34.7)	(1.1)
Total comprehensive income	3,311.4	4,847.6	158.5
Basic earnings per share	1.21	1.79	0.06

- (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 years ended December 31, 2016, 2017 and 2018, but are reclassified to be presented as a combined line item, “interest income from loans purchased” in the reviewed interim financial statements for the nine-month period ended September 30, 2019. As a result of the reclassification, “gain on loans purchased” is a component of interest income in the reviewed interim financial statements for the nine-month period ended September 30, 2019.

Statement of Financial Position

The following table sets forth a summary of the statement of financial position for the years ended December 31, 2016, 2017 and 2018, prepared based on the audited financial statements for the years ended December 31, 2016, 2017 and 2018:

	As of December 31,			
	2016	2017	2018	
	Baht	Baht	Baht	US\$
	<i>(in millions)</i>			
Assets				
Cash	3.3	4.3	3.6	0.1
Cash at financial institutions	1,607.5	1,158.5	1,031.8	33.7
Investment in securities—net	146.2	139.6	93.9	3.1
Loans purchased—net	69,886.9	72,885.8	75,434.0	2,466.0
Installment sale receivables—net	1,562.0	640.9	708.3	23.2
Properties for sale—net	15,082.2	17,735.2	20,595.8	673.3
Accrued income from auction sale—net	3,026.0	4,981.5	7,115.5	232.6
Premises and equipment—net	1,377.1	1,332.1	1,251.5	40.9
Intangible assets—net	12.0	10.6	13.3	0.4
Other assets	933.5	1,044.9	1,405.3	45.9
Total assets	93,636.7	99,933.4	107,653.0	3,519.2
	As of December 31,			
	2016	2017	2018	
	Baht	Baht	Baht	US\$
	<i>(in millions)</i>			
Liabilities and shareholders' equity				
Liabilities				
Debt issued and borrowing	50,329.1	56,868.5	57,709.3	1,886.6
Accrued interest payable	140.1	277.2	245.4	8.0
Provisions	726.2	751.7	769.5	25.2
Unearned accrued income from auction sale	—	—	5,342.0	174.6
Other liabilities	1,918.6	976.6	1,737.8	56.8
Total liabilities	53,114.0	58,874.0	65,804.0	2,151.2
	As of December 31,			
	2016	2017	2018	
	Baht	Baht	Baht	US\$
	<i>(in millions)</i>			
Shareholders' equity				
Share capital				
Authorized share capital 3,245,000,000 common shares, par value 5 baht each	16,225.0	16,225.0	16,225.0	530.4
Issued and paid-up share capital 2,735,000,000 common shares, par value 5 baht each	13,675.0	13,675.0	13,675.0	447.0
Other components of shareholders' equity	(43.8)	(46.2)	(58.0)	(1.9)
Retained earnings				
Appropriated				
Legal reserve	1,622.5	1,622.5	1,622.5	53.0
Unappropriated	25,269.0	25,808.1	26,609.5	869.9
Total shareholders' equity	40,522.7	41,059.4	41,849.0	1,368.0
Total liabilities and shareholders' equity	93,636.7	99,933.4	107,653.0	3,519.2

The following table sets forth a summary of the statement of financial position for the nine-month period ended September 30, 2019, prepared based on the reviewed interim financial statements for the nine-month period ended September 30, 2019:

	As of December 31,		As of September 30,	
	2018		2019	
	Baht	US\$	Baht	US\$
	(in millions)			
Assets				
Cash	3.6	0.1	6.4	0.2
Cash at financial institutions	1,031.8	33.7	1,541.0	50.4
Investment in securities—net	93.9	3.1	5,690.1	186.0
Loans purchased—net	75,434.0	2,466.0	79,136.1	2,587.0
Installment sale receivables—net	708.3	23.2	676.2	22.1
Properties for sale—net	20,595.8	673.3	23,244.8	759.9
Accrued income from auction sale—net	7,115.5	232.6	9,058.8	296.1
Premises and equipment—net	1,251.5	40.9	1,229.0	40.2
Intangible assets—net	13.3	0.4	17.4	0.6
Advance for expenses on asset acquisition and others ⁽¹⁾	1,217.2	39.8	934.8	30.6
Other assets	188.1	6.1	166.7	5.4
Total assets	107,653.0	3,519.2	121,701.3	3,978.5

- (1) “Advance for expenses on asset acquisition and others” and “other assets” are presented as a combined line item in the statement of financial position for the years ended December 31, 2016, 2017 and 2018, but are reclassified to be presented as two separate line items in the statement of financial position for the nine-month period ended September 30, 2019. As a result of the reclassification, “advance for expenses on asset acquisition and others” is no longer a component of “other assets” in the reviewed interim financial statements for the nine-month period ended September 30, 2019.

	As of December 31,		As of September 30,	
	2018		2019	
	Baht	US\$	Baht	US\$
	(in millions)			
Liabilities and shareholders' equity				
Liabilities				
Debt issued and borrowing	57,709.3	1,886.6	75,060.1	2,453.7
Accrued interest payable	245.4	8.0	386.9	12.7
Provisions	769.5	25.2	1,099.9	36.0
Unearned accrued income from auction sale	5,342.0	174.6	—	—
Other liabilities	1,737.8	56.8	1,579.3	51.6
Total liabilities	65,804.0	2,151.2	78,126.2	2,554.0

	As of December 31,		As of September 30,	
	2018		2019	
	Baht	US\$	Baht	US\$
	(in millions)			
Shareholders' equity				
Share capital				
Authorized share capital 3,245,000,000 common shares, par value 5 baht each	16,225.0	530.4	16,225.0	530.4
Issued and paid-up share capital 2,735,000,000 common shares, par value 5 baht each	13,675.0	447.0	13,675.0	447.0
Other components of shareholders' equity	(58.0)	(1.9)	(72.0)	(2.3)
Retained earnings				
Appropriated				
Legal reserve	1,622.5	53.0	1,622.5	53.0
Unappropriated	26,609.5	869.9	28,349.6	926.8
Total shareholders' equity	41,849.0	1,368.0	43,575.1	1,424.5
Total liabilities and shareholders' equity	107,653.0	3,519.2	121,701.3	3,978.5

	As of and for the year ended December 31,			As of September 30,
	2016 ⁽¹⁾	2017	2018	2019
	(in times, except percentages)			
Profitability Ratio				
Gross profit margin ⁽²⁾	85.79%	78.67%	81.84%	83.42%
Operating profit margin ⁽³⁾	56.05%	59.00%	53.37%	53.00%
Cash flow to income ratio ⁽⁴⁾	69.81%	85.09%	157.27%	(67.59)%
Net profit margin ⁽⁵⁾	55.96%	59.02%	53.35%	53.03%
Return on equity	12.10%	11.03%	12.55%	15.24% ⁽¹⁶⁾
Efficiency Ratio				
Return on total assets	5.24%	4.65%	5.01%	5.68% ⁽¹⁶⁾
Total assets turnover	0.09x	0.08x	0.09x	0.11x ⁽¹⁶⁾
Financial Policy Ratio				
Total liability-to-equity ratio	1.31x	1.43x	1.57x	1.79x
Interest coverage ratio ⁽⁶⁾	3.80x	3.58x	5.54x	(1.38)x
Debt service coverage ratio (cash basis) ⁽⁷⁾	0.06x	0.07x	0.25x	(0.08)x
Dividend payout ratio ⁽⁸⁾	N/A	80.79%	97.77%	60.00%
Interest-bearing debt to equity ratio ⁽⁹⁾	1.24x	1.39x	1.38x	1.72x
Specific Ratio for Our Business				
Cash collection from NPL management business to net				
NPLs ⁽¹⁰⁾	13.32%	12.83%	14.55%	20.55% ⁽¹⁶⁾
Return on NPL management business ⁽¹¹⁾	4.39%	4.78%	4.63%	11.21% ⁽¹⁶⁾
Allowance for doubtful accounts to NPLs ⁽¹²⁾	10.37%	8.70%	7.69%	7.46%
Cash collection from NPA management business to net				
NPAs ⁽¹³⁾	31.83%	24.88%	29.12%	16.16% ⁽¹⁶⁾
Return on NPA management business ⁽¹⁴⁾	10.73%	6.00%	8.72%	6.36% ⁽¹⁶⁾
Allowance for impairment of NPAs to NPAs ⁽¹⁵⁾	3.90%	2.97%	2.47%	2.16%

- (1) For the year ended December 31, 2016, calculation of ratios was not based on average amounts of the beginning and ending periods as we did not disclose our financial statements for the year ended December 31, 2015 for the calculation of average amounts.
- (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 sale of 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 cash at financial institutions 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 loans purchased; (iv) gain on sale of properties for sale; (v) gain on installment sales; and (vi) other operating income.
- (4) Cash flow to income ratio is calculated from cash collection from the business operation divided by operating profits before income tax expenses, and then deducting interest income on cash at financial institutions.
- (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 loans purchased; (iv) gain on sale of properties for sale; (v) gain on installment sales; and (vi) other operating income.
- (6) Interest coverage ratio is calculated from cash flow from the business operation plus (i) cash paid on interest and (ii) cash paid on income tax and divided by (i).
- (7) Debt service coverage ratio (cash basis) is calculated from the cash flow from the business operation divided by the sum of (i) cash paid on repayment of loans and debt securities; (ii) cash paid on debenture payment; (iii) cash paid on purchase of premises 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.
- (10) Cash collection from our NPL management business to net NPLs is calculated from the sum of cash collection received from our NPL management business divided by loans purchased—net (average). See “—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 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 deducting 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 for sale—net; (ii) installment sale receivables—net (average). See “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 for sale—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 for sale (after revaluation).
- (16) Calculated by annualizing the relevant items in the statement of comprehensive income and statement of cash flows for the nine-month period ended September 30, 2019.

RISK FACTORS

An investment in our Shares involves risks. You should carefully consider all of the information in this Offering Circular and, in particular, the risks described below before deciding to invest in our Shares.

The following describes some of the significant risks that could affect us and the value of our Shares. Additionally, some risks may be unknown to us, and other risks, currently believed to be immaterial to our business, could turn out to be material. All of these could materially adversely affect our business, financial condition, results of operations and prospects. In general, investing in securities of issuers in emerging market countries such as Thailand involves risks not typically associated with investing in the securities of companies in countries with more developed economies. You should also consider the information provided below in connection with the forward-looking statements in this Offering Circular and the disclaimer regarding forward-looking statements at the beginning of this Offering Circular.

Risks Relating to Our Business

We are exposed to liquidity risks

Our operations are capital intensive and we require sufficient liquidity at all times. Insufficient liquidity may affect the confidence of our counterparties, such as our lenders and financial institutions that sell NPLs and NPAs to us. Factors which may adversely affect our liquidity level include unfavorable changes to the macroeconomic environment, money market or government policies unfavorable to our business operation, our ability to obtain financing arrangements on commercially acceptable terms and stricter regulatory regimes as well as unsuccessful strategies or inability to collect sufficient or expected amount of repayment from our NPL and NPA management business.

We regularly issue promissory notes as payment for purchases of NPLs and NPAs. As of September 30, 2019, we had an aggregate of Baht 13,314.3 million (US\$435.3 million) short-term loans and promissory notes payable within one year and Baht 4,030.0 million (US\$131.7 million) in debentures due within one year. Payment on significant amounts of debt instruments and loans as and when they are due may from time to time affect our level of available liquidity and constrain and reduce our ability to purchase significant amount of new NPL and NPA portfolios.

Further, certain of our loan agreements contain covenants which allow lenders to require prepayment or adjust the applicable interest rates if the Company loses its SOE status, or if FIDF holds less than 40.0% of our total issued Shares. Immediately after the Combined Offering, FIDF is expected to hold approximately 45.0% of our total issued Shares (on an assumption that the investors have subscribed to all shares in the Combined Offering (including the over-allotment option) and the over-allotment agent exercised the right to subscribe all newly issued shares). There is no assurance that FIDF will continue to hold at least 45.0% of our total issued Shares. As of September 30, 2019, we had outstanding amounts of Baht 19,731.1 million (US\$645.0 million) under such loans. Prepayment or adjustment of interest rates applicable to these loans may have a material adverse effect on our liquidity requirements, financial condition and results of operations. See “*Business—Borrowings.*”

We may not be able to effectively manage our cash flows, which may affect our ability to acquire NPLs and NPAs and to provide adequate funding for repayment of debt. In such an event, we may have to look toward other sources of financing, which may not be available on commercially acceptable terms, or at all. This will in turn adversely affect our business, financial condition and results of operations.

We may be unable to source and purchase a sufficient amount of NPLs and NPAs at appropriate prices and our growth, competitive position, financial condition and results of operations may be materially affected

Our ability to generate sustainable revenue and cash flows and ensure sustainable business growth depends on our ability to source and purchase a sufficient amount of NPLs and NPAs at appropriate prices. However, our ability to successfully source and purchase NPLs and NPAs is in turn dependent on various other factors, several of which are beyond our control, including changes in economic conditions and the real estate market in Thailand, competition in bidding for NPLs and NPAs from financial institutions, value, quality and type of NPLs and NPAs sold by financial institutions and ability to access sources of funding. In addition, our business is also dependent on changes applicable laws, regulations, government policies as well as the policies, financial condition and business plan of each financial institution with respect to their loan, NPL and NPA portfolio management. Due to the complexity and interconnection of such factors, many of which are beyond our control, we may not be able to source a sufficient supply of NPLs and NPAs at appropriate prices, which could in

turn have a material adverse effect on our growth, competitive position, financial condition and results of operations.

We may be unable to collect repayments from our debtors and realize the revenue and generate cash flows from our NPLs. Our results of operations are significantly dependent on our ability to collect from our debtors, manage portfolios of NPLs effectively and the ability of debtors to repay all or part of their loans

The income and cash flow we generate from our NPLs depends on various factors, including our ability to manage our NPLs effectively and in a timely manner, and other factors, many of which are beyond our control. For example, we rely on the ability of debtors to repay all or part of their loans. Debtors under the NPLs we acquire are often in weak financial positions, have experienced poor operating results and have relatively high financing needs or negative net assets, and certain debtors may be involved in bankruptcy proceedings or restructuring processes. If we are unable to effectively restructure the debt and enforce repayment, we may have to realize the revenue of our NPLs through methods such as litigation, transfer of assets and disposal of the assets by way of sale and enforcement of underlying collateral. These procedures are time consuming and costly and could be inefficient or may be regulated or subject to existing laws, regulations or government policies and may not achieve the outcome we expect. In some cases, we may also not have first priority on enforcement of our collateral and may be subject to claims by other creditors that have priority over our claims.

In addition, we may be unable to recover a sufficient amount from enforcement of collateral to cover our investment costs, or at all. In a court-approved rehabilitation process under Thai bankruptcy law, if the court approves a rehabilitation plan for a debtor that is approved by other creditors representing a majority of claims against the debtor, we may be required by the court under the plan to accept a result that may be unfavorable to us. A court may also, in the future, declare a collateral invalid or decline to enforce a collateral. Our returns could thus be limited, or we could incur a loss, through such procedures and we may not be able to collect proceeds from our debtors and realize the revenue of such NPLs as expected, which could have a material adverse effect on our financial condition and results of operations.

The fluctuations of the real estate market in Thailand may affect our ability to generate income and cash flow from collateral securing our NPLs and NPAs

Our risk exposure to the Thai real estate market in Thailand relates to NPLs and NPAs, as all of the real estate collateral securing our NPLs and real estate NPAs are located in Thailand. Our ability to realize revenue and generate cash flows from these assets is subject to the liquidity and conditions of the real estate market in Thailand. Should the real estate market in Thailand not perform to our expectations, sales volumes and prices of our real property assets may decline, and we may require amount of time to fully realize revenue of our real property assets. We may then have to sell these assets pursuant to sale and purchase agreement on less favorable terms or at a value below the assets' expected values. In addition, any slowdown in the real estate market in Thailand could also render marketing and selling our real property assets more difficult and increase costs associated with holding of assets. Any decline in the value of collateral securing our NPLs or NPAs may also result in an increase in allowances for doubtful accounts of loans purchased or allowance for impairment of properties for sale. See also “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Allowance for doubtful accounts of loans purchased*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Allowance for impairment of properties for sale.*”

The real estate market in Thailand is affected by various factors which are beyond our control, including, but not limited to, macroeconomic conditions, interest rates, inflation rate, levels of household debt, rate of urbanization, levels of disposable income and supply and demand dynamics. In addition, should the Government implement new laws, regulations, rules or policies which could, directly or indirectly, affect the growth of the real estate market, our ability to generate revenue and cash flow from the underlying collateral securing our NPLs and our NPAs could be adversely affected which could materially and adversely impact our revenue and profits generated, as well as our financial condition and results of operations.

Our due diligence of our NPLs and NPAs may be based on incomplete and incorrect information which may result in us mispricing NPLs and NPAs

There is no readily ascertainable market price for most of the NPLs and NPAs we acquire. In determining the price for the acquisition of our NPLs and NPAs, we have to consider various factors, including, in the case of NPLs, intensity of competition, our expectation regarding debt recovery from the NPLs, collateral

values and profile of our debtors and in the case of NPAs, our valuation of the assets is based on information on the assets provided to us and the due diligence conducted internally, estimated costs associated with the management and disposal of such assets, and prevailing market conditions and intensity of competition. In the event that our due diligence and/or selection process for acquiring the NPLs and NPAs are not efficiently implemented, we may not obtain sufficient returns or may suffer losses.

Before acquiring the NPLs and NPAs, we conduct due diligence that we consider appropriate based on the facts and circumstances applicable to each acquisition of NPLs and NPAs. The due diligence we have conducted or will conduct is generally carried out based on information provided to us from the financial institutions that we purchase NPLs and NPAs from, which may not be fully complete or accurate, and which may not reveal all relevant facts that are necessary or useful in evaluating the acquisition. Although we would typically send our personnel to survey the property, we generally have no access to the premises of the underlying collateral when evaluating NPLs. This could subject us to unknown encumbrances or unexpected conditions at a particular property and we may value NPLs and NPAs at prices higher than commercially reasonable levels based on the lack of complete or accurate information, which could affect our profitability, financial condition and results of operations. For example, we may not identify encumbrances on the underlying assets, or ensure that we will obtain title to the underlying assets free of any defects. We have previously been provided with incomplete and incorrect information on real property assets, which resulted in us mispricing our purchase of these assets. Financial institutions generally allow us to return NPLs and NPAs within a specified period as prescribed in each of the agreements if they have provided incomplete or inaccurate information regarding the NPLs and NPAs purchased. However, we may not be able to identify incomplete or inaccurate information, if any, during the specified time. This could affect our returns from NPLs and NPAs.

The valuation methods adopted by our internal due diligence team members involve subjective judgments, assumptions, experience and opinions, which may not be accurate or which may not reflect the actual values. We typically conduct our due diligence with reference to data and information provided by the financial institutions selling the NPLs and NPAs in our evaluation and pricing. These debt recovery and asset sale estimates, data and information are used for pricing potential investments, and are related to the completeness of due diligence on investments. Should any of these estimates, data and information be inaccurate, incomplete or misleading, any decisions made in reliance thereon may expose us to potential risks regarding our ability to acquire an expected amount of NPL and NPA portfolios. Further, given that we conduct our due diligence on a large portfolio of assets at the same time, the probability of errors in valuation is higher or we may not be able to evaluate our assets within limited time and even marginal errors may, in the aggregate, affect our overall profitability. We may acquire our NPLs and NPAs at prices higher than commercially reasonable levels, which may in turn adversely affect our financial condition and results of operations.

The appraisals of our assets which are based on various assumptions, and our appraisals of collateral underlying our NPLs and NPAs may not reflect the actual values that we are able to realize on sale

The appraisals in respect of the collateral underlying our NPLs and our NPAs in our existing portfolio as described in our financial statements are conducted based on the BOT regulations applicable to financial institutions and are generally conducted by external appraisers on the SEC approved list and our internal appraisers. Each of the appraisers, may be required to use their subjective judgments when considering certain factors, such as historical benchmarking, and various assumptions. The assumptions are subject to changes, and may be inaccurate or incomplete or may not reflect actual values of the collateral underlying our NPLs and NPAs. The appraised value of any of the collateral underlying our NPLs and of our NPAs is not an indication of and does not guarantee a sale price at that value at present or in the future, and the price at which we may be able to sell such property may be lower than its appraised value. Inaccuracies in the valuation of our external or internal appraisers or the valuations we use may affect our decisions relating to our target yields for our NPLs, debt restructuring and pricing of NPAs for sale. This may adversely affect our business, financial condition and results of operations.

Our allowances for doubtful accounts of loans purchased or impairment of our NPAs may not reflect our actual impairment

We regularly conduct assessments for doubtful account from loans purchased and impairment of our NPA. We recognize impairment losses in accordance with estimated allowances for impairment. As of December 31, 2016, 2017 and 2018 and September 30, 2019, we had allowances for doubtful accounts of our loans purchased of Baht 8,088.2 million, Baht 6,943.4 million, Baht 6,285.0 million (US\$205.4 million) and Baht 6,377.3 million (US\$208.5 million), representing 10.4%, 8.7%, 7.7% and 7.5% of our loans purchased, respectively. As of December 31, 2016, 2017, 2018 and September 30, 2019, our allowances for impairment of

NPAs were Baht 612.4 million, Baht 543.1 million, Baht 522.6 million (US\$17.1 million) and Baht 513.1 million (US\$16.8 million), representing 3.2%, 2.3%, 1.9% and 1.6% of NPAs, respectively.

Currently, our allowances for doubtful accounts are based on BOT guidelines applicable to financial institutions which are adopted as applicable to our transactions, which depend on various factors such as, in the case of NPLs, the valuation of the collateral, adjusted based on BOT guidelines within specified period and the mortgage value and outstanding amounts of the loan, the expected cash flows from debt restructuring, and in the case of NPAs, the valuation of the property performed within the time limit, the latest value of our assets and the type and the features of NPA. Any changes in such factors may result in fluctuations in our allowances for doubtful accounts, which may affect our financial condition and results of operations. In addition, after our adoption of TFRS 9, we may have more overall allowance for impairment as compared to the financial statements prepared based on the current accounting standard, which may affect our financial condition and results of operations.

However, the extent of our ability to recover value from our NPLs and NPAs may depend on multiple other factors beyond our control, including the debtors' financial condition, their capability and willingness to repay, the ability of debtors' guarantors to fulfill their obligations, the realizable value of any collateral, and the general Thai economy, legal and regulatory environment. Our estimation and assessment of and expectations for these factors may give rise to uncertainties or differ from actual conditions and results, and as a result such allowances may not reflect the actual impairment. This may in turn adversely affect our financial condition and results of operations.

The adoption of TFRS 9 may affect the financial reporting of our business

The Federation of Accounting Professions of Thailand (the "FAP") announced the Notification of the Accounting Profession No. 22/2561 entitled the Thai Financial Reporting Standards 9 entitled Financial Instruments which determines the accounting practices in relation to recognition and measurement of financial assets and liabilities ("TFRS 9") in the Royal Gazette on September 21, 2018 which prescribes businesses to adopt TFRS 9 to the financial statements for period from January 1, 2020 onwards. Once TFRS 9 becomes effective, we anticipate that the financial reporting of our business will be affected in the following ways:

- Gain from loans purchased will be recognized by the actual interest rate adjusted by credit risk pursuant to accrual basis. Such actual interest rate adjusted by credit risk is calculated from the date of acquisition which is the rate used for discounted cash flow forecast in which we expect to receive from each NPL throughout the terms of loans purchased which is equivalent to acquisition cost. At the end of each financial period, we will recalculate the book value of financial assets by reviewing the appropriate amount of the expected cash flow forecast and we will deduct the actual interest rate of such NPL from the revised cash flow forecast, recognizing the difference as a gain or loss from allowance in our statement of comprehensive income.
- In determining doubtful allowance, we will record our expected credit loss throughout the terms of loans purchased from the date of acquisition, notwithstanding whether or not credit risk for such loans purchased has materially increased during the period.
- For investment in equity, we could classify such investment as financial assets measured at fair value through profit or loss or financial assets measured at fair value through other comprehensive income. Such investment, including marketable and non-marketable equity, is presented at fair value at the end of each financial period. Following the sale of equity classified as financial assets presented at fair value contemplated in other comprehensive income, cumulative changes in fair value realized in other comprehensive income will no longer be realized through profit and loss.

The foregoing only reflects our initial anticipation based on TFRS 9 as published in the Royal Gazette. As a result of the potential adoption of TFRS 9, our financial statements for period ended December 31, 2020 may not be comparable to the financial statements for the years ended December 31, 2016, 2017 and 2018 and the financial statement for the nine-month period ended September 30, 2020 may not be comparable to the financial statement for the nine-month period ended September 30, 2019, which are part of this Offering Circular.

The adoption of TFRS 9 may adversely impact the financial position of companies that prepare their financial statements under TFRS, including us, and will depend upon, among other factors, the composition of such companies' balance sheets as of the effective date of the implementation of TFRS 9 and the macroeconomic forecast in future years.

It is currently not possible to quantify the impact of adoption of TFRS 9 on our operating results and financial position; however, we expect that first-time implementation of TFRS 9 will materially impact how we report our financial condition and results of operation.

We are in the process of preparation of a project internally to implement TFRS 9 which may result in changes in the projection of credit loss of financial assets, and the relevant loan management, financial and business processes. In addition, the adoption of TFRS 9 may result in an increase in overall credit impairment provisions when compared with the financial statements prepared based on the current accounting standard.

The FAP may make other changes to financial accounting and reporting standards that govern the preparation of our financial statements, which we may be required to adopt or which we may adopt prior to the date on which such changes become mandatory if we determine to be appropriate. Any such change may materially affect our business, financial condition and results of operation.

Our operations, as a distressed asset management company and significant asset owner, are highly regulated by relevant authorities and any changes to applicable laws and regulations could adversely affect our business, financial condition and results of operations

As a distressed asset management company, we are highly regulated. We are subject to various requirements under regulations, guidelines and policies relating to, among others, debt restructuring, valuation and disposal of collateral and NPAs, regulations and methods governing management of NPAs, debt collection, the write-off of bad debts, taxes and accounting standards. As the owner of a significant amount of real estate assets, we are also subject to various requirements under regulations, guidelines and policies relating to, among others, land and building taxes, environmental law, zoning regulations and other laws and regulations.

The new Land and Building Tax Act B.E. 2562 (2019) 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). Although this Act imposes new land and building tax rates which shall become effective from January 1, 2020 onwards, certain key factors remains uncertain, including the actual tax rate to be applied, the tax base, and available tax relief or reduction measures, which must be further prescribed under the Royal Decree. As a result, we cannot accurately evaluate the effect of this Act until supplementary legislation and relevant rulings are available. We will likely be subject to any increased taxes in respect of the land and real property assets we hold. Such increase in the amount of taxes we have to pay may have a material adverse effect on our profitability, financial condition and results of operations. See also “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Regulatory considerations*”

Our business operations may be affected by changes in the regulatory environment of the financial or real estate industry in Thailand. Our inability to adapt to all such changes in a timely manner could have a material adverse effect on our business, financial condition and results of operations. There may also be uncertainties regarding the interpretation and application of new policies, laws, regulations or accounting standards. Failure to comply with any changes may result in penalties, or adversely affect our business, financial condition and results of operations.

We are subject to enforcement risks in respect of guarantors and mortgagors who are not primary debtors

Thai law prohibits any agreement which causes a guarantor to be liable as a primary debtor (e.g., containing provisions that provide for joint and several liability between the primary debtor and the guarantor), and any guarantee agreement containing such arrangements shall become void and allow guarantors to exercise their right to refuse payment. There is an exception to such law for any guarantor who is a juristic person who agrees to be jointly liable with the primary debtor.

A failure to comply with certain requirements under the Civil and Commercial Code of Thailand, as amended, may result in guarantors and mortgagors who are not primary debtors being released from liabilities as prescribed by the law. For example, failure to submit a notice to a guarantor or a third party mortgagor within the time specified under the law after the debtor defaults will relieve the guarantor or third party mortgagor, as the case may be, of its liability in interest and compensation, including a charge accessory to such obligation incurred after the specified notice period under the law. In addition, in case of guarantees or property mortgages that secure a third party’s obligations with specific payment schedules, if a creditor agrees with a debtor to extend the payment schedule without consent from a guarantor or a third party mortgagor at the time of the extension of debt, the guarantor or the third party mortgagor will be discharged from its obligation. As a result, among other things, for any restructuring of a debt that is secured by a guarantor or third party mortgagor, we

may have to obtain the consent of such guarantor or mortgagor to ensure the continuity of the guarantee or the mortgage after debt restructuring, which will limit our flexibility in restructuring such debts. If we are unable to obtain the consent of such guarantor or mortgagor, we will be left with fewer options to restructure or settle such debt, or we may have to enforce or foreclose the security, which generally involves a more costly and time consuming process.

The liability of a mortgagor who is not the primary debtor is limited only to the value of the mortgaged property. Any agreement which causes such a mortgagor to be liable for more than the value of the property is void. However, if a juristic person is a debtor and any person with the authority to manage or control the business operations of such juristic person mortgages its property as security to secure such debtor's obligations, the mortgagor can enter into a separate guarantee and can be liable for more than the value of the mortgaged property.

Whilst we have prepared processes to comply with the law to mitigate effects of the amendments to the Commercial Code of Thailand, we believe that the amendments to the Commercial Code of Thailand will have a significant effect on us, particularly on our rights in guarantees and mortgage agreements which serve as collaterals of our NPLs if the guarantees and mortgage agreements have been entered into in violation of the provisions described above. Although procedures regarding our enforcement of rights against debtors and mortgaged property owned by debtors will not be materially affected, procedures regarding our rights to enforce against guarantors and third party mortgagors will be more difficult and time-consuming as we will be subject to additional processes as required by law. As a result, our financial condition and results of operations may be adversely affected.

We may be involved in legal and other disputes from time to time, which may expose us to potential liabilities

We are involved in legal and other disputes in the ordinary course of our business. Such disputes typically relate to situations where (i) we seek to recover outstanding amounts from our debtors, repossess or dispose of collateral or enforce guarantees, pledges or mortgages, or (ii) we and the counterparties involved in acquisition or disposal of the underlying assets to our NPLs or NPAs seek court orders to affirm each party's legal rights. In addition, lawsuits and other disputes may arise against us in the ordinary course of our business. For example, certain debtors who are unable to make payment under their loan obligations may refuse repossession of the assets by us and bring the dispute to court, or where we have started legal proceedings against debtors, they may counterclaim against us. Where we assess that there is a probable risk of loss from actual or pending legal proceedings or other disputes against us, we make provisions for potential losses arising from litigation based on the relevant accounting policies or our internal policies in accordance with TFRS and TAS. The judgments in any of the litigation in which we are involved may not be favorable to us, and our provisions for potential losses arising from litigation may not be adequate to cover all the actual losses that may arise from legal proceedings or other disputes. In addition, if our assessment of the risk changes, our views on provisions for liabilities may also change.

As of September 30, 2019, we are involved in a number of disputes with an aggregate disputed amount of approximately Baht 541.1 million (US\$17.7 million), which, if the judgement determined against us, could lead to significant liability and/or material adverse effects on our business, financial condition and results of operations. See “*Business—Legal Proceedings*” for a more detailed discussion of these and other material litigation cases that we are involved in.

Litigation and other disputes may also lead to inquiries, investigations and proceedings by regulatory authorities which may result in reputational harm, additional operating costs and expenses in relation to these disputes and diversion of resources from our core business. In the future, we may continue to be involved in other legal and other disputes in the ordinary course of our business. Any disruption to our business due to legal proceedings or judgments against us or adverse adjudications in proceedings against our directors or key executives would have a material adverse effect on our business, reputation, financial condition, results of operations and prospects.

We are subject to concentration risks

We have a number of large NPLs. As of September 30, 2019, our largest NPLs accounted for 3.8% of our total net loans purchased and our ten largest debtors in relation to NPLs accounted in the aggregate for approximately 8.2% of our total net loans purchased. If any major debtor is unable to make repayments on time or otherwise defaults on its repayment obligations, or if we are unable to recover the value of the collateral, in full or at all, from collateral enforcement proceedings, it could have a material adverse effect on our financial condition and results of operations.

In addition, a significant portion of our NPAs are located in Bangkok and its vicinity. Thus, we are exposed to the risk of decreases in land prices in Thailand generally and property prices in Bangkok and its vicinity specifically. Any factors leading to events could have a material adverse effect on our business, cash flows, financial condition and results of operations.

We are exposed to competition which could affect our business and growth strategy

We face competition in sourcing NPLs and NPAs primarily from SAM, another state-owned asset management company in Thailand that is controlled by our major shareholder, FIDF, as well as from the asset management arms of other commercial banks in Thailand. The asset management arms of commercial banks generally source their NPLs and NPAs internally and do not typically purchase NPLs and NPAs from other financial institutions. We also compete to a lesser extent with other asset management companies, although these companies tend to focus more on assets associated with personal loans and credit card receivables, which currently constitute a relatively small portion of our portfolio. However, these companies may compete against us in acquiring similar types of NPLs and NPAs in the future. We may also face competition from well-capitalized foreign entities who may establish asset management companies in Thailand, which may lead to a more competitive market for NPLs and NPAs.

We also compete with other real estate companies, financial institutions selling NPAs and other real estate market participants to acquire and/or sell NPAs. Our inability to compete effectively may affect our plans for growth which may have a material adverse effect on our business, cash flows, financial condition and results of operations.

Dissatisfied debtors and adverse parties could cause reputational damage to us

Our business involves negotiations to restructure debts, collecting debt repayments from debtors and/or foreclosing on collateral, which have the potential to result in some dissatisfied debtors. In the past, our debtors have organized protests at our headquarters and some of our branch offices demanding write-offs on their debts. Although our business was not disrupted on those occasions, our operations as well as our relationships and reputation with our customers may be affected by similar incidents in the future. Any reputational damage to us could affect our business and our existing relationships with customers, debtors and counterparties. Dissatisfied debtors have in the past filed lawsuits against us, and they may continue to do so in the future, which may require us to incur expenses in legal proceedings and potential liability for claims under the lawsuits. Furthermore, any criticism or dissemination of negative information may lead to complaints or objections which may hinder or obstruct our business operations. These could in turn have a material adverse effect on our business, reputation, financial condition and results of operation, See “*Business—Legal Proceedings*” for more information regarding ongoing legal proceedings.

We are exposed to risks regarding defects or errors in the performance of our employees or conduct of other third parties

We have implemented risk management systems and internal controls for our business operations, as well as preventive policies and measures to monitor business operations and compliance with relevant regulations in order to manage potential risks associated with our business, such as money laundering, fraud, misconduct or other illegal activities. We have established three committees namely; Audit Committee, Corporate Governance and Social Responsibilities Committee and a Risk Oversight Committee, to cooperatively oversee our risk management function as well as a risk management tool for each of our internal units to use to conduct their own annual assessment of the sufficiency of its internal controls systems. However, we are exposed to risks relating to defects and errors in the performance of our employees who may not comply with such policies, as well as the conduct of other third parties such as our representatives and customers which are beyond our control. Such non-compliance could have material adverse effects on our financial condition and results of operations.

We are dependent on the services of our key management and qualified staff

Our success depends on our ability to attract and retain key management who possess in-depth knowledge and understanding of, and extensive working experience in, the financial and property industries. These key personnel include, among others, senior management, professional staff in asset appraisal, marketing and sales staff and other operational personnel. Due to the nature of our business, we require qualified staff with specific knowledge and we routinely train our employees. However, we may fail to retain our key management and qualified staff with specific knowledge personnel and may also be unable to identify suitable replacements in

a timely manner, if at all, for senior management and other professional personnel with specialized skills, or may incur additional expenses to recruit and train new personnel. Any such occurrences could adversely affect our business, financial condition and results of operations.

We are exposed to risks of failures in our IT systems

Our business operations depend on our IT and data processing systems. Any failures in such systems will expose us to financial losses, business disruption or reputational damage. The seamless functioning of our business processes, accounting and financial controls, risk management and customer service is dependent on our IT systems. Failures in our IT systems could arise from human errors or events beyond our control, such as software program errors, hardware issues, network malfunctions, computer virus attacks, natural disasters, failure to implement updated or new IT initiatives, unanticipated problems of facilities or power failures. We update our IT systems and have a business continuity plan and a disaster recovery center that provides for our system recovery within 24 hours and may prevent or reduce the impact of any disruption to our core transactions. However, any prolonged disruption to our IT systems could limit our ability to monitor and manage data, manage our risk exposures, keep accurate records, provide quality customer service and control financial and operational functions. Although we regularly conduct IT audits in accordance with applicable requirements, there can be no assurance that such audits will prevent failures in our IT systems in the future. In addition, while we devote significant resources to cyber security, data encryption and other security measures, our IT and data processing systems may be subject to cyber security incidents such as data breaches, intrusions, espionage, know-how and data privacy infringements, leakage and general malfeasance. Any inability to address problems in our IT systems adequately and promptly could result in a delay or an inability to perform essential business operational functions and could result in liability and reputational harm, which could have a material adverse effect on our business, financial condition and results of operations.

Our insurance coverage may not adequately protect us against possible risk of loss

We generally insure ourselves against three areas of risk concern, namely: (i) directors' and officers' liabilities insurance, (ii) all risk insurance for our office buildings (including third party risks), and (iii) fire risk for buildings on the premise of collateral underlying our NPLs or on our NPAs. Although we believe our insurance policies have sufficiently covered possible hazards in the past, and we intend to continue such insurance, our insurance may not adequately cover potential damage and losses which could occur in the future (for example, for any damage to collaterals securing our NPLs or NPAs caused by events other than fire). If it does not cover such damage or loss, our financial condition and results of operations could be materially and adversely affected. However, if we choose to increase our insurance coverage, our insurance premium will be increased and we may not be able to obtain the desired coverage on economically beneficial terms, or at all.

We may be affected by accidents or trespassers at our real property assets

We may encounter various problems regarding the properties in our possession. For example, persons could be injured from accidents within or adjacent to our properties. We may also encounter trespassers who misuse our properties. In the past, such circumstances tend to occur where trespassers have been present prior to our acquisition of the properties. However, our measures to inspect and protect our properties may not be able to effectively prevent all accidents, trespassing, adverse possessions or misuse of our properties. As a result, we may be subject to personal injury claims by persons who are involved in any such accidents, persons who misuse our properties may result in joint liability on our part, or trespassers may illegally take possession of or occupy our properties. We may also not be able to recover possession of our properties without incurring significant effort and cost or at all, and the value of our assets may be impaired. In the past, there have been instances where we have been unable to access properties we have acquired or foreclosed upon due to the presence of trespassers. As a result, realizations of the value of such assets were delayed. See "*Business—Legal Proceedings*." This could in turn have adverse effects on our financial condition and results of operations.

We are exposed to the effects of the new trade competition law in Thailand

The Trade Competition Act B.E. 2560 (2017), which came into effect in October 2017 (the "**Trade Competition Law**"), and ancillary regulations issued thereunder focus on four primary areas to foster free and fair trade competition and to create a level playing field, namely: (i) the prohibition of the unfair exercise of market dominance by dominant business operators; (ii) the supervision of business mergers and acquisitions which restrict trade competition, or the merger and acquisition of dominant business operators; (iii) the prohibition of business agreements which restrict trade competition (restrictive agreements); and (iv) the prohibition of behavior which constitutes unfair trade practices.

We may be considered a “dominant business operator” under the New Trade Competition Law under the criteria established by the Trade Competition Committee. As a result, we may be required to comply with the rules on the prohibition of unlawful or unreasonable abuse of dominance which may adversely affect our business.

Improper access to or use of data could harm our reputation and adversely affect our business

We process a large quantity of data of our customers in our operation. As a result, we are exposed to risks inherent in accessing and handling large volumes of data, including those associated with:

- protecting the data in and hosted on our technology systems, including against attacks on our systems by outside parties or employee error or malfeasance;
- addressing concerns related to data privacy, sharing and security; and
- complying with laws, rules and regulations relating to the use and disclosure of personal information.

Cybersecurity and data privacy issues have become subject to increasing legislative and regulatory focus in Thailand. Thailand’s first data protection legislation, the Personal Data Protection Act B.E. 2562 (2019), was published on the Royal Gazette on May 27, 2019. If the Act is in full effect and relevant legislations and regulations have been enacted one year from the date of enforcement, persons and business operators including us, will be required to collect, store, use or disclose certain personal data, including data transferred to another country, in accordance with the procedures and requirements prescribed thereunder. As at the date of this Offering Circular, no relevant legislation and regulations have been enacted.

Complying with these evolving regulatory requirements could require significant resource and expense and require us to change our business practices and privacy policies in a manner adverse to our business. Failure to comply with existing or future cybersecurity and data privacy laws and regulations could result in litigation, fines and penalties, regulatory enforcement actions and reputational harm.

In addition, changes in our customers’ expectations and requirements regarding privacy and data protection could restrict our ability to collect and use information collected during our operation, which in turn could harm our ability to serve our customers. Any of the foregoing could have a material adverse effect on our business, reputation or financial results.

The Government may expropriate our immovable property

Pursuant to the Immovable Property Expropriation Act, B.E. 2530 (1987), as amended (the “**Immovable Property Expropriation Act**”), the Government is able to acquire any immovable property for purposes of, among others, necessary public utility, national defense, development of agriculture, town and city planning or other public purposes. Under the Immovable Property Expropriation Act, where immediately necessary the Government may announce and publish in the Royal Gazette the expropriation of immovable assets to allow the government to use such immovable assets before expropriation. Our NPAs and collateral underlying our NPLs have been affected by expropriation in the past and while an act of expropriation will be compensated by the Government, such compensation may not be sufficient for all costs and expenses we incurred to acquire the asset being expropriated. This could have an adverse effect on our financial condition and results of operations.

Risks Relating to Reduction of Shareholding and Our Loss of SOE Status

We may lose tax benefits of tax exemption following the Combined Offering, and our recognition of deferred tax assets and liabilities in our financial statements for financial reporting purposes is subject to the uncertainties of the residual value of the temporary differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases and liabilities after the Combined Offering

In the past, we have enjoyed significant tax benefits, primarily exemption from corporate income tax on profits (which is currently set at 20.0% of taxable net profit) arising from gains from management of NPLs and NPAs. We are, however, subject to corporate income tax which has been charged on certain corporate incomes which are not exempted, such as dividend income, interest income on deposits, and gains from selling non-NPL and non-NPA assets. The tax exemptions results from FIDF holding, directly or indirectly, 95.0% or more of our voting Shares. After the Combined Offering, FIDF, our Selling Shareholder, will hold less than 95.0% of our

total issued Shares immediately after the Combined Offering. See “*Principal Shareholders.*” As such, we may lose certain tax benefits we previously enjoyed, which will materially increase our tax expenses after the Combined Offering.

In addition, although we have had temporary differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax bases in the past, we have had no deferred tax assets or liabilities to be recognized in our financial statements for financial reporting purposes due to our tax exempt status. After the Combined Offering, whereupon we will lose our tax exempt status, we may recognize deferred tax assets and liabilities and realize the gain from income tax arising from the temporary differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax bases.

See “*Management’s Discussion and Analysis of Results of Operations and Financial Condition—Factors Affecting Our Results of Operation—Tax considerations.*”

The number of Shares sold in the Offering could be less than the total number of Shares offered as they will be sold on a best efforts basis

We have agreed to issue and sell, and FIDF, as the Selling Shareholder has agreed to sell, the Offering Shares to investors procured on a best efforts basis by the Underwriters, and the Underwriters have agreed with us and the Selling Shareholder to use their best efforts to procure investors for the purchase of up to the number of Shares set forth in this Offering Circular. The Underwriters are not under any obligations to purchase or underwrite any Shares in the event that not all Shares offered in the Offering are purchased by investors procured by the Underwriters.

There can be no assurance that investors will be procured for all or any of the Offering Shares. In the event that investors for less than the full amount of Shares offered are procured, the amount of proceeds received by us pursuant to the Combined Offering will also be reduced. This may limit our ability to carry out our intended use of the proceeds from the Combined Offering and may affect our qualification for listing Shares on the SET in the event that the total number of Shares sold in the Offering does not meet the minimum free float requirement for listing on the SET, as well as result in decreased liquidity in the secondary trading of our Shares.

In addition, in the case that investors for less than the full amount of Shares offered are procured and after the Combined Offering, FIDF, still holds more than 50.0% of our total issued Shares, we may maintain our SOE status by virtue of Budget Procedures Act B.E. 2502 (1959), which may limit and affect the flexibility of our business operations which may adversely affect our business, financial condition and results of operations until we lose our SOE status.

We may be required to find alternative sources of financing which may be more expensive following the Combined Offering

We have in the past financed our business through the issuance of promissory notes and debt instruments, and by obtaining loans from commercial banks. Under the current BOT regulations, our promissory notes and debt instruments and the loans made to us are considered liquid assets, and commercial banks that are our creditors are not required to make provisions for such credit risks. After the Combined Offering, if FIDF’s ownership in our Shares is diluted, and we lose our SOE status, commercial banks that are our creditors may not consider our promissory notes or debt instruments to be a liquid asset and will thus be required to make provisions for such credit risks. As such, commercial banks may reduce the amount of promissory notes accepted from us, the amount of investments in our debt instruments or the amount of financing provided to us with the same returns, and we may be required to find alternative sources of financing which may be more expensive.

Our credit rating may be downgraded

As of October 31, 2018, we have been rated AA- by Fitch Ratings (Thailand) (“**Fitch**”). Our rating presumably reflects Fitch’s consideration of the fact that FIDF, a government supported entity, has 99.9% ownership in our Shares prior to the Combined Offering. Should Fitch or other credit rating agencies take the view that the reduction in FIDF’s shareholding may affect our credibility, our credit rating may change after the Combined Offering. If we lose our investment grade rating, certain investors that can only invest in investment grade debt securities may not be able to invest in our debt securities. A downgrade in our credit rating may have an adverse impact on our ability to obtain financing at commercially favorable terms and/or interest rates, which may have a material adverse effect on our business, cash flows, financial condition, results of operations and prospects.

We may face strikes or industrial action

Although Thai laws governing state enterprise labor relations prohibit our employees from participating in labor strikes, there is no assurance that our employees will not carry out labor strikes. Following the completion of the Combined Offering, we may lose our SOE status and may no longer fall within the scope of those laws. Labor strikes of our employees or other work stoppages could disrupt our business which could in turn materially and adversely affect our business, financial condition and results of operations.

In addition, although none of our employees are currently members of any labor union, this may change in the future. If our employees join labor unions and we are not able to successfully negotiate union contracts with favorable terms, or if we experience any interruption of operations or labor difficulties at any of our branches, our business, results of operations and financial condition may be materially and adversely affected.

Risks Relating to the Thai Financial Industry

Changes to macroeconomic and market conditions could materially affect our business

Results of our business operations are subject to general macroeconomic conditions and relevant policies and fluctuations in financial and capital markets, including, but not limited to, financing cost and the volatility of interest rates, inflation, availability of short and long-term financing, trends in the financial sectors, monetary and fiscal policies, foreign exchange policies, currency fluctuations, taxation policies and laws and regulations affecting the financial industry.

Unfavorable financial or economic conditions, including global financial uncertainties, international trade wars and the sovereign debt crisis in several countries, may have an adverse impact on investors' confidence and the global financial cost markets. Concerns over inflation, energy costs, geopolitical issues, availability and cost of credit, unemployment rate, consumer confidence, declining asset values, volatility in the capital markets and share prices on the SET and liquidity concerns have resulted in adverse market conditions.

Adverse macroeconomic and market conditions could negatively impact the quality of our NPLs, the value of the underlying collateral for our NPLs and NPAs, our business and prospects, and limit our liquidity and ability to obtain financing on favorable terms, which would adversely affect our business, cash flows, financial condition and results of operations.

An increase in interest rates could adversely affect us

An increase in interest rates could adversely impact our business in a number of ways. In general, rising interest rates (or market expectations regarding future increases in interest rates) would make financing required for our business operations more expensive. In addition, the willingness of potential buyers to purchase NPAs may be negatively affected, thereby restricting our ability to dispose of our NPAs on favorable terms.

In addition, rising interest rates could also impair the financial viability of debtors who have variable interest rate obligations. This could, directly or indirectly, lead to a reduction in debtors' abilities to repay their loans which may increase payment default rates and lower average payments, any of which could reduce our cash flow generation, return on capital and estimated remaining collections and impair our financial condition and results of operations.

Actions of our significant shareholder could adversely affect us

Following the completion of the Combined Offering, FIDF, may hold less than 50.0% of our total issued Shares but may continue to be our significant shareholder. To the extent that a significant shareholder continues to hold a significant stake of our voting Shares, it will be able to influence any decision that requires shareholders' approval, including, the ability to elect our board of directors. Further, such a significant shareholder may utilize its voting rights in the shareholders' meeting to achieve its desired resolution, which may not be in line with the interest of the Company or other shareholders.

Risks Relating to Thailand

Our operations are carried out entirely within Thailand, and we are subject to the economic, legal and regulatory uncertainties in Thailand

Pursuant to the Asset Management Companies Act B.E. 2541, as amended, and relevant BOT regulations governing our asset management activities, we are only permitted to carry out operations in Thailand. Consequently, we are subject to the economic, legal and regulatory conditions in Thailand and these conditions differ in certain significant respects from those prevailing in other countries with more developed economies. Any downturn in the Thai economy could have a negative effect on our business, financial condition, results of operations and prospects and the market price of our Shares.

Our businesses and operations in Thailand are subject to the changing economic conditions prevailing from time to time in Thailand. Factors that may adversely affect the Thai economy, directly or indirectly, include:

- global economic conditions;
- regional conditions that could decrease the relative attractiveness of Thailand as a destination for foreign investment, such as the planned Association of Southeast Asian Nations integration;
- political instability;
- other regulatory, political or economic developments in or affecting Thailand;
- exchange rate fluctuations and the exchange control policy by BOT;
- a prolonged period of inflation, deflation, economic stagnation or increase in regional interest rates;
- other external recessions or potential economic downturns in the United States, Asia (in particular, China) or elsewhere in the world;
- changes in taxation;
- consumer confidence;
- natural disasters, including tsunamis, earthquakes, fires, droughts or flooding in important economic areas and other extreme weather conditions;
- a potential recurrence or outbreak of avian influenza, severe acute respiratory syndrome, or other infectious or contagious diseases in Thailand or other Asian countries;
- scarcity of credit or other financing, resulting in lower demand for products and services;
- fluctuations in oil prices and other commodity prices; and
- threatened terrorist activities and other acts of violence in Southeast Asia.

Following a military coup on May 22, 2014, the National Legislative Assembly of Thailand (“NLA”) was formed, selected by the National Council for Peace and Order, which was in turn set up by the junta. After the NLA was set up, numerous legislation was promulgated to either amend existing laws or enact new laws directly governing commercial banks and the conduct of business. See “—*New legislation on guarantees and mortgages could adversely affect our business and require changes to our business strategy.*” Different regulatory authorities may have different interpretations and enforcement practices. Changes in laws, regulations, policies or the Government’s attitude towards our industry or the industry of the commercial banking business could have adverse effects on our business, financial condition, results of operations and prospects.

Additionally, prior Governments have, in the past, intervened in the Thai economy and occasionally made significant changes in policy, including, among other things, foreign exchange control, policies concerning wage and price controls, capital controls and limits on imports, at times partially reversing such policies immediately after the policies were announced. In the future, the government-in-charge may impose restrictive laws or regulations that may affect the outward remittances (including dividends on our Shares) and our business, financial condition, results of operations and the market price of our Shares.

The economic, legal and regulatory conditions in Thailand may not improve or may remain unchanged in the future. If there are any future changes in applicable laws or regulations, or interpretations of applicable laws or regulations, we may be required to obtain further approvals or to meet additional regulatory requirements. Compliance with the requirements could impose substantial additional costs to us which could have a material adverse effect on our business, financial condition, results of operations and prospects.

The impact of the recent political instability in Thailand remains uncertain, and any violence or instability could negatively affect our business, financial condition, results of operations and prospects

Since 1932, when Thailand transitioned from autocratic rule into a democratic form of government, Thailand has undergone through many governments, elected and non-elected. There have been multiple past military coups which ousted governments-in-charge. In the past decade, there were two military coups, in 2006 and 2014. The 2006 military coup was followed by a period of martial law, and subsequently an election under which a new civilian government was formed. However, during the tenure of the elected government, there was a period of civil unrest, which included anti-government protests and riots which led to death and injuries and property damage, occupation by protestors of key governmental and economic assets such as the Government House and Thailand's two key airports in 2008, and states of emergency being declared in Bangkok at various times, among others. Several civilian governments were formed thereafter, though unrest remained until a fresh election in 2011 after which a temporary peaceful period ensued. In May 2014, the elected government-in-charge was ousted by a military coup which took power and installed a temporary constitution, a selected legislative body, a selected cabinet, an oversight military body as well as several bodies for both constitution reform and drafting. These bodies are accountable for the administration and legislation functions as well as maintenance of peace and order. There have been unprecedented levels of government and regulatory interventions and changes to laws and regulations in general.

In September 2015, a proposed draft of a new constitution was rejected, and in February 2016, the Constitution Drafting Committee of Thailand distributed the first draft of the new constitution. A referendum was held in August 2016 and approved the draft constitution and the proposal to elect the next prime minister by senators and members of parliament for the first five years after the parliament is formed pursuant to the new constitution. A general election for a new democratic government was held on March 24, 2019 and the appointment of the new cabinet was announced on the Royal Gazette on July 10, 2019.

It is difficult to measure what effects these events will have on Thailand's political and economic conditions, what impact political instability may have on Thailand's economy, or what changes to Thailand's legal and regulatory environment may occur in the future. The political environment in Thailand may not become more stable and any future instability in Thailand may negatively affect our business, cash flow, financial condition, results of operations and prospects.

Bombings and other violent attacks in the southern provinces and elsewhere in Thailand could destabilize Thailand, which could adversely affect our business, financial condition and results of operations and the market price of the Shares

In response to continuing violence in southern parts of Thailand, the Government declared martial law in certain southern provinces in early 2004. The region has experienced serious and frequent incidents of violence resulting in a number of casualties and injuries, including bomb attacks in the four Southern provinces. Attempts to contain such violence in the past have been futile. The return to peace in this region is uncertain. We currently have branch offices that are located in the southern provinces, and any violence in those areas may adversely affect those offices.

There have been bombing incidents in Bangkok in recent years, and further bombings or other violent acts may occur in the future. For example, in August 2015, a bombing incident at the Erawan Shrine in Bangkok killed approximately 20 and injured many more. On August 11 and 12, 2016, a series of bombs exploded in the resort towns of Hua Hin, Surat Thani, Phuket and Trang, which caused the deaths of four people and the injury of 36 others, many of whom were tourists. Continued violence could lead to widespread unrest in Thailand or a major terrorist incident in Thailand like those in other parts of Southeast Asia. Violent acts arising from, and leading to, instability and unrest may have a material adverse effect on investment and confidence in, and the performance of, the Thai economy, which could have a material adverse effect on our business, financial condition and results of operations.

Public health epidemics in Thailand could have a negative impact on Thailand's economy and cause our business to suffer

We could be materially and adversely affected by the outbreak of public health epidemics, or the concern of such an outbreak. In 2004, an outbreak of the H5N1 viruses, also known as "bird flu," occurred in Southeast Asia and other regions, resulting in deaths worldwide and significantly affecting Southeast Asia's economy. In April 2009, an outbreak of the H1N1 virus, commonly referred to as "swine flu," occurred in Mexico and spread to several Asian countries, including Thailand. Since the beginning of 2012, there have been

reports on the outbreak of the viral hand, foot and mouth disease in Southeast Asian countries, including several confirmed human cases and deaths, particularly among children. If the outbreak of any of these viruses or other severe viruses, including severe acute respiratory syndrome, and the Middle East respiratory syndrome, were to become widespread in Thailand or increase in severity, such as Thailand being classified as a diseased zone for specified types of disease, it could have an adverse effect on economic activity in Thailand, and could materially and adversely affect our business, financial condition, results of operations and prospects. Any future public health epidemics could also materially and adversely affect our business, financial condition, results of operations and prospects.

Natural disasters in Thailand could have a negative impact on Thailand's economy and cause our business to suffer

The occurrence of natural disasters, including floods (for example, the heavy floods in Thailand in the second half of 2011), fires, earthquakes and droughts could adversely affect the results of operations or financial condition of our NPAs and the properties underlying our NPLs. Beginning in September 2011, widespread flooding affected much of Thailand and subsequently had an adverse effect on Thailand's GDP growth in 2011 and the first half of 2012.

The Government has stated its intention to improve flood prevention infrastructure in an effort to prevent future flooding similar to that experienced in 2011. Government officials have announced plans for the construction of floodways, the repair of sluice gates damaged during the flooding and the purchase of additional pumps to remove future floodwater. The government has also announced that it is preparing a master flood management plan. There is no assurance, however, that these plans will be implemented before significant flooding occurs in Thailand again or at all, or that flood prevention measures will be adequate to protect low-lying areas and other parts of Thailand from flooding in the future. While our business, our NPAs and the properties underlying our NPLs were not affected by the floods in 2011, there is no assurance that similar floods in the future or other natural disasters will not affect their operations.

The re-occurrence of flooding on a similar or greater scale as that experienced in 2011 may negatively impact Thailand's economy, our business operations and consequently adversely affect our business, financial condition, results of operations and prospects.

Non-enforceability of non-Thai judgments may limit your ability to recover damages from us

We are a public limited company incorporated in Thailand. All of our directors and executive officers are residents of Thailand. As a result, it may be difficult for you to effect service of process upon us or our directors and executive officers outside Thailand or enforce against us judgments obtained in courts outside of Thailand, including judgments based upon the federal securities laws of the United States.

Under Thai law, judgments entered by a United States court or any other non-Thai court, including actions or judgments based on the civil liability provisions of the federal securities laws of the United States including the U.S. Securities Act and the U.S. Securities Exchange Act of 1934, as amended, are not enforceable in Thailand without re-examination of the merits of the case. Any judgment or order obtained in a court outside Thailand would not be enforced as such by the courts of Thailand, but such judgment or order in the discretion of a court in Thailand may be admitted as evidence in new proceedings instituted in such court, which would be free to consider the issue on the evidence before it. In addition, if any proceeding is taken in the courts of Thailand for the enforcement of civil claims which are expressed to be governed by non-Thai law, the choice of such non-Thai law will be recognized to the extent to which such law is proven to the satisfaction of the courts of Thailand and is not considered contrary to the public order and good morals of the people of Thailand. Thus, to the extent you are entitled to bring a legal action against us, you may be limited in your remedies and any recovery and any Thai proceeding may be limited depending on the relevant court's discretion.

Our financial statements are prepared in accordance with TFRS, which differs from IFRS in certain material respects

We are subject to financial reporting requirements of publicly listed companies in Thailand that differ in significant respects from those applicable to companies in certain other countries, including the United States and the United Kingdom. Our financial statements are prepared in accordance with TFRS, which differs in certain material respects from IFRS. See "Summary of Certain Significant Differences between TFRS and IFRS." In accordance with TFRS, we have not (i) performed a reconciliation of the financial statements included in this Offering Circular to IFRS or (ii) quantified the differences between TFRS and IFRS with respect to such

financial statements. There may have been additional material differences identified and disclosed if such a reconciliation or quantification had been performed. Accordingly, that section may not represent all material accounting differences related to us.

A downgrade of Thailand's sovereign debt rating may adversely affect the Company's ability to raise debt financing

Any adverse revisions by international rating agencies to the credit ratings of the Thai national government's sovereign domestic and international debt may adversely affect our ability to raise financing as it may result in a change in the interest rates and other commercial terms at which we may obtain such financing. This could have a material adverse effect on our business, financial condition, results of operations and prospects. A downgrading of the Thai national government's debt rating may occur, for example, upon a change of government tax or fiscal policy, which are outside of our control.

Risks Relating to Ownership of Our Shares

There are risks associated with the trading and delivery of our Shares on the SET

Prior to the Combined Offering, there has been no public market for our Shares. The offering price for our Shares may differ significantly from the market price for the Shares following the Combined Offering. In addition, we are required to register the increase of paid-up capital represented by the Shares offered in the Combined Offering and submit the list of our shareholders with the MOC prior to delivery of our Shares. We expect this registration to occur, and delivery of the Offering Shares to be made, no later than seven business days after we receive full payment for the Offering Shares. Under Thai law, the status of investors in our Shares in the period between the time investors pay for our Shares and the time the increase in our paid-up capital is registered and list of our shareholders is submitted with the MOC is uncertain. During this period, investors may not be considered our shareholders and instead would be considered unsecured creditors.

The SET approved our in-principle listing application on November 5, 2019. Although we expect to receive the SET's approval of our application to list our Shares shortly after receiving full payment for the Offering Shares, the SET shall complete the consideration of an application for approval of ordinary shares within seven days from the date on which it receives correct and complete documents and evidence from us. Unless and until listing approval is given for our Shares, none of our Shares sold in the Combined Offering may be traded on the SET and holders of our Shares may only be able to sell them, or at all, in matching off-exchange transactions. See "*The Thai Securities Market*" for more details.

State-owned assets are not liable to execution under the law

State-owned assets, including assets of FIDF, are not liable to execution under Section 1307 of the Civil and Commercial Code of Thailand and although investors may make claims against FIDF, compensation may be limited as the assets of FIDF will not be subject to seizure or enforcement.

The price of our ordinary shares may be volatile, which may result in significant loss for investors purchasing our Shares at our initial public offering

The price of our Shares following the Combined Offering may be volatile, and is dependent on several factors beyond our control such as:

- political conditions;
- attitude towards opportunities for our business operations and the industry in general;
- difference between the actual financial performance and operation results, and the financial performance and operation results expected by investors and analysts;
- analysts' advice or attitude towards our securities;
- the liquidity of our Shares;
- changes to conditions that affect the financial industry, general economic conditions, stock market environment, and other events or factors;
- announcements made by other companies within the same industry as us;
- changes in assessment of market value and price of shares of listed companies on the SET that operate similar businesses to us; and
- volatility of share prices on the SET.

Therefore, these and other factors may cause the trading price of our Shares to become much lower than the initial offered price.

Thai law and our Articles of Association impose restrictions on foreign shareholding, which may affect the liquidity and market price of our Shares

Our Articles of Association restrict the foreign shareholding ratio to 49.0% of the total issued shares. Moreover, foreign shareholding is also restricted by Thai law, namely the Foreign Business Act, B.E. 2542 (1999), as amended. Therefore, the liquidity and market price of ordinary shares may be negatively affected, especially when the foreign shareholding percentage reaches the limit specified and Thai shareholders cannot transfer their shares to non-Thais. Moreover, foreign shareholders, share buyers, and share sellers, do not know in advance whether the shares will be restricted by foreign shareholding, whether the shares will be registered in the name of the buyer, and whether the registrar will reject the registration of transfer of such shares.

We are subject to corporate disclosure and accounting requirements that differ from those in other countries

We are subject to reporting and corporate governance requirements in Thailand that differ, in significant respects, from those applicable to companies in certain other countries. After our Shares are listed on the SET, we will be required to publish audited full year and half-year and reviewed first and third quarter financial statements in accordance with TFRS and BOT guidelines. The SET's rules and regulations are evolving. The amount of information publicly available for issuers in Thailand is significantly less than that available for comparable companies in certain more developed countries, and certain statistical and financial information of a type typically published by companies in certain more developed countries may not be available. As a result, shareholders may not have access to the same level and type of disclosure as that available in other countries, and comparisons with other companies in other countries may not be possible in all respects. In addition, shareholder protection afforded by the rules and regulations of the SET, by the PLCA and other Thai laws may not be as extensive as in other countries. See also “—Our financial statements are prepared in accordance with TFRS, which differs from IFRS in certain material respects.”

The Thai securities market is relatively small and may cause the market price of our Shares to be more volatile

The SET is relatively small and may be more volatile than stock exchanges in the United States and certain other countries. The relatively small market capitalization of, and trading volume on, the SET, compared to certain other global stock exchanges, may cause the market price of securities listed on the SET, including our Shares, to fluctuate more than those listed on larger global stock exchanges. The market price of our Shares may be adversely affected by the lack of liquidity on the SET. These market characteristics may limit your ability to sell our Shares and may also affect the market price of our Shares.

In September 1987, the SET established the Foreign Board on the exchange for dealings only in securities registered in the name of non-Thai persons. On occasion, the volumes traded on the Foreign Board have been significant in relation to those traded on the Domestic Board. In addition, shares have at times traded on the Foreign Board at a premium to those quoted on the Domestic Board. These price differentials may not exist on any particular trading date, and there will be insufficient liquidity on the Foreign Board on any particular future trading date to enable an investor to sell any or all of its shares at the price then quoted for trades on the Foreign Board.

Fluctuations in the exchange rates of the Baht with respect to the U.S. Dollar or other currencies will affect the foreign currency equivalent of the value of our Shares and any distributions

Fluctuations in the exchange rate between the Baht and the U.S. dollar or other currencies will affect the equivalent in other currencies of the Baht price of our Shares on the SET and the Baht amount of any gains or losses realized by investors on a sale of our Shares. Any dividends we pay in respect of our Shares will be payable in Baht. Fluctuations in the exchange rate between the Baht and the U.S. dollar or other currencies will affect the equivalent in these currencies of the Baht amount of any dividends distributed by us. See “Exchange Rates” for further information regarding fluctuations in the value of the Baht relative to the U.S. dollar.

Future sales of our Shares by us or our major shareholders following the Offering, and the availability of large amounts of our Shares for sale, could depress our share price

Upon completion of the Combined Offering and the listing of our Shares on the SET, we estimate that a total of 1,535,000,000 of our Shares, comprising approximately 50.9% of our outstanding Shares or, if the over-allotment option is exercised in full, a total of 1,765,000,000 of our Shares, comprising approximately 54.4% of our outstanding Shares, will be freely tradable on the SET.

Under the SET regulation regarding the Listing of Ordinary Shares and Preferred Shares as Listed Securities B.E. 2558 (2015), as amended, and in consideration of exemptions on the prohibition on Management or Shareholders and Related Person from Selling Shares and Securities within a Specified Period, Shares comprising an aggregate of 45.0% of our share capital following the Combined Offering (including shares subscribed by over-allotment agent), cannot be sold for a period of one year and six months following the date of commencement of trading of our Shares on the SET. As these lock-up periods expire, you may be adversely affected by a reduction in the market price as a result of any sales of Shares that were previously subject to a lock-up.

We cannot predict the effect, if any, that future sales, or the availability of Shares for future sale, may have on the market price of our Shares prevailing from time to time. Sales of substantial amounts of Shares in the public market following the Combined Offering, or the perception that such sales may occur, could adversely affect the market price of our Shares.

Our ability to pay dividends

Our ability to declare dividends in relation to our Shares depends on our future financial performance, which, in turn, depends on successfully implementing our strategy as well as factors such as financial, competition, relevant regulatory, general economic conditions, demand, selling prices of our assets and other factors specific to our industry or certain projects which are beyond our control. In addition, our board of directors may recommend that it is appropriate to reduce or cancel our dividend in any given period. We may not generate a profit in any future year and our board of directors may not approve the payment of a dividend even if we do.

In addition, under the PLCA, if we have retained losses, we will be unable to pay dividends, even if we record a positive net profit for that year. Furthermore, in any year in which we have a net profit, we will be required by the PLCA and by our Articles of Association to set aside as a reserve an amount not less than 5.0% of our annual net profit less any accumulated losses carried forward until the total reserve is not less than 10.0% of our registered share capital. If we are unable to generate sufficient profits or if we otherwise determine that it is appropriate, we may not pay any dividends in the future.

Your ability to participate in future offerings may be limited

Although Thai public companies are not required to offer pre-emptive rights to existing shareholders when issuing new shares, Thai public companies have from time to time issued new shares through rights offerings and other securities, including warrants, transferable subscription rights (TSR) and convertible bonds. If we offer or cause to be offered to holders of ordinary Shares rights to subscribe for additional ordinary Shares or any right of any other nature, we will have discretion as to the procedure to be followed in making such rights available to holders of ordinary Shares. In the event of such a rights offering or similar event, we may opt not to offer such rights to the holders of ordinary Shares with addresses outside Thailand. In addition, we may be prohibited by applicable law from extending a rights offering or similar event to holders in certain jurisdictions unless certain procedures are followed. For example, we would not be permitted to offer such rights to the holders of ordinary shares who are U.S. persons (as defined in Regulation S of the U.S. Securities Act), unless (i) a registration statement under the U.S. Securities Act is in effect or (ii) the offering and sale of such rights or the underlying securities to such holders are exempt from registration under the provisions of the U.S. Securities Act. Compliance with securities laws or other regulatory provisions in some jurisdictions may prevent certain investors from participating in any future rights issuances and thereby result in dilution of their existing shareholdings. We will have no obligation to register our Shares in any other jurisdiction in order to permit other foreign investors to participate in any future rights offerings we may undertake.

We may be a passive foreign investment company for U.S. federal income tax purposes

We will be a passive foreign investment company (a “PFIC”) for U.S. federal income tax purposes for any taxable year in which (i) 75% or more of our gross income consists of passive income or (ii) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. Passive income generally includes interest, dividends, royalties and gains from transactions in commodities, and rents. Over 75% of our income would be treated as passive income for these purposes unless both (i) an exception for active financing companies under separate U.S. federal income tax rules applies for purposes of the PFIC rules and (ii) we qualify for that exception. Recently proposed U.S. Treasury regulations clarify that the exception for active financing companies referred to above applies for purposes of the PFIC rules. Although these proposed U.S. Treasury regulations have not been finalized, taxpayers may rely on them as long

as those taxpayers apply the rules of the proposed regulations consistently. Whether we would qualify for the exception for active financing companies depends on whether, for purposes of the exception, the entities from which we purchase our loan portfolios are considered our “customers” and whether our income is treated as derived from transactions with them. There are a number of reasons supporting the conclusion that the entities from which we purchase our loan portfolios are our “customers” and our income is derived from transactions with them, but neither of those conclusions is free from doubt. As such, the application of the PFIC rules in our circumstances is not clear and raises complex questions of both law and fact. If we are a PFIC for any taxable year, U.S. investors generally will be subject to adverse U.S. federal income tax consequences, including increased tax liability on gains from dispositions of Offering Shares and certain excess distributions, and a requirement to file annual reports with the U.S. Internal Revenue Service. Prospective U.S. investors are urged to consult their tax advisers regarding our PFIC status for any taxable year and the tax consequences to them in the case that we are a PFIC. See “*Certain United States Federal Income Tax Considerations for U.S. Holders—Passive Foreign Investment Company Considerations.*”

USE OF PROCEEDS

We estimate that the aggregate net proceeds we will receive from the Combined Offering will be Baht 4,489 million (US\$147 million), after deducting underwriting commissions and other estimated transaction expenses relating to the Combined Offering (on the assumption that none of the over-allotment options are exercised).

We intend to use the net proceeds received by us for the following:

- Baht 394 million (US\$12.9 million) to Baht 449 million (US\$14.7 million) financing our purchases of and investments in NPLs and NPAs; and
- Baht 3,546 million (US\$115.9 million) to Baht 4,040 million (US\$132.1 million) for repayment of our loans from financial institutions, matured debentures issued by us and/or notes as payment for the acquisition of NPLs and NPAs.

In the event that the over-allotment option is exercised in full, we estimate that we will receive from the Combined Offering aggregate net proceeds of Baht 8,448 million (US\$276 million), after deducting underwriting commissions and other estimated transaction expenses relating to the Combined Offering, and intend to use the additional proceeds between Baht 3,503 million (US\$114.5 million) and Baht 3,955 million (US\$129.3 million) for working capital.

Our foregoing estimates are based on our current plans and estimates regarding our investment, and represent our best estimates of our allocation of the net proceeds of the Combined Offering. Our future plans and investments may differ from our current plans and estimates. Thus, any actual plans for our use of proceeds may differ from what has been specified above, and we may exercise discretion to use the net proceeds of the Combined Offering for purposes other than those specified above as we see fit. In any case, we believe that this would not materially affect our plans and investment. In addition, if over-allotment options are exercised, we will use the net proceeds for the purposes above.

We will not receive any of the proceeds which FIDF will receive from the Combined Offering as the Selling Shareholder.

DIVIDEND POLICY

Our board of directors may recommend annual dividends, subject to the approval of our shareholders. Our board of directors may by resolution decide to pay to our shareholders such interim dividends as appear to the directors to be justified by our profits. Distribution of an interim dividend must be reported to the shareholders at the next general meeting of shareholders following the meeting of our board of directors approving the interim dividend. Dividends are distributed equally on each outstanding Share. Dividends may be distributed either in cash or, if approved by our shareholders in a general meeting, in the form of Shares. We generally aim to pay dividends at a rate of not less than 40 percent of our net profit after tax and legal reserves. Payment of dividends is subject to our investment plans, conditions and restrictions provided under our loan agreements or other relevant contracts (if any), financial conditions and operating results including other factors which may have an effect on us. Our board of directors may, from time to time, review and revise our dividend policy to be in line with our growth strategy, requirements for capital and working capital and any other factors as we may consider appropriate. The dividends paid shall not exceed the retained earnings as appearing on our financial statements and shall be paid in accordance with relevant law.

Under the PLCA and our Articles of Association, we may not make any distribution of dividends otherwise than out of our net profit derived from our standalone financial statements. Therefore, we cannot pay dividends if our retained earnings are not positive, even if we record positive net profit for the current year. Furthermore, in any year in which we have a net profit, we are required, both under the PLCA and our Articles of Association, to set aside as reserve an amount not less than 5.0% of our annual net profit less any accumulated losses carried forward until the total reserve is not less than 10.0% of our registered share capital. If we are unable to generate sufficient profits or if we otherwise determine that it is not appropriate to do so, we may not pay any dividends in the future.

Dividends in respect of our Shares are generally subject to Thai income tax withholding at a rate of 10% when paid to either non-resident corporate investors or to non-resident individual investors. For more details on tax matters, please see the section entitled “*Taxation*.” Cash dividends will be paid in Baht. As a result, the equivalent of any dividends in U.S. dollars or other foreign currencies will be affected by changes in the exchange rate between the Baht and the U.S. dollar or such other foreign currencies.

CAPITALIZATION

The following table shows our cash and cash equivalents, short-term debt, long-term debt and capitalization and indebtedness as of September 30, 2019, on an actual and as adjusted basis to give effect to the issue of 1,765,000,000 Shares (assuming the over-allotment option is exercised in full) in the Combined Offering at the offering price of Baht 17.50 per Share.

This table should be read in conjunction with the section entitled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and our financial statements and the related notes in this Offering Circular.

	As of September 30, 2019			
	Actual		As Adjusted	
	Baht	US\$	Baht	US\$
	<i>(in millions)</i>			
Cash and cash equivalents	1,537.7	50.3	9,985.7	326.4
Short-term borrowing				
Notes payable	2,473.2	80.9	2,473.2	80.9
Borrowing	10,841.1	354.4	10,841.1	354.4
Debentures	4,030.0	131.7	4,030.0	131.7
Long-term borrowing				
Notes payable	2,368.0	77.4	2,368.0	77.4
Borrowing	11,448.6	374.3	11,448.6	374.3
Debentures	44,170.0	1,443.9	44,170.0	1,443.9
Total indebtedness	75,330.9	2,462.6	75,330.9	2,462.6
Share capital				
Authorized share capital	16,225.0	530.4	16,225.0	530.4
Issued and paid-up share capital	13,675.0	447.1	16,225.0	530.4
Share premium on ordinary shares	N/A	N/A	5,898.0	192.8
Other components of shareholders’ equity	(72.0)	(2.4)	(72.0)	(2.4)
Legal reserve	1,622.5	53.0	1,622.5	53.0
Unappropriated	28,349.6	926.8	28,349.6	926.8
Total shareholders’ equity	43,575.1	1,424.5	52,023.1	1,700.7
Total capitalization⁽¹⁾	101,561.7	3,320.1	110,009.7	3,596.3

(1) Total capitalization is the sum of long-term borrowing and total shareholders’ equity.

Other than our issuance of Baht 20,000.0 million of Debentures in July 2019 as described in “—*History, Major Developments and Group Structure*,” there have been no material adverse changes in the capitalization and indebtedness of our Company since September 30, 2019.

SELECTED FINANCIAL DATA

Statement of Comprehensive Income

The following table sets forth a summary of the statement of comprehensive income for the years ended December 31, 2016, 2017 and 2018, prepared based on the audited financial statements for the years ended December 31, 2016, 2017 and 2018:

	For the year ended December 31,			
	2016	2017	2018	
	Baht	Baht	Baht	US\$
	<i>(in millions)</i>			
Interest income				
Loans purchased.....	1,232.3	1,877.5	1,856.8	60.7
Investment in securities.....	1.7	12.6	3.7	0.1
Cash at financial institutions	10.4	23.3	10.3	0.4
Installment sale receivables	148.6	104.7	89.2	2.9
Others	9.4	9.9	15.6	0.5
Total interest income	1,402.4	2,028.0	1,975.6	64.6
Total interest expenses	1,244.2	1,622.0	1,769.4	57.8
Interest income—net.....	158.2	406.0	206.2	6.8
Gain/(loss) on investment in securities—net	20.0	(2.6)	(30.3)	(1.0)
Gain on loans purchased.....	4,224.4	3,509.2	4,438.3	145.1
Gain on sale of properties for sale	2,362.6	1,740.9	3,105.5	101.5
Gain on installment sales	584.1	184.5	115.2	3.7
Total other operating income	169.5	165.9	146.8	4.8
Total operating income	7,518.8	6,003.9	7,981.7	260.9
Total other operating expenses.....	2,581.9	2,519.8	2,934.6	95.9
Doubtful accounts	21.1	(1,024.9)	(162.2)	(5.3)
Operating profit before income tax expenses	4,915.8	4,509.0	5,209.3	170.3
Income tax expenses	12.2	8.2	7.3	0.2
Net profit.....	4,903.6	4,500.8	5,202.0	170.1
Items that may be reclassified to profit or loss				
Gain (loss) on remeasurement of available for sale investment.....	3.8	(2.5)	(11.7)	(0.4)
Items that may not be reclassified to profit or loss				
Actuarial losses on defined benefit plans	(67.4)	—	—	—
Total other comprehensive income (expenses).....	(63.6)	(2.5)	(11.7)	(0.4)
Total comprehensive income	4,840.0	4,498.3	5,190.3	169.7
Basic earnings per share	1.79	1.65	1.90	0.06

The following table sets forth a summary of the statement of comprehensive income for the nine-month periods ended September 30, 2018 and 2019, prepared based on the reviewed interim financial statements for the nine-month periods ended September 30, 2018 and 2019:

	For the nine-month period ended September 30,		
	2018	2019	
	Baht	Baht	US\$
	<i>(in millions)</i>		
Interest income			
Loans purchased	3,731.3	7,816.5	255.5
Investment in securities	2.7	24.8	0.8
Cash at financial institutions	7.0	9.4	0.3
Installment sale receivables	64.6	87.2	2.9
Others	11.1	10.3	0.3
Total interest income ⁽¹⁾	3,816.7	7,948.2	259.8
Total interest expenses	1,315.5	1,524.6	49.8
Interest income—net	2,501.2	6,423.6	210.0
Gain/(loss) on investment in securities—net	(30.2)	3.9	0.1
Gain on sale of properties for sale	2,506.7	1,130.0	37.0
Gain on installment sales	73.7	80.6	2.6
Other operating income	52.2	43.5	1.4
Total operating income	5,103.6	7,681.6	251.1
Total other operating expenses	2,055.0	2,588.0	84.6
Doubtful accounts	(265.1)	209.6	6.8
Operating profit before income tax expenses	3,313.7	4,884.0	159.7
Income tax expenses	2.9	1.7	0.1
Net profit	3,310.8	4,882.3	159.6
Items that may be reclassified to profit or loss			
Gain (loss) on remeasurement of available for sale investment	0.6	(13.9)	(0.4)
Items that may not be reclassified to profit or loss			
Actuarial losses on defined benefit plans	—	(20.8)	(0.7)
Total other comprehensive income (expenses)	0.6	(34.7)	(1.1)
Total comprehensive income	3,311.4	4,847.6	158.5
Basic earnings per share	1.21	1.79	0.06

(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 years ended December 31, 2016, 2017 and 2018, but are reclassified to be presented as a combined line item, “interest income from loans purchased” in the reviewed interim financial statements for the nine-month period ended September 30, 2019. As a result of the reclassification, “gain on credit for loans purchased” is a component of interest income in the reviewed interim financial statements for the nine-month period ended September 30, 2019.

Statement of Financial Position

The following table sets forth a summary of the statement of financial position for the years ended December 31, 2016, 2017 and 2018, prepared based on the audited financial statements for the years ended December 31, 2016, 2017 and 2018:

	As of December 31,			
	2016	2017	2018	
	Baht	Baht	Baht	US\$
	<i>(in millions)</i>			
Assets				
Cash	3.3	4.3	3.6	0.1
Cash at financial institutions	1,607.5	1,158.5	1,031.8	33.7
Investment in securities—net	146.2	139.6	93.9	3.1
Loans purchased—net	69,886.9	72,885.8	75,434.0	2,466.0
Installment sale receivables—net	1,562.0	640.9	708.3	23.2
Properties for sale—net	15,082.2	17,735.2	20,595.8	673.3
Accrued income from auction sale—net	3,026.0	4,981.5	7,115.5	232.6
Premises and equipment—net	1,377.1	1,332.1	1,251.5	40.9
Intangible assets—net	12.0	10.6	13.3	0.4
Other assets	933.5	1,044.9	1,405.3	45.9
Total assets	93,636.7	99,933.4	107,653.0	3,519.2
	<i>(in millions)</i>			
	2016	2017	2018	
	Baht	Baht	Baht	US\$
Liabilities and shareholders' equity				
Liabilities				
Debt issued and borrowing	50,329.1	56,868.5	57,709.3	1,886.6
Accrued interest payable	140.1	277.2	245.4	8.0
Provisions	726.2	751.7	769.5	25.2
Unearned accrued income from auction sale	—	—	5,342.0	174.6
Other liabilities	1,918.6	976.6	1,737.8	56.8
Total liabilities	53,114.0	58,874.0	65,804.0	2,151.2
	<i>(in millions)</i>			
	2016	2017	2018	
	Baht	Baht	Baht	US\$
Shareholders' equity				
Share capital				
Authorized share capital 3,245,000,000 common shares, par value 5 baht each	16,225.0	16,225.0	16,225.0	530.4
Issued and paid-up share capital 2,735,000,000 common shares, par value 5 baht each	13,675.0	13,675.0	13,675.0	447.0
Other components of shareholders' equity	(43.8)	(46.2)	(58.0)	(1.9)
Retained earnings				
Appropriated				
Legal reserve	1,622.5	1,622.5	1,622.5	53.0
Unappropriated	25,269.0	25,808.1	26,609.5	869.9
Total shareholders' equity	40,522.7	41,059.4	41,849.0	1,368.0
Total liabilities and shareholders' equity	93,636.7	99,933.4	107,653.0	3,519.2

The following table sets forth a summary of the statement of financial position for the nine-month periods ended September 30, 2018 and 2019, prepared based on the reviewed interim financial statements for the nine-month periods ended September 30, 2018 and 2019:

	As of December 31,		As of September 30,	
	2018		2019	
	Baht	US\$	Baht	US\$
	<i>(in millions)</i>			
Assets				
Cash	3.6	0.1	6.4	0.2
Cash at financial institutions	1,031.8	33.7	1,541.0	50.4
Investment in securities—net	93.9	3.1	5,690.1	186.0
Loans purchased—net	75,434.0	2,466.0	79,136.1	2,587.0
Installment sale receivables—net	708.3	23.2	676.2	22.1
Properties for sale—net	20,595.8	673.3	23,244.8	759.9
Accrued income from auction sale—net	7,115.5	232.6	9,058.8	296.1
Premises and equipment—net	1,251.5	40.9	1,229.0	40.2
Intangible assets—net	13.3	0.4	17.4	0.6
Advance for expenses on asset acquisition and others ⁽¹⁾	1,217.2	39.8	934.8	30.6
Other assets	188.1	6.1	166.7	5.4
Total assets	107,653.0	3,519.2	121,701.3	3,978.5

(1) “Advance for expenses on asset acquisition and others” and “other assets” are presented as a combined line item in the statement of financial position for the years ended December 31, 2016, 2017 and 2018, but are reclassified to be presented as two separate line items in the statement of financial position for the nine-month period ended September 30, 2019. As a result of the reclassification, “advance for expenses on asset acquisition and others” is no longer a component of “other assets” in the reviewed interim financial statements for the nine-month period ended September 30, 2019.

	As of December 31,		As of September 30,	
	2018		2019	
	Baht	US\$	Baht	US\$
	<i>(in millions)</i>			
Liabilities and shareholders' equity				
Liabilities				
Debt issued and borrowing	57,709.3	1,886.6	75,060.1	2,453.7
Accrued interest payable	245.4	8.0	386.9	12.7
Provisions	769.5	25.2	1,099.9	36.0
Unearned accrued income from auction sale	5,342.0	174.6	—	—
Other liabilities	1,737.8	56.8	1,579.3	51.6
Total liabilities	65,804.0	2,151.2	78,126.2	2,554.0

	As of December 31,		As of September 30,	
	2018		2019	
	Baht	US\$	Baht	US\$
	<i>(in millions)</i>			
Shareholders' equity				
Share capital				
Authorized share capital 3,245,000,000 common shares, par value 5 baht each	16,225.0	530.4	16,225.0	530.4
Issued and paid-up share capital 2,735,000,000 common shares, par value 5 baht each	13,675.0	447.0	13,675.0	447.0
Other components of shareholders' equity	(58.0)	(1.9)	(72.0)	(2.3)
Retained earnings				
Appropriated				
Legal reserve	1,622.5	53.0	1,622.5	53.0
Unappropriated	26,609.5	869.9	28,349.6	926.8
Total shareholders' equity	41,849.0	1,368.0	43,575.1	1,424.5
Total liabilities and shareholders' equity	107,653.0	3,519.2	121,701.3	3,978.5

	As of and for the year ended December 31,			As of September 30,
	2016 ⁽¹⁾	2017	2018	2019
	(in times, except percentages)			
Profitability Ratio				
Gross profit margin ⁽²⁾	85.79%	78.67%	81.84%	83.42%
Operating profit margin ⁽³⁾	56.05%	59.00%	53.37%	53.00%
Cash flow to income ratio ⁽⁴⁾	69.81%	85.09%	157.27%	(67.59)%
Net profit margin ⁽⁵⁾	55.96%	59.02%	53.35%	53.03%
Return on equity	12.10%	11.03%	12.55%	15.24% ⁽¹⁶⁾
Efficiency Ratio				
Return on total assets	5.24%	4.65%	5.01%	5.68% ¹⁶
Total assets turnover	0.09x	0.08x	0.09x	0.11x ⁽¹⁶⁾
Financial Policy Ratio				
Total liability-to-equity ratio	1.31x	1.43x	1.57x	1.79x
Interest coverage ratio ⁽⁶⁾	3.80x	3.58x	5.54x	(1.38)x
Debt service coverage ratio(cash basis) ⁽⁷⁾	0.06x	0.07x	0.25x	(0.08)x
Dividend payout ratio ⁽⁸⁾	N/A	80.79%	97.77%	60.00%
Interest-bearing debt to equity ratio ⁽⁹⁾	1.24x	1.39x	1.38x	1.72x
Specific Ratio for Our Business				
Cash collection from NPL management business to net NPLs ⁽¹⁰⁾	13.32%	12.83%	14.55%	20.55% ⁽¹⁶⁾
Return on NPL management business ⁽¹¹⁾	4.39%	4.78%	4.63%	11.21% ⁽¹⁶⁾
Allowance for doubtful accounts to NPLs ⁽¹²⁾	10.37%	8.70%	7.69%	7.46%
Cash collection from NPA management business to net NPAs ⁽¹³⁾	31.83%	24.88%	29.12%	16.16% ⁽¹⁶⁾
Return on NPA management business ⁽¹⁴⁾	10.73%	6.00%	8.72%	6.36% ⁽¹⁶⁾
Allowance for impairment of NPAs to NPAs ⁽¹⁵⁾	3.90%	2.97%	2.47%	2.16%

(1) For the year ended December 31, 2016, calculation of ratios was not based on average amounts of the beginning and ending periods as we did not disclose our financial statements for the year ended December 31, 2015 for the calculation of average amounts.

(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 sale of 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 cash at financial institutions 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 loans purchased; (iv) gain on sale of properties for sale; (v) gain on installment sales; and (vi) other operating income.

(4) Cash flow to income ratio is calculated from cash collection from the business operation divided by operating profits before income tax expenses, and then deducting interest income on cash at financial institutions.

(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 loans purchased; (iv) gain on sale of properties for sale; (v) gain on installment sales; and (vi) other operating income.

(6) Interest coverage ratio is calculated from the cash flow from the business operation added with (i) cash paid for interest and (ii) cash paid for income tax and then divided with (i).

(7) Cash basis is calculated from the cash flow from the business operation divided with the sum of (i) cash paid for repayment of loans and bonds; (ii) cash paid for repayment of debentures; (iii) cash paid for the purchase of land, building and equipment; (iv) cash paid for intangible assets; and (v) cash paid for dividend 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.

(10) Cash collection from our NPL management business to net NPLs is calculated from the sum of cash collection received from our NPL management business divided by loans purchased—net (average). See “—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 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 deducting 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 for sale—net; (ii) installment sale receivables—net (average). See “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 for sale—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 for sale (after revaluation).

(16) Calculated by annualizing the relevant items in the statement of comprehensive income and statement of cash flows for the nine-month period ended September 30, 2019.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

In the following section, we discuss (i) our historical financial condition and results of operations for the years ended December 31, 2016, 2017 and 2018 based on our audited financial statements for the years ended December 31, 2016, 2017 and 2018 and for nine-month periods ended September 30, 2018 and 2019 based on our reviewed interim financial information for nine-month periods ended September 30, 2018 and 2019 (ii) our management's assessment of the factors that may affect our prospects and performance in future periods. The following discussion and analysis should be read in conjunction with our financial statements and accompanying notes, as well as our selected operating data, included elsewhere in this Offering Circular. Our financial statements have been prepared and presented in accordance with TFRS, which differs in certain respects from IFRS. Certain principal differences between the requirements of TFRS and IFRS, as they relate to us, are discussed in "Summary of Principal Differences between TFRS and IFRS."

This section contains forward looking statements that reflect our current views with respect to future events and financial performance. Our actual results may differ materially from those anticipated in these forward looking statements as a result of certain factors beyond our control, including those set forth in "Risk Factors" and elsewhere in this Offering Circular.

Overview

We are the largest distressed asset management company in Thailand as of December 31, 2018 based on asset size according to the Ipsos Report. Immediately before the Combined Offering, we are a state-owned enterprise which is 99.99% owned by FIDF and is under the supervision of the BOT. Our principal business is to acquire and manage NPLs and NPAs.

We possess strong capabilities in sourcing and managing NPLs and NPAs. We purchase NPLs from financial institutions in Thailand, including banks and other asset management companies, and manage NPLs through debt restructuring negotiations with debtors to reach optimal solutions for all stakeholders where possible. Our NPLs are mostly collateralized by real estate-related assets which are secured by a first priority mortgage, and are recorded in our financial statements at acquisition cost plus related expenses (if any) as loans purchased. We also manage NPAs, primarily real estate assets such as vacant land (which include agricultural property), hotels, commercial properties and residential properties, including detached houses, townhouses and condominiums as well as certain movable assets and securities. We acquire NPAs through various means, such as negotiating with debtors for the transfer of the underlying collateral in satisfaction of debt, foreclosing on the collateral underlying our NPLs and purchasing NPAs directly from financial institutions. We record our NPAs at acquisition cost plus related expenses (if any) when acquired from the Legal Execution Department or other financial institutions as properties for sale. We eventually seek to sell our NPAs.

As of December 31, 2016, 2017 and 2018 and September 30, 2019, we generated 62.4%, 70.8%, 65.2% and 84.9%, respectively, of our total operating income from our NPLs and 37.0%, 28.6%, 34.4% and 14.9%, respectively of our total operating income from our NPAs and investment in securities and had total assets of Baht 93,636.7 million, Baht 99,933.4 million, Baht 107,653.0 million (US\$3,519.2 million) and Baht 121,701.3 million (US\$3,978.5 million), respectively, including NPLs (comprising net loans purchased and accrued income from auction sales) of Baht 72,913.0 million, Baht 77,867.3 million, Baht 82,549.4 million (US\$2,698.6 million) and Baht 88,194.9 million (US\$2,883.1 million), respectively, and NPAs (comprising net investment in securities, net installment sale receivable, net properties for sale and advance for expenses on asset acquisition and others) of Baht 17,512.0 million, Baht 19,340.9 million, Baht 22,615.3 million (US\$739.3 million) and Baht 30,545.9 million (US\$998.6 million), respectively

Our headquarters are located in Bangkok, and we have a nationwide network of 25 branch offices. With over 1,200 employees, we provide our services throughout Thailand and are able to cater to the specific needs and demands of each region in which we operate. We believe that our nationwide network of branch offices provides us with both the market knowledge as well as the regional capability to manage NPLs and NPAs efficiently.

Factors Affecting our Results of Operations

Our ability to purchase NPLs and NPAs at favorable prices

Our ability to generate income is generally affected by (i) our ability to source NPLs and NPAs at favorable prices, (ii) the supply of NPLs and NPAs in the market, and (iii) the size of our NPL and NPA portfolios. However, our ability to purchase NPLs and NPAs at favorable prices has been a key driver of our results of operations and will continue to be a key driver going forward.

When purchasing NPLs, we engage in an extensive valuation process in order to determine appropriate prices. We typically price NPLs based on a combination of factors, including, among others, our expectation of realizable future cash flows, the value of the underlying collateral and the profile of the debtors. In addition, we also consider the status of the court enforcement process, time limitations on enforcement, the industry and occupation of the debtor and the presence of any guarantees applicable to the loan.

We source our NPAs through a variety of methods, including bidding for collateral underlying NPLs previously managed by us that have subsequently been put on public auction, through settlement with debtors under our NPLs and through the purchase of NPAs from financial institutions either through bidding or bilateral negotiations. When determining the price for an NPA to be acquired, we consider a combination of factors, including existing encumbrances (if any) on the NPA, the value ascribed to the NPA by the Legal Execution Department of Thailand and our internal appraisal value.

Our ability to source NPLs and NPAs at favorable prices and increase the volume of our NPLs and NPAs depends on various factors, including economic conditions and the real estate market in Thailand, competition in bidding for NPLs and NPAs, access to and cost of funding and regulatory developments. In addition, the supply of NPLs and NPAs from financial institutions also depends on the policies of the respective financial institutions.

Management of NPLs and NPAs and Receivables Collection

We believe that efficient management of our NPLs and NPAs have contributed to improvements in our results of operations. We have focused on improving and optimizing our management of NPLs and NPAs over the past period, including introducing key performance indicators to monitor our performance and streamlining our internal processes for foreclosure in order to reduce overall time required.

In particular, effective collection of repayments on NPLs is crucial to our results of operations. Where a debtor has entered into a debt restructuring or compromising contract with us, we recognize interest income when paid by debtors by the individual rate of return approach, where the rate of return is calculated from cash flow projected to be paid from each acquired receivable based on the debt restructuring or compromising contract. On the date of receipt of the debtor's payment, we will recognize interest income with calculation made on the overdue period from the date of execution of the debt restructuring or compromising agreements, or the date of the latest receipt of payment at the individual rate of return. Amounts received from debtors which exceed interest income are deducted from our cost of loans purchased. Amounts received which exceed the sum of our cost of loans purchased and interest income are recognized as gain on loans purchased.

Debt payments received from a debtor who has not entered into a debt restructuring or compromising contract with us will be entirely deducted from the cost of loans purchased. Amounts collected from the debtor in excess of the cost of loans purchased are directly recognized as gain on loans purchased, and no interest income is recognized. See “—Critical Accounting Policies and Estimates—Recognition of loans purchased and gain on loans purchased.” As such, our interest income and gain on loans purchased depend on the amounts that we are able to collect from our debtors, including as part of restructured loan repayments and from foreclosure and public auctions of any underlying collateral.

As part of our management of NPAs, we inspect all NPAs that we acquire and determine what renovations and improvements are required, if any, using our expertise in managing NPAs. Whether additional investment is required on any NPAs depends on the asset quality of the NPAs and their expected returns. In determining whether to develop an NPA, we analyze the potential of the NPA to generate returns, market conditions and expected cost for development and restoration, and may choose to develop or restore the NPA if the expected value enhancement is higher than the costs of development or restoration or if doing so would allow us to dispose NPAs more efficiently. Therefore, our income from sales of NPAs depends on our ability to dispose NPAs at prices higher than the costs of such NPAs, which include the costs of developing NPAs.

Economic conditions and the real estate market in Thailand

Our business is conducted entirely in Thailand and our income is generated within Thailand. In particular, a substantial portion of our operating income is derived from gains on the NPAs located in Thailand, and the collateral for a substantial majority of our NPLs also comprises of real estate properties located in Thailand. Accordingly, our business, financial condition and results of operations are directly affected by economic conditions and the real estate market in Thailand.

In times of economic growth, we anticipate that our borrowers' ability to repay will be stronger, which will enable us to generate more cash from NPLs, thereby increasing our gain on and interest income from NPLs. Improved cash collection allows us to accumulate cash to purchase NPLs and NPAs when they become available at appropriate prices. In such times, we expect that the continuing need for banks to reduce the amount of NPLs on their balance sheet may continue to be a source of NPLs. Furthermore, in a strong economy there is also likely to be a buoyant real estate market, where we are generally able to sell NPAs at more favorable prices and at better margins.

Conversely, the amount of NPLs held by financial institutions generally increases during economic downturns, thus increasing the supply of NPLs, which presents us with increased opportunities to acquire NPLs at prices that allow us to receive better gain. However, a real estate market is likely to be soft during economic downturns, which results in additional challenges for us to dispose of our properties at prices and profit margins that we seek to achieve, or within the timeframes and at volumes that we may desire.

Tax considerations

We have enjoyed significant tax benefits, primarily being exempt from paying corporate income tax on profits arising from NPLs and NPAs (which is currently set at a rate of 20.0% of taxable net profit) and corporate income tax has only been chargeable on certain corporate income, such as dividend income, interest income on deposits and gain from selling non-NPL and non-NPA assets. This tax benefit requires having 95.0% or more of our Shares held, directly or indirectly, by the FIDF. In connection with the Combined Offering, FIDF will hold less than 95.0% of our Shares immediately after the Combined Offering, and we would lose certain tax benefits we have enjoyed. Accordingly, we expect that our tax expenses will increase significantly after the Combined Offering.

In addition, although we have had temporary differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax bases in the past, we have had no deferred tax assets or liabilities to be recognized in our financial statements for financial reporting purposes due to our tax exempt status prior to the Combined Offering. Immediately after the Combined Offering, whereupon we will lose our tax exempt status, we may recognize deferred tax assets and liabilities arising from such temporary differences between the carrying amount of assets and liabilities in the financial statements and corresponding tax bases. Such differences primarily arise from the different between accounting rules and tax rules, as follows:

Accounting Rules

- For NPLs that have been restructured, we recognize revenue based on individual rates of return.
- For NPLs that have not yet restructured, we will use cash collected from our debtors for cost deduction, the amount exceeds the cost of loans purchased will be recognized as gains from loans purchased.
- If a collateral underlying our NPL is transferred to us through an auction process, or where a debtor has otherwise transferred the collateral to settle the NPL, we recognize revenue at the bidding price or the price agreed with the debtor and deduct such price from the cost of loans purchased. Where the value of the transferred asset exceeds the outstanding loans purchased, the excess is presented as revaluation of properties for sale such that the value of the asset recorded in the financial statements does not exceed the cost of loans purchased and any gains are recognized on the date we receive the transferred asset.
- Where we enforce a collateral asset through an auction process and a third party purchases such asset, we will record such transaction within 105 days from the date such third party makes a purchase, whereby the purchaser shall make a full payment to the Legal Execution Department and it has passed the period for which an objection can be submitted and such collateral was registered as the first mortgage. We will write-off loans purchased and recognize it as accrued income from auction sale and gains from loans purchased.

Tax Rules

- For all NPLs (whether restructured or not), we recognize revenue based on a “gain ratio” basis, where we recognize gains based on gain ratio, which is calculated from the difference between the outstanding amount which we are entitled to claim against debtors under loans or debt restructuring contracts and the net acquisition cost of such NPL portfolio. We recognize gain by using the gain ratio multiplied by cash collection (including cash received from the Legal Execution Department).
- In recognizing revenue arising from the collateral underlying our NPLs, if the collateral is transferred to us through an auction process, or where a debtor has otherwise transferred the collateral to settle the NPL, and the value of the transferred asset exceeds the outstanding loans purchased, we recognize the excess as gains on the date of the transfer and recognize it as acquisition cost of such asset under tax rules.

Such difference between tax and accounting rules in respect of revenue recognition is temporary and is recognized as deferred tax asset/liability when such difference can be treated as expenses and revenue for tax purposes. In recognizing deferred tax assets or liabilities, we consider potential benefits and gains for tax purposes. We write off bad debts from our account receivables in accordance with tax rules so that such write-offs can be treated as expenses for tax purposes.

In addition, if we record our deferred tax assets and liabilities as of June 30, 2019, we may have to recognize deferred tax assets of approximately Baht 5,971.1 million (US\$195.2 million) and deferred tax liabilities of approximately Baht 7.2 million (US\$0.2 million), resulting from differences in the accounting and tax methods of recognizing revenue from credit for loans purchased of approximately Baht 3,853.0 million (US\$126.0 million) and from the revaluation of property foreclosed of approximately Baht 1,500.2 million (US\$49.0 million). We may use our tax benefits to offset our taxable profits to our benefit, and may consider writing off bad debts to treat such amounts as tax expenses.

However, the value of deferred tax assets and liabilities above may change in line with the difference between the carrying amount and tax basis of such assets or liabilities, which we may recognize on the date on which we are no longer exempt from corporate income tax.

Regulatory considerations

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

The Land and Building Tax Act B.E. 2562 (“**Land and Building Tax Act**”) was published in its Royal Gazette on March 12, 2019 and has replaced the Building and Land Tax Act B.E. 2475 and the Local Maintenance Tax Act B.E. 2508. The Land and Building Tax Act imposes 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. The actual applicable tax rates will be announced pursuant to decrees to be issued by the tax authority before this Land and Building Tax Act becomes effective.

The following tables set forth the appraised value of each category of our NPAs as of September 30, 2019 and the respective applicable tax rates for 2020 and 2021:

Land or buildings for agricultural uses

Category (by asset value in Baht)	Tax rate (%)	Appraised value of NPAs per our appraised value⁽¹⁾ <i>(in millions of Baht)</i>
Not exceeding 75,000,000.....	0.01	350.6
More than 75,000,000—100,000,000	0.03	90.1
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	0.10	—

(1) Our appraised value may not be the same as the appraised value as determined by the Department of Lands.

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⁽¹⁾ <i>(in millions of Baht)</i>
Not exceeding 50,000,000.....	0.02	19,818.7
More than 50,000,000—75,000,000	0.03	473.7
More than 75,000,000—100,000,000	0.05	372.2
More than 100,000,000	0.10	341.3

(1) Our appraised value may not be the same as the appraised value as determined by the Department of Lands.

Land or buildings for other uses

Category (by asset value in Baht)	Tax rate (%)	Appraised value of NPAs per our appraised value⁽¹⁾ <i>(in millions of Baht)</i>
Not exceeding 50,000,000.....	0.30	8,753.3
More than 50,000,000—200,000,000	0.40	3,907.7
More than 200,000,000—1,000,000,000	0.50	2,311.7
More than 1,000,000,000—5,000,000,000	0.60	—
More than 5,000,000,000	0.70	—

(1) Our appraised value may not be the same as the appraised value as determined by the Department of Lands.

Vacant or unused land or buildings

Category (by asset value in Baht)	Tax rate (%)	Appraised value of NPAs per our appraised value⁽¹⁾ <i>(in millions of Baht)</i>
Not exceeding 50,000,000.....	0.30	8,669.2
More than 50,000,000—200,000,000	0.40	3,372.1
More than 200,000,000—1,000,000,000	0.50	3,136.8
More than 1,000,000,000—5,000,000,000	0.60	2,437.9
More than 5,000,000,000	0.70	—

(1) Our appraised value may not be the same as the appraised value as determined by the Department of Lands.

In light of the new tax on land and buildings, we have implemented measures to minimize such taxes payable by us, by expediting the NPA sales process and launching a policy to encourage sales of NPA such as approval of special selling price, installments sales or contacting target customers to sell high value assets.

Nonetheless, the Notification of State Enterprise Labour Relations Committee Entitled Minimum Standards of Employment Conditions in State Enterprise (No. 4) which became effective on September 27, 2019 and is applicable to us as a state-owned enterprise, mandates that where an employer terminates the employment of an employee who has been working for 20 consecutive years or more, the employee is entitled to receive severance pay at a rate not less than 400 days' worth of the employee's last wage rate. Such change is considered to be a change in employee benefits after leaving work, which may affect the Company in the amount of Baht 244.0 million. The Company has recorded the effect from such change by recognizing the cost of past service as expenses in the profit and loss statement of the financial statement for the nine-month period ended on September 30, 2019.

Change in Thai Financial Reporting Standards

The Federation of Accounting Professions of Thailand (the “FAP”) announced the Notification of the Accounting Profession No. 22/2561 to implement the Thai Financial Reporting Standards 9 entitled Financial

Instruments (“**TFRS 9**”) which determines the accounting practices in relation to the recognition and measurement of financial assets and liabilities in the Royal Gazette on September 21, 2018 which requires businesses to adopt TFRS 9 in their financial statements from January 1, 2020 onwards. Once TFRS 9 becomes effective, we anticipate that the accounting policies of our business will be affected in the following ways:

- Gain from loans purchased will be recognized by the actual interest rate adjusted by credit risk pursuant to accrual basis. Such actual interest rate adjusted by credit risk is calculated from the date of acquisition which is the rate used for discounted cash flow forecast in which we expect to receive from each NPL throughout the terms of loans purchased which is equivalent to acquisition cost. At the end of each financial period, we will recalculate book value of financial assets by reviewing the appropriate amount of the expected cash flow forecast and we will deduct the actual interest rate of such NPL from the revised cash flow forecast, recognizing the differences as a gain or loss from allowance in our statement of comprehensive income.
- In determining doubtful allowance, we will record our expected credit loss throughout the terms of loans purchased from the date of acquisition, notwithstanding whether or not credit risk for such loans purchased has materially increased during the period.
- For investment in equity, we could classify such investment as financial assets measured at fair value through profit and loss or financial assets measured at fair value through other comprehensive income. Such investment, including marketable and non-marketable equity, is presented at fair value at the end of each financial period and following the sale of equity classified as financial assets presented at fair value contemplated in other comprehensive income, cumulative amounts from the changes in fair value realized in other comprehensive income will no longer be realized through profit and loss.

The foregoing only reflects our initial anticipation based on TFRS 9 as published in the Royal Gazette. As a result of the potential adoption of TFRS 9, our financial statements for the year ended December 31, 2020 may not be comparable to the financial statements for the years ended December 31, 2016, 2017 and 2018 and the financial statements for the nine-month period ended September 30, 2020 may not be comparable to the financial statement for the nine-month period ended September 30, 2019, which are part of this offering circular.

The adoption of TFRS 9 may adversely impact the financial position of companies that prepare their financial statements under TFRS, including us, and will depend upon, among other factors, the composition of such companies’ balance sheets as of the effective date of the implementation of TFRS 9 and the macroeconomic forecast in future years.

It is currently not possible to quantify the impact of adoption of TFRS 9 on our operating results and financial position; however, we expect that first-time implementation of TFRS 9 may materially impact our financial condition and results of operation.

We are in the process of preparing a project internally to implement TFRS 9 which may result in changes in the projection of credit loss of financial assets, and the relevant loan management, financial and business processes. In addition, the adoption of TFRS 9 may result in an increase in overall credit impairment provisions when compared with financial statements prepared based on the current accounting standard.

The FAP may make other changes to financial accounting and reporting standards that govern the preparation of our financial statements, which we may be required to adopt or which we may adopt prior to the date on which such changes become mandatory as we deem appropriate. Any such change may materially affect our business, financial condition and results of operation.

Competition

We face competition in sourcing for NPLs and NPAs primarily with another state-owned asset management company in Thailand, SAM (which also has FIDF as its major shareholder), as well as from the asset management arms of commercial banks in Thailand, such as NFS Asset Management, Bank of Ayudhaya Asset Management Company, Phethai Asset Management Co. Ltd., Ratchayothin Asset Management Co. Ltd. and Sinnsuptawee Asset Management Co. Ltd. The asset management arms of commercial banks do not typically purchase NPLs or NPAs from other banks; instead, they source their NPLs and NPAs internally. We also compete, albeit to a lesser extent, with private asset management companies, such as J Asset Management Co. Ltd., Thanaphat Asset Management Company, Alpha Capital Asset Management Co. Ltd., Chayo Asset Management Company Limited, Srisawad Group and Knight Club Asset Management Co., Ltd., among others,

but this group of companies tends to focus more on assets associated with personal loans and credit card receivables, which are currently not our main areas of focus and constitute a relatively small portion of our portfolio. However, it is possible that some of these companies may start acquiring NPLs and NPAs as well. We may also face competition from well-capitalized foreign entities which have established a presence in Thailand such as Lone Star Funds and Accretive Co., Ltd., which may lead to a more competitive market for NPLs and NPAs.

We compete with these other asset management companies primarily based on financial capability and access to capital, the ability to acquire timely information about NPLs and NPAs that may become available for sale, pricing of NPLs and NPAs purchased, bank recognition and creditworthiness, operational network and the experience of our working team (which is an indication of our ability to efficiently manage the NPL and NPA portfolios). Our ability to compete effectively may affect our results of operations.

Litigation and our legal provisioning policy

We are involved in legal and other disputes in the ordinary course of our business. Such disputes typically relate to situations where (i) we seek to recover outstanding amounts from our debtors, repossess or dispose of collateral or enforce the guarantees, pledges or mortgages, or (ii) we and the counterparties involved in acquisition or disposal of the underlying assets to our NPLs or NPAs seek court orders to affirm each party's legal rights. In addition, lawsuits and other disputes may arise against us in the ordinary course of our business, for example, certain debtors who are unable to make payment under their loan obligations may refuse repossession of their assets by us and bring the dispute to court, or where we have started legal proceedings against debtors, they may counterclaim against us. Where we assess that there is a probable risk of loss from actual or pending legal proceedings or other disputes against us, we record potential loss arising from litigation based on the relevant accounting policies or our internal policies in accordance with TFRS/TAS.

The judgments in any of the litigation in which we are involved may not be favorable to us, and our provisions for potential losses arising from litigation may not be adequate to cover all the actual losses arising from legal proceedings or other disputes. In addition, if our assessment of the risk changes, our views on provisions of liabilities may also change. We are currently involved in a number of disputes and may continue to be involved in other legal and other disputes in the future. See *“Risk factors—Risks Relating to Our Business—We may be involved in legal and other disputes from time to time, which may expose us to potential liabilities”* and *“Business—Legal Proceedings.”*

As of September 30, 2019, we were the defendant in cases with claims in an aggregate amount of Baht 541.1 million (US\$17.7 million). Most of these cases are civil claims for revocation of juristic act or damages that arise from our ordinary course of business. We believe that when this lawsuit concludes, it will not in any case materially affect our financial status and operations. Therefore, we have not made any provision in relation to such lawsuit. In this regard, as of September 30, 2019, our reserves for potential losses arising from litigation were Baht 25.5 million (US\$0.8 million).

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.

Cash collection received from our NPL management business

The following table sets forth the cash collection received from our NPL management business for the years ended December 31, 2016, 2017, 2018 and for the nine-month periods ended September 30, 2018 and 2019.

Cash collection received from NPL management business	For the year ended December 31,				For the nine-month period ended September 30,		
	2016	2017	2018		2018	2019	
	Baht	Baht	Baht	US\$ (in millions)	Baht	Baht	US\$
Interest income from loans purchased ⁽¹⁾	1,232.3	1,877.5	1,856.8	60.7	3,731.3 ⁽¹⁾	7,816.5 ⁽¹⁾	255.5
Gain on loans purchased ⁽¹⁾	4,224.4	3,509.2	4,438.3	145.1	N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
Net repayment and adjusted entries	5,829.1	8,418.9	9,081.5	296.9	5,925.7	8,322.3	272.1
Total	11,285.7	13,805.5	15,376.6	502.7	9,657.0	16,138.8	527.6
Less the portion of accrued interest receivables and receivables repayment from the debtors by collateral ⁽²⁾	(2,669.5)	(6,029.5)	(6,376.5)	(208.5)	(4,687.6)	(10,972.5)	(358.7)
Cash collected from the debtors during the period ⁽³⁾	8,616.2	7,776.0	9,000.1	294.2	4,969.4	5,166.3	168.9
Cash collected from the Legal Execution Department during the period ⁽⁴⁾	692.9	1,383.4	1,791.1	58.6	1,373.0	6,748.1	220.6
Total cash collected from NPL management business⁽⁵⁾	9,309.1	9,159.4	10,791.2	352.8	6,342.3	11,914.4	389.5

(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 years ended December 31, 2016, 2017 and 2018, but are reclassified to be presented as a combined line item, “interest income from loans purchased” in the reviewed interim financial statements for the nine-month period ended September 30, 2019. As a result of the reclassification, “gain on loans purchased” is a component of interest income in the reviewed interim financial statements for the nine-month period ended September 30, 2019. For the nine-month periods ended September 30, 2018 and 2019, interest income from loans purchased was Baht 3,731.3 million and Baht 7,816.5 million (US\$255.5 million) comprising (i) interest income from loans purchased of Baht 1,432.1 million and Baht 1,245.6 million (US\$40.7 million) and (ii) gain on loans purchased of Baht 2,299.2 million and Baht 6,570.9 million (US\$214.8 million), respectively.

(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 sale. See “—Accrued income from auction sale.”

(5) 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.

For the years ended December 31, 2016, 2017, 2018 and for the nine-month periods ended September 30, 2018 and 2019, our cash collected from NPL management business was Baht 9,309.1 million, Baht 9,159.4 million, Baht 10,791.2 million (US\$352.8 million), Baht 6,342.3 million and Baht 11,914.4 million (US\$389.5 million), respectively. The change in cash collected primarily due to the following reasons:

For the years ended December 31, 2016 and 2017, our cash collected from NPL management business was Baht 9,309.1 million and Baht 9,159.4 million, respectively. Our cash collected from NPL management business decreased by Baht 149.7 million, or 1.6% primarily due to:

- (i) the decrease in our overall cash collected from the debtors from Baht 8,616.2 million for the year ended December 31, 2016 to Baht 7,776.0 million for the year ended December 31, 2017. The decrease in debt repayment during such period was due to debtors’ lower ability to repay debts which was consistent with the lower quality of credit in the financial institution system. The total amount of non-performing loans in Thailand increased from Baht 385.6 billion in 2016 to Baht 429.0 billion in 2017 resulting in the increase of gross NPL ration from 2.83% in 2016 to 2.91% in 2017. In addition, there has also been a decrease in the total amount of gross non-performing loans from SMEs, according to the BOT; and

- (ii) the increase in our cash collected from the Legal Execution Department increased from Baht 692.9 million for the years ended December 31, 2016 to Baht 1,383.4 million for the years ended December 31, 2017. Our cash collected from the Legal Execution Department increased due to our policy to proactively collect cash from auction sales from the Legal Execution Department.

Although our overall cash collected from debt repayment had decreased during such period, our interest income from loans purchased from NPL debtors increased from Baht 1,232.3 million for the year ended December 31, 2016 to Baht 1,877.5 million for the year ended December 31, 2017. This is consistent with our strategy to increase our cash collected from NPLs, and reflects the increase in the number of debtors and the value of our loans purchased with debt restructuring or compromising contracts. See “—*Cash collection received from our NPL management business.*”

Additionally, our acquisition of our debtors’ collateral through auctions and settlements increased in 2017. For the years ended December 31, 2016 and 2017, we recorded our income on an accrual basis and our debt repayment through transfer of the underlying collateral (excluding cash collected during the period) of Baht 2,669.5 million and Baht 6,029.5 million, respectively, representing an increase of Baht 3,360.0 million. We believe this resulted from our strategies to proactively manage our NPLs through negotiations with debtors, increased efficiency in our internal processes for transferring collateral underlying our NPLs to NPAs and increased efficiency in our internal processes for enforcing collateral underlying our NPLs, which resulted in an increase in NPAs and increased future cash flow. See “—*Analysis of financial position as of December 31, 2016, 2017 and 2018 and September 30, 2019.*”

For the years ended December 31, 2017 and 2018, our cash collected from NPL management business was Baht 9,159.4 million and Baht 10,791.2 million (US\$352.8 million), respectively. Our cash collected from NPL management business increased by Baht 1,631.8 million, or 17.8% primarily due to (i) the increase in cash collected from debtors from Baht 7,776.0 million for the year ended December 31, 2017 to Baht 9,000.1 million (US\$294.2 million) for the year ended December 31, 2018 as a result of increased repayments from our significant debtors which we believe is impacted by our policy to negotiate and settle debts with significant debtors; and (ii) an increase in cash collected from the Legal Execution Department from Baht 1,383.4 million for the year ended December 31, 2017 to Baht 1,791.1 million (US\$58.6 million) for the year ended December 31, 2018. Our cash collected from the Legal Execution Department increased due to our policy to proactively continue to collect cash from auction sales at the Legal Execution Department.

Additionally, our acquisition of our debtors’ collateral through auctions and settlements increased in 2018. For the years ended December 31, 2017 and 2018, we recorded our income on an accrual basis and our debt repayment through transfer of the underlying collateral (excluding cash collected during the period) of Baht 6,029.5 and Baht 6,376.5 million (US\$208.5 million), respectively, representing an increase of Baht 347.1 million. We believe this resulted from our strategies to proactively manage our NPLs through negotiations with debtors, increased efficiency in our internal processes for transferring collateral underlying our NPLs to NPAs and increased efficiency in our internal processes for enforcing collateral underlying our NPLs, which resulted in an increase in NPAs and increased future cash flow. See “—*Analysis of financial position as of December 31, 2016, 2017 and 2018 and September 30, 2019.*”

For nine-month periods ended September 30, 2018 and 2019, our cash collection received from our NPL management business was Baht 6,342.3 million and Baht 11,914.4 million (US\$389.5 million), significantly increased by Baht 5,572.0 million primarily due to the increase of cash collected from the Legal Execution Department from Baht 1,373.0 million for nine-month periods ended September 30, 2018 to Baht 6,748.1 million (US\$220.6 million) for the nine-month period ended September 30, 2019 which resulted from (i) our policy to proactively continue to collect cash from auction sales from the Legal Execution Department; and (ii) the receipt of the payment of the auction sale from the Legal Execution Department in respect of the sale of collateral assets of one significant debtor during the nine-month period ended September 30, 2019.

Additionally, our and third parties’ acquisition of our debtors’ collateral through auctions and transfers of collateral underlying NPLs for settlement of debts increased during the nine-month period ended September 30, 2018. For the nine-month periods ended September 30, 2018 and 2019, we recorded our income on an accrual basis and our debt repayment through transfer of the underlying collateral (excluding cash collected during the period) of Baht 4,687.6 million and Baht 10,972.5 million (US\$358.7 million), respectively, representing an increase of Baht 6,284.9 million. We believe this resulted from our strategies to proactively manage our NPLs through negotiations with debtors, increased efficiency in our internal processes for transferring collateral underlying our NPLs to NPAs and increased efficiency in our internal processes for

enforcing collateral underlying our NPLs, which resulted in an increase in NPAs and increased future cash flow. See “—Analysis of financial position as of December 31, 2016, 2017 and 2018 and September 30, 2019.”

The following table sets forth the details of debtors and loans purchased having debt restructuring or compromising contracts.

Type of NPLs	As of December 31,			As of September 30,
	2016	2017	2018	2019
Total number of debtors (persons)	76,033	84,156	86,710	89,137
Number of debtors having debt restructuring or compromising contract (persons)	2,300	3,379	5,672	6,743
Loans purchased having debt restructuring or compromising contracts (in millions of Baht)	3,569.8	4,668.5	7,531.3	8,567.8
Total loans purchased (in millions of Baht)	77,975.1	79,829.2	81,719.0	85,513.4

Cash collection received from our NPA management business

The following table sets forth the cash collection from our NPAs management business for the years ended December 31, 2016, 2017 and 2018 and for the nine-month periods ended September 30, 2018 and 2019.

Cash collection received from NPA management business	Year ended December 31,				Nine-month period ended September 30,		
	2016	2017	2018		2018	2019	
	Baht	Baht	Baht	US\$ (in millions)	Baht	Baht	US\$
Outright sales							
Gain on sale of properties for sale collected in cash	2,362.6	1,740.9	3,105.5	101.5	2,506.7	1,130.0	37.0
Decreased acquisition or transfer costs of properties for sale—net ⁽¹⁾	1,706.1	1,492.1	2,216.8	72.5	1,578.5	1,265.0	41.3
Total cash collected from sale of properties for sale—Outright sales	4,068.7	3,233.0	5,322.3	174.0	4,085.2	2,395.0	78.3
Installment sales							
Interest income	148.6	104.7	89.2	2.9	64.7	87.2	2.9
Collected debt repayment during the periods (in terms of cost and gain)	1,080.5	1,018.6	366.4	12.0	258.5	258.5	8.4
Total cash collected from installment sales of properties for sale	1,229.1	1,123.3	455.6	14.9	323.2	345.7	11.3
Total cash collection received from NPA management business⁽²⁾	5,297.8	4,356.3	5,777.9	188.9	4,408.4	2,740.7	89.6

(1) For the years ended December 31, 2016, 2017 and 2018 and for nine-month periods ended September 30, 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 of Baht 2,148.6 million, Baht 1,897.4 million, Baht 2,873.0 million (US\$93.9 million), Baht 2,073.0 million and Baht 1,611.6 million (US\$52.7 million), respectively; and less (ii) any reversals from revaluation of properties for sale sold during the periods of Baht 442.5 million, Baht 405.3 million, Baht 656.2 million (US\$21.4 million), Baht 494.5 million and Baht 346.6 million (US\$11.3 million), respectively.

(2) 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 NPL 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 years ended December 31, 2016, 2017 and 2018 and the nine-month periods ended September 30, 2018 and 2019, our cash collected from NPA management business was Baht 5,297.8 million, Baht 4,356.3 million, Baht 5,777.9 million (US\$188.9 million), Baht 4,408.4 million and Baht 2,740.7 million (US\$89.6 million), respectively. The change in cash collected was primarily due to the following reasons:

For the years ended December 31, 2016 and 2017, our cash collected from NPA management business was Baht 5,297.8 million and Baht 4,356.3 million, decreased by Baht 941.5 million, or 17.8% primarily due to (i) the decrease in our cash collected from outright sales from Baht 4,068.7 million for the year ended December 31, 2016 to Baht 3,233.0 million for the year ended December 31, 2017, primarily due to the decrease in our sales which is consistent with real estate market downturns (See “Business—Competition”) and (ii) our cash collected from the installment sales decreased from Baht 1,229.1 million for the years ended December 31,

2016 to Baht 1,123.3 million for the years ended December 31, 2017, primarily as a result of the closure of a significant debtor's account in mid-2017 upon full repayment of installments due under that account.

Although our cash collected from outright sales had decreased during such periods, we have policies for sourcing NPAs through various channels during real estate market downturn with an aim to increase income in the future. See “*Analysis of financial position as of December 31, 2016, 2017, 2018 and September 30, 2019.*”

For the years ended December 31, 2017 and 2018, our cash collected from NPA management business was Baht 4,356.3 million and Baht 5,777.9 million (US\$188.9 million), increased by Baht 1,421.6 million, or 32.6% primarily due to (i) the increase in our cash collected from outright sales from Baht 3,233.0 million for the year ended December 31, 2017 to Baht 5,322.3 million (US\$174.0 million) for the year ended December 31, 2018, which we believe it is primarily due to our strategy in selling high-value assets and improved economic condition (See “*Business—Competition*”) and (ii) our cash collected from the installment sales decreased from Baht 1,123.3 million for the year ended December 31, 2017 to Baht 455.6 million (US\$15.0 million) for the year ended December 31, 2018, primarily as a result of the closure of a significant debtor's account upon full repayment of installments due under that account for the year ended December 31, 2017. When selling our NPAs, we first consider opportunities for outright sales to accelerate our cash collection. We also consider installment sales primarily for assets with low value to help facilitate repayment from buyers who have the ability to purchase but are unable to obtain financing from financial institutions.

For the nine-month periods ended September 30, 2018 and 2019, our cash collection received from our NPA management business was Baht 4,408.4 million and Baht 2,740.7 million (US\$89.6 million), decreased by Baht 1,667.7 million or 37.8% primarily due to (i) a decrease in cash collected from sale of properties for sale—outright sales from Baht 4,085.2 million for the nine-month period ended September 30, 2018 to Baht 2,395.0 million (US\$78.4 million) for the nine-month period ended September 30, 2019, which we believe this is due to the impact and uncertainty of land and building tax and stricter lending policies by financial institutions as well as loan-to-value (LTV) measures and an economic downturn which led to the slowdown of purchases of real properties during the nine-month period ended September 30, 2019; and (ii) an increase in cash collected from installment sales of properties for sale from Baht 323.2 million for the nine-month period ended September 30, 2018 to Baht 345.7 million (US\$11.3 million) for the nine-month period ended September 30, 2019. However, such change was not significant.

Vintage Analysis

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

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 September 30, 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 millions, except for ratios)</i>												
Loans purchased:												
Outstanding balance	14,288.9	12,059.2	9,298.6	7,660.1	11,314.6	4,850.7	4,343.8	4,140.8	1,517.3	1,221.5	14,817.8	85,513.4
Appraisal value ⁽¹⁾	31,436.5	25,552.2	18,151.0	15,941.5	23,156.4	9,698.2	10,435.1	19,863.4	4,233.7	3,588.5	33,497.8	195,554.3
Appraisal value / Outstanding balance (x)	2.20x	2.12x	1.95x	2.08x	2.05x	2.00x	2.40x	4.80x	2.79x	2.94x	2.26x	2.29x
Foreclosed Collateral Properties:												
Outstanding balance ⁽²⁾	131.3	850.8	916.8	1,624.6	2,669.8	1,722.0	2,279.6	1,310.0	1,010.7	1,028.9	5,481.5	19,026.0
Appraisal value	255.3	1,676.8	1,637.4	2,898.8	4,926.4	3,178.2	4,837.6	3,807.0	2,031.9	2,476.6	11,972.5	39,698.4
Appraisal value / Outstanding balance (x)	1.94x	1.97x	1.79x	1.78x	1.85x	1.85x	2.12x	2.91x	2.01x	2.41x	2.18x	2.09x

(1) Collateral value before depreciation according to the BOT criteria, calculated based on the appraisal price in accordance with the latest resolution of the committee on the appraisal price (notwithstanding that some of the appraisal price may have been appraised more than 3 years ago).

(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 September 30, 2019 is approximately two times the outstanding balance across different vintages.

Additionally, we observe that in the portfolios comprising assets acquired 5 or more years prior to September 30, 2019, the outstanding balance of Foreclosed Collateral Properties is higher in proportion to the outstanding balance of loans purchased, as converting loans purchased into Foreclosed Collateral Properties is part of the strategies we use to realize value, and the conversion process takes time to complete.

As of September 30, 2019, assets that we had acquired within the past five years accounted for approximately 63.87% and 32.55% of our total outstanding balance of loans purchased and Foreclosed Collateral Properties, respectively. The total appraised value of such assets was 2.09x and 1.84x 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 September 30, 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 millions, except for ratios)</i>												
Loans purchased and Foreclosed Collateral Properties:												
Total cash collection.....	316.9	1,311.2	2,392.3	3,419.5	4,736.2	3,483.5	8,839.6	23,963.4	4,342.8	6,767.2	140,055.0	199,627.4
Distressed debt assets cash collection.....	316.1	1,227.5	2,322.4	3,170.4	4,257.8	3,140.2	6,748.0	22,594.8	3,364.7	5,407.6	103,619.8	156,169.4
Foreclosed Collateral Properties cash collection.....	0.8	83.7	69.9	249.0	478.4	343.3	2,091.6	1,368.6	978.1	1,359.5	36,435.2	43,458.0
Acquisition cost	14,728.5	13,997.3	11,907.9	11,011.8	16,620.9	8,575.9	10,957.5	16,310.0	4,673.8	5,259.3	108,598.3	222,641.2
Cash collection / acquisition cost	2.15%	9.37%	20.09%	31.05%	28.50%	40.62%	80.67%	146.92%	92.92%	128.67%	128.97%	89.66%

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 September 30, 2019, total cash collection for assets acquired within the last three years is 9.89% which is lower than the total cash collection for assets acquired more than 10 years ago of 128.97%.

For example, from the portfolios of loans purchased that we have acquired in the 1 to 2 years prior to September 30, 2019 of Baht 13,997.3 million, we collected Baht 1,311.2 million (of which Baht 1,227.5 million was from distressed debt assets and Baht 83.7 million was from Foreclosed Collateral Properties). As of September 30, 2019, we had a total balance of Baht 12,909.9 million of loans purchased which we had acquired within one to two years before (of which Baht 12,059.2 million is from distressed debt assets and Baht 850.8 million is from Foreclosed Collateral Properties), with a total appraisal value of Baht 27,229.1 million (of which Baht 25,552.2 million is from distressed debt assets and Baht 1,676.8 million is from Foreclosed Collateral Properties).

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 September 30, 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 millions, except for ratios)</i>												
Directly Acquired Foreclosed Properties:												
Outstanding balance	1,242.1	277.8	217.3	280.8	29.8	0.00	753.6	952.6	214.3	77.3	2,228.9	6,274.2
Appraisal value	2,237.8	508.1	519.2	619.4	47.3	0.00	2,484.0	3,205.0	440.1	256.6	7,260.3	17,577.6
Appraisal value / Outstanding balance (x)	1.80x	1.83x	2.39x	2.21x	1.59x	N/A	3.30x	3.36x	2.05x	3.32x	3.26x	2.80x

As of September 30, 2019, assets that we have acquired within the past five years accounted for approximately 32.64% of our total outstanding balance of Directly Acquired Foreclosed Properties. The total

appraised value of the assets that we have acquired within the past 5 years is 1.92x of the total outstanding balance of our Directly Acquired Foreclosed Properties.

The following table sets forth certain details regarding our cash collection and acquisition cost for our portfolios of Directly Acquired Foreclosed Properties with various holding periods as of September 30, 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 millions, except for ratios)</i>												
Direct properties for sale:												
Cash collection	17.3	28.0	34.0	465.4	19.9	3.4	1,892.8	4,745.9	1,316.8	1,389.2	32,863.8	42,776.4
Acquisition cost	1,378.1	317.3	265.4	607.4	44.0	3.2	1,475.4	2,615.7	934.0	782.0	17,542.2	25,964.7
Cash collection / acquisition cost	1.26%	8.81%	12.80%	76.62%	45.23%	105.38%	128.29%	181.44%	140.99%	177.63%	187.34%	164.75%

As of September 30, 2019, cash collection for Directly Acquired Foreclosed Properties is 4.04% of the acquisition cost of assets acquired within the last three years as compared with 187.34% of that of assets acquired more than 10 years ago.

For example, we had collected Baht 317.3 million from the foreclosed properties that we directly acquired 1 to 2 years prior to September 30, 2019 for Baht 28.0 million. The foreclosed properties which we had acquired one to two years before had a total outstanding balance of Baht 227.8 million and a total appraisal value of Baht 508.1 million.

Critical Accounting Policies and Estimates

Our critical accounting policies are those our management believes are important to our financial condition and results of operations, or are policies that require our management to exercise their judgment or make certain estimates regarding the relevant transaction. In certain cases, the accounting treatment of a particular transaction is specifically dictated by TFRS with no need for the application of our management's judgment. Certain circumstances, however, require our management to exercise their judgment to make certain estimates, assumptions and decisions regarding accounting treatment. We believe that the policies described below are our critical accounting policies.

Recognition of interest income and gain on loans purchased

Repayments made by debtors may be recognized as interest income or gain on loans purchased depending on whether or not there are debt restructuring or compromising contracts in place.

NPLs with debt restructuring or compromising contracts

We recognize repayments from debtors under NPLs with debt restructuring or compromising contracts as interest income by the individual rate of return approach where the rate of return is calculated from the cash flow projected to be paid under that NPL based on the debt restructuring or compromising contracts. If the contract requires any assets to be transferred for settlement of the debt, we calculate the individual rate of return using the estimated value of such assets as the projected cash flow. If the debt restructuring contract requires the collateral asset to be put on auction, we will not use the estimated value from the auction as part of the cash flow projection due to uncertainty of the value to be received.

On the date of receipt of the debtor's payment, we will recognize interest income on the overdue period from the date of execution of the debt restructuring or compromising contracts or the date of the latest receipt of payment at the individual rate of return. Amounts received from debtors which exceed interest income are deducted from our cost of loans purchased. Amounts received which exceed the sum of our cost of loans purchased and interest income are recognized as gain on loans purchased.

NPLs without debt restructuring or compromising contracts

Debt payments received from a debtor (whether by way of cash or payment received from auction of the collateral asset) will be entirely deducted from the cost of loans purchased. Where the amounts received exceeds the cost of loans purchased will be presented, the excess is presented as gain on loans purchased. We will recognize this item as below:

- In the case of cash received from the debtor, gain is recognized on the date of receipt of such cash payment.

- In the collateral asset is sold through auction at the Legal Execution Department, where a third party has won the auction, receivables of the original debtors will be cancelled as soon as the successful bidder has made full payment at the Legal Execution Department, and accrued income from auction sale will be recorded.
- If an asset is transferred from an auction won by us, or where a debtor has transferred assets for debt settlement, the asset transferred will be recorded at the bidding price or the price agreed with the debtor and deducted from the cost of loans purchased. Where the value of the transferred asset exceeds the outstanding loans purchased, the excess will be presented as revaluation of properties for sale such that the value of the asset recorded in the financial statements would not exceed the cost of loans purchased. In such cases, gain is recognized on the date of receipt of the transferred asset.

Loans purchased

We record NPLs acquired or transferred from financial institutions as loans purchased at acquisition or transfer cost, plus any expenses incurred from the acquisition or transfer of such NPLs. The net amount of loans purchased is presented after allowances for doubtful accounts (if any). Doubtful debts are recognized as part of profits or losses in our statements of profit or loss and other comprehensive income.

Allowance for doubtful accounts of loans purchased

We estimate allowance for doubtful accounts of loans purchased pursuant to the Regulations on Assets Classification and Provision of Financial Institutions according to the Notification of the BOT No. SorNorSor. 5/2559 dated June 10, 2016, where applicable to our transactions. Under these regulations, debts are mainly classified by their overdue periods. Based on our analysis and assessment of the status of debtors risk and collateral value, we adjust debts by the amounts that we have determined to be non-collectible. Any allowance for doubtful accounts is recognized as an expense during the year. The classification criteria is set out below:

Classification	Overdue period	Basis of Allowance for Doubtful Accounts
Class 1: Normal	0—30 days	Allowance for doubtful accounts is set at the higher of: 1) the surplus of between loans purchased over the lowest of 90.0% of: (i) collateral value, (ii) mortgage value or (iii) debt on an accrual basis, or 2) the surplus of loans purchased over cash flow from debt restructuring expected to be received in the future, discounted to present value by applying the interest rate under the debt restructuring agreement (MLR) as the discount rate.
Class 2: Special Mention	31—90 days	Allowance for doubtful accounts is set at the surplus of loans purchased over the lowest of any of the following: (i) the present value of cash flow expected to be received from disposal of collaterals (discounted according to the age and status of the debt); (ii) mortgage value or (iii) debt on an accrual basis.
Class 3: Substandard	91—180 days	
Class 4: Doubtful	181 days—12 months	
Class 5: Doubtful of Loss	Over 12 months	

All newly acquired NPLs are classified as doubtful of loss (Class 5) as they are formerly NPLs of financial institutions and we have not yet taken any action in relation to them. We only reclassify these NPLs after executing debt restructuring contracts with the relevant debtors. After executing debt restructuring contracts, NPLs previously classified as doubtful of loss (Class 5) or doubtful (Class 4) will be upgraded to substandard (Class 3). Where the debtors are able to comply with their respective debt restructuring contracts for at least three consecutive months or three consecutive installments (whichever is longer), the underlying NPL will be upgraded to normal (Class 1).

Allowance for impairment of properties for sale

We consider allowance for impairment of properties for sale when we find out that the value expected to be recovered of properties for sale has decreased to be lower than book value. Management exercises discretion over estimation of losses from impairment by considering the latest estimated price and the type and characteristics of assets.

Properties for sale

Properties for sale include properties received from acquisition/transfer from asset management companies and financial institutions, asset transfer by debtors for debt settlement, and auction of debtors' assets for debt settlement.

Properties for sale received from acquisition/transfer from asset management companies and financial institutions are presented at transfer price (acquisition cost) together with transfer expenses for such asset acquisition.

Properties for sale acquired from financial institutions through auction with payment made in form of non-interest bearing promissory notes are recorded at cost price of cash equivalence excluding interest. The difference between the cost price of cash equivalence and the amount payable is presented as deferred interest payable and amortized as expense throughout the tenor of promissory notes.

Properties for sale acquired from asset transfers by debtors and properties for sale acquired from auction of debtors' assets for debt settlement are presented at cost price (based on transfer price from debtors or auction price or purchase price but not exceeding the book value of outstanding loans purchased on the asset acquisition date) together with transfer expenses for such asset acquisition, or the value expected to be recovered, whichever is lower. The value expected to be recovered is based on the latest appraisal price deducted by selling expense estimates.

Profit or loss from disposal of properties for sale is recognized in the part of profit or loss in the statements of income and other comprehensive income when there is a disposal. Impairment loss is recognized as expense in the part of profit or loss in the statements of income and other comprehensive income when it actually occurs.

Installment sale receivables

Installment sale receivables arise where properties for sale are sold on an installment payment basis. We record the difference between the selling price and the cost of properties for sale as deferred gross margin from installment sales, and only recognize gain when the aggregate amount of cash received from the debtor exceeds the cost of the properties for sale. The profit recognized is equal to the difference between the aggregate amount of cash received and the cost of the properties for sale.

Premises and equipment and depreciation

Premises and equipment are stated at cost less accumulated depreciation and allowance for asset impairment (if any). Depreciation is calculated by the straight-line method over the estimated useful life of each asset as follows:

	Depreciation calculation method	Percentage (%)
Building.....	Straight-line	5.00
Building improvement.....	Daily straight-line	10.00—15.00
Equipment.....	Straight-line	20.00
Car.....	Straight-line	20.00
Computer.....	Straight-line	33.33

(1) Equipment consists of furniture, decorations, and office equipment.

The calculation methods for depreciation, useful life and residual value of our assets are reviewed at least at the end of every accounting year, and are adjusted as deemed appropriate.

Depreciation is taken into account in the calculation of operating results. We do not calculate depreciation for land and work in process.

Premises and equipment will be written off upon their disposal, or where no economic benefits are expected from their use or disposal in the future. Profit or loss from asset disposals represents the difference between the net consideration received from disposing of an asset and the book value of the asset, and will be recognized as profit or loss in the statements of income and the statements of comprehensive income.

Accrued income from auction sale

Accrued income from auction sales arise where collateral underlying our NPLs is placed on public auction at the Legal Execution Department. We classify our accrued income from auction sales into two categories as below:

- In the event the public auction is won by a third party, we record accrued income from auction sale at auction price when the third party has made payment in full to the Legal Execution Department, provided the collateral asset is under a first mortgage. We will present 7.0% of the auction price as an estimated auction expense to be collected by the Legal Execution Department, and present such estimated auction expense as a deduction item from accrued income from auction sale.
- In the event that the public auction is won by us and payment has been made to the Legal Execution Department, we recognize accrued income from auction sale at auction price, and present 3.5% of the auction price as a purchase fee.

Reclassification and Overview of Principal Income Statement Components

Reclassification

The following items are reclassified in the interim financial statements for the nine-month period ended September 30, 2019. As a result, the information in the statement of comprehensive income under the interim financial statements for the nine-month period ended September 30, 2019 is not consistent with the information in the statement of comprehensive income under the audited financial statements for the years ended December 31, 2016, 2017 and 2018.

“Interest income from loans purchased” and “gain on loans purchased” are presented as two separate line items in the statement of comprehensive income for the years ended December 31, 2016, 2017 and 2018, but are reclassified to be presented as a combined line item, “interest income from loans purchased” in the statement of comprehensive income for the nine-month period ended September 30, 2019. As a result of the reclassification, “gain on loans purchased” is a component of interest income from loans purchased in the reviewed interim financial statements for the nine-month period ended September 30, 2019.

Interest income

Our interest income comprises interest income from:

- (i) loans purchased;
- (ii) investment in securities;
- (iii) cash at financial institutions;
- (iv) interest income from installment sale receivables; and
- (v) others, which primarily includes additional interest income from extensions of transfer period for sales of NPAs.

Interest expenses

Interest expenses are comprised of interest and discount on promissory notes and interest on loans and debentures which comprise part of our source of funds for the acquisition of NPLs and NPAs. See “—*Management of NPLs and NPAs and Receivables Collection*”

Interest income—net

Our net interest income represents the difference between interest income and interest expense. Our interest income only represents parts of our NPL business operation. For details on the operational performance of our NPL business, see “—*Factors Affecting Our Results of Operations—Cash collection from our NPL and NPA management business.*”

Gain (loss) on investment in securities—net

Gain (loss) on investment in securities comprises gain (loss) recognized on the sale of securities in our portfolio, including the reversal of the transaction or allowance for impairment of investment in securities.

Gain on loans purchased

Gain on loans purchased comprises (i) amounts collected from a debtor in excess of the cost of loans purchased and the individual rate of return under an NPL with a debt restructuring or compromising contract and (ii) amounts collected from a debtor in excess of our cost of loans purchased under an NPL without a debt restructuring or compromising contract.

“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, but are reclassified to be presented as a combined line item, “interest income from loans purchased” in the reviewed interim financial statements for the nine-month period ended September 30, 2019. As a result of the reclassification, “gain on loans purchased” is a component of interest income in the reviewed interim financial statements for the nine-month period ended September 30, 2019.

Gain on sale of properties for sale

We recognize gain on sale of properties for sale as they are sold through outright sales. Gain on sale of properties for sale is calculated based on the excess of the sale price compared to acquisition cost following deductions for revaluation of properties for sale (if any).

Gain on installment sales

We recognize gain on installment sales of properties for sale as they are sold through installment sales where the aggregate amount of installments paid (excluding interest income from installment sale receivables) exceed the acquisition cost of the properties for sale.

Other operating income

Other operating income comprises dividends from our investment in securities and other operating income including forfeited deposits resulting from defaults on asset sales, leasing income, gains from cancellation of installment sale contract by a debtor and others.

Other operating expenses

Other operating expenses consist of employee expenses, directors’ remuneration, premises and equipment expenses which include depreciation, maintenance expenses and utilities expenses, taxes and duties, impairment loss on properties for sale (reversal) and other expenses including advertising expenses, travel expenses, professional fees and others.

Bad debts and doubtful accounts

Bad debts and doubtful accounts represent adjustments of allowance for doubtful accounts of loans purchased during the relevant periods.

Income tax expenses

Historically, we have been exempt from paying corporate income tax on profits arising from NPLs and NPAs, and income tax has been chargeable only on certain corporate income, such as dividend income, interest income on deposits, leasing income and gain from selling non-NPL and non-NPA assets. After the Combined Offering, corporate income tax will be chargeable on our entire corporate income.

Year ended December 31, 2018 as compared to the year ended December 31, 2017

The following table sets forth selected income statement items and changes in these items for the year ended December 31, 2018 as compared to the year ended December 31, 2017.

	Year Ended December 31,			Changes	
	2017	2018		Amount	%
	Baht	Baht	US\$	Baht	
	<i>(in millions, except as stated otherwise)</i>				
Interest income	2,028.0	1,975.6	64.6	(52.4)	(2.6)
Interest expenses	1,622.0	1,769.4	57.8	147.4	9.1
Interest income—net	406.0	206.2	6.8	(199.8)	(49.2)
Gain/(loss) on investment in securities—net	(2.6)	(30.3)	(1.0)	(27.7)	(1,065.4)
Gain on loans purchased	3,509.2	4,438.3	145.1	929.1	26.5
Gain on sale of properties for sale	1,740.9	3,105.5	101.5	1,364.6	78.4
Gain on installment sales	184.5	115.2	3.7	(69.3)	(37.6)
Other operating income	165.9	146.8	4.8	(19.1)	(11.5)
Total operating income	6,003.9	7,981.7	260.9	1,977.8	32.9
Other operating expenses	2,519.8	2,934.6	95.9	414.8	16.5
Bad debts and doubtful accounts	(1,024.9)	(162.2)	(5.3)	862.7	(84.2)
Operating profit before income tax expenses	4,509.0	5,209.3	170.3	700.3	15.5
Income tax expenses	8.2	7.3	0.2	(0.9)	(11.0)
Net profit	4,500.8	5,202.0	170.1	701.2	15.6
Other comprehensive income (expense)					
Items that may be reclassified to profit or loss					
Loss on remeasuring of available-for-sale investment	(2.5)	(11.7)	(0.4)	(9.2)	368.0
Actuarial losses on defined benefit plans	—	—	—	—	—
Other comprehensive income (expenses)	(2.5)	(11.7)	(0.4)	(9.2)	368.0
Total comprehensive income	4,498.3	5,190.3	169.7	692.0	15.4
Basic earnings per share (Baht)	1.65	1.90	0.06	0.25	15.15

Interest income

The following table sets forth the principal components of our interest income.

	Year Ended December 31,		
	2017	2018	
	Baht	Baht	US\$
	<i>(in millions)</i>		
Loans purchased	1,877.5	1,856.8	60.7
Investment in securities	12.6	3.7	0.1
Cash at financial institutions	23.3	10.3	0.4
Installment sale receivables	104.7	89.2	2.9
Others	9.9	15.6	0.5
Interest income	2,028.0	1,975.6	64.6

Our interest income decreased by Baht 52.4 million, or 2.6%, from Baht 2,028.0 million in 2017 to Baht 1,975.6 million (US\$64.6 million) in 2018 primarily due to the closure of a significant debtor's account in 2017, a decrease of investment in government bonds and over our deposits with financial institutions as well as the decreased in interest rate for our deposits.

Interest expenses

The following table sets forth the principal components of our interest expenses:

	Year Ended December 31,		
	2017	2018	
	Baht	Baht	US\$
	<i>(in millions)</i>		
Interest and discount on promissory notes	361.1	281.5	9.2
Interest paid on loans	511.2	439.8	14.4
Interest on debentures	749.7	1,048.1	34.2
Interest expenses	1,622.0	1,769.4	57.8

Our interest expenses increased by Baht 147.4 million, or 9.1%, to Baht 1,769.4 million (US\$57.8 million) in 2018 from Baht 1,622.0 million in 2017. Such increase was primarily attributable to an increase in interest on debentures. Our interest on debentures increased due to (i) an increased number of new debentures issued by us as we reduced using promissory notes and loans from financial institutions to manage liquidity and finance our purchases of new portfolios and (ii) the higher interest rates on the newly issued debentures due to the longer maturity periods corresponding with the expected cash flows from our operations in 2018.

Interest income—net

As a result of the foregoing, our net interest income decreased by Baht 199.8 million, or 49.2%, to Baht 206.2 million in 2018 from Baht 406.0 million in 2017.

Gain/loss on investment in securities—net

We recorded a net loss on investment in securities of Baht 30.3 million (US\$1.0 million) in 2018, increased by Baht 27.7 million, or 1,065.4%, from a net loss on investment in securities of Baht 2.6 million in 2017 primarily due to the increase in credit impairment which is higher than gain from disposal of investment in securities.

Gain on loans purchased

Gain on loans purchased increased by Baht 929.1 million, or 26.5%, from Baht 3,509.2 million in 2017 to Baht 4,438.3 million (US\$145.1 million) in 2018, primarily as a result of the higher margins between cash payments received from debtors and cost of loans purchased.

Gain on sale of properties for sale

The following table sets forth components of our gain on sale of properties for sale, which includes only outright sales and excludes gain on installment sales:

	Year Ended December 31,		
	2017	2018	
	Baht	Baht	US\$
Gain on sale of properties for sale (Outright sales)		<i>(in millions)</i>	
Revenue from sale of properties for sale—Outright sales ⁽¹⁾	3,233.0	5,322.3	174.0
Decreased acquisition and transfer cost of properties for sale—net ⁽²⁾	1,492.1	2,216.8	72.5
Total gain on sale of properties for sale—Outright sales	1,740.9	3,105.5	101.5

(1) For the years ended December 31, 2017 and 2018, revenue from sale of properties for sale—outright sales equals total cash collection received from sale of properties for sale—outright sales. See “—Cash collection received from our NPA management business.”

(2) For the year ended December 31, 2017 and 2018, decreased acquisition and transfer costs of properties for sale—net is calculated from (i) the total acquisition and transfer costs of properties for sale in the amounts of Baht 1,897.4 million and Baht 2,873.0 million (US\$93.9 million), respectively, (ii) less any reversals from revaluation of properties for sale sold during the periods in the amounts of Baht 405.3 million and Baht 656.2 million (US\$21.5 million), respectively.

Our gain on sale of properties for sale increased by Baht 1,364.6 million, or 78.4%, to Baht 3,105.5 million (US\$101.5 million) in 2018 from Baht 1,740.9 million in 2017, primarily due to our increased income as a result of the launch of our new campaign “BAM’s 20th Anniversary” in 2018 to promote the sale of properties for sale by selecting over 500 properties for sale to customers at a discount, with special conditions.

Gain on installment sales

Gain on installment sales decreased by Baht 69.3 million, or 37.6%, to Baht 115.2 million (US\$3.7 million) in 2018 from Baht 184.5 million in 2017, primarily as a result of the closure of a significant debtor’s account in mid-2017 upon full repayment of installments due under that account.

Other operating income

Our other operating income decreased by Baht 19.1 million, or 11.5%, to Baht 146.8 million (US\$4.8 million) in 2018 from Baht 165.9 million in 2017, primarily due to our recognition of gains from cancellation of installment sale contract by a debtor and income from dividends in 2017 were higher than those in 2018.

Other operating expenses

The following table sets forth the principal components of our other operating expenses.

Other operating expenses	Year Ended December 31,		
	2017	2018	
	Baht	Baht	US\$
		<i>(in millions)</i>	
Employee expenses	1,450.7	1,836.9	60.0
Directors' remuneration	12.2	10.8	0.4
Premises and equipment expenses	225.0	221.9	7.3
Taxes and duties	561.3	517.8	16.9
Impairment loss on properties for sale (reversal)	(69.3)	(20.5)	(0.7)
Properties for sale expenses	82.2	89.1	2.9
Other expenses	257.7	278.6	9.1
Other operating expenses	2,519.8	2,934.6	95.9

Our total other operating expenses increased by Baht 414.8 million, or 16.5%, to Baht 2,934.6 million (US\$95.9 million) in 2018 from Baht 2,519.8 million in 2017, primarily due to an increase in performance-based bonus payments to our employees in accordance with our bonus policy.

Bad debts and doubtful accounts

We recorded a reversal of bad debts and doubtful accounts of Baht 1,024.9 million and Baht 162.2 million (US\$5.3 million) in 2017 and 2018. Such decrease was due to changes in the value of the collateral underlying our NPLs.

Operating profit before income tax expenses

As a result of the foregoing, our operating profit before income tax expenses increased by Baht 700.3 million, or 15.5%, to Baht 5,209.3 million (US\$170.3 million) in 2018 as compared to Baht 4,509.0 million in 2017.

Income tax expenses

Our income tax expenses decreased by Baht 0.9 million to Baht 7.3 million (US\$0.2 million) in 2018 from Baht 8.2 million in 2017 due to our lower taxable income in 2018 as compared to 2017.

Net profit

As a result of the foregoing, we had an increase of Baht 701.2 million, or 15.6%, to Baht 5,202.0 million (US\$170.1 million) in 2018 from Baht 4,500.8 million in 2017.

Other comprehensive expenses

Our other comprehensive expenses increased by Baht 9.2 million, or 368.0%, to Baht 11.7 million (US\$0.4 million) in 2018 from Baht 2.5 million in 2017. The increase was primarily due to a change in available-for-sale investment in accordance with the change in the fair value of available-for-sale investment.

Total comprehensive income

As a result of the foregoing, our total comprehensive income increased by Baht 692.0 million, or 15.4 %, to Baht 5,190.3 million (US\$169.7 million) in 2018 from Baht 4,498.3 million in 2017.

Year ended December 31, 2017 compared to the year ended December 31, 2016

The following table sets forth certain selected income statement items and changes in these items for the year ended December 31, 2016 compared to the year ended December 31, 2015.

	Year Ended December 31,		Changes	
	2016	2017	Amount	%
	Baht	Baht	Baht	
	<i>(in millions, except percentages, number of Shares and basic earnings per share)</i>			
Interest income	1,402.4	2,028.0	625.6	44.6
Interest expenses	1,244.2	1,622.0	377.8	30.4
Interest income—net	158.2	406.0	247.8	156.6
Gain/(loss) on investment in securities	20.0	(2.6)	(22.6)	(113.0)
Gain on loans purchased	4,224.4	3,509.2	(715.2)	(16.9)
Gain on sale of properties for sale	2,362.6	1,740.9	(621.7)	(26.3)
Gain on installment sales	584.1	184.5	(399.6)	(68.4)
Other operating income	169.5	165.9	(3.6)	(2.1)
Operating income	7,518.8	6,003.9	(1,514.9)	(20.1)
Other operating expenses	2,581.9	2,519.8	(62.1)	(2.4)
Doubtful accounts	21.1	(1,024.9)	(1,046.0)	(4,957.3)
Operating profits before income tax expenses	4,915.8	4,509.0	(406.8)	(8.3)
Income tax expenses	12.2	8.2	(4.0)	(32.8)
Net profit	4,903.6	4,500.8	(402.8)	(8.2)
Other comprehensive income (expenses)				
Items that may be reclassified to profit or loss				
Gain (Loss) on remeasuring of available-for-sale investment	3.7	(2.5)	(6.3)	(165.8)
Gain (loss) on actuarial estimates	(67.4)	—	67.4	(100.0)
Other comprehensive income (expenses)	(63.6)	(2.5)	61.1	(96.1)
Total comprehensive income	4,840.0	4,498.3	(341.7)	(7.1)
Basic earnings per share (Baht)	1.79	1.65	(0.14)	(7.82)

Interest income

The following table sets forth the principal components of our interest income.

	Year Ended December 31,	
	2016	2017
	Baht	Baht
	<i>(in millions)</i>	
Loans purchased	1,232.3	1,877.5
Investment in securities	1.7	12.6
Cash at financial institutions	10.4	23.3
Installment sale receivables	148.6	104.7
Others	9.4	9.9
Interest income	1,402.4	2,028.0

Our interest income increased by Baht 625.6 million, or 44.6%, to Baht 2,028.0 million in 2017 from Baht 1,402.4 million in 2016 primarily due to an increase in interest income from loans purchased resulting from the increased volume of restructuring agreements entered into with debtors, partially offset by a decrease in interest income from installment sales receivables. The decrease in interest income from installment sale receivables was due to the closure of a significant debtor's account in mid-2017 following the full repayment of installments due to us under that account.

Interest expenses

The following table sets forth the principal components of our interest expense.

<u>Interest expenses</u>	Year Ended December 31,	
	2016	2017
	Baht	Baht
	<i>(in millions)</i>	
Interest and discount on promissory notes	367.5	361.1
Interest paid on loans	563.1	511.2
Interest on debentures	313.6	749.7
Interest expenses.....	1,244.2	1,622.0

Our interest expenses increased by Baht 377.8 million, or 30.4%, to Baht 1,622.0 million in 2017, from Baht 1,244.2 million in 2016. Such increase was primarily attributable to an increase in interest on debentures. Our interest on debentures increased due to (i) the increased number of debentures issued to manage liquidity and purchase new portfolios, and (ii) the higher interest rates on the newly issued debentures due to the longer maturity periods corresponding with the expected cash flows from our operations.

Interest income—net

As a result of the foregoing, our net interest income increased by Baht 247.8 million, or 156.6%, to Baht 406.0 million in 2017 from Baht 158.2 million in 2016.

Gain/(loss) on investment in securities—net

Our net loss on investment in securities of Baht 2.6 million in 2017 decreased by Baht 22.6 million from a net gain on investment in securities of Baht 20.0 million in 2016 primarily due to additional allowances made for shares is higher than gain from sale of such securities in 2017 and reversals of allowances made for shares which had book values that subsequently exceeded their costs in 2016.

Gain on loans purchased

Gain on loans purchased decreased by Baht 715.2 million, or 16.9%, to Baht 3,509.2 million in 2017 from Baht 4,224.4 million in 2016, primarily as a result of lower margins between cash payments received from debtors and our cost of loans purchased.

Gain on sale of properties for sale

The following table sets forth components of gain on sale of properties for sale, which only includes outright sales and excludes gains on installment sales.

<u>Gain on sale of properties for sale (Outright sales)</u>	Year Ended December 31,	
	2016	2017
	Baht	Baht
	<i>(in millions)</i>	
Revenue from sale of properties for sale—Outright sales ⁽¹⁾	4,068.7	3,233.0
Decreased acquisition and transfer cost of properties for sale—net ⁽²⁾	1,706.1	1,492.1
Total gain on sale of properties for sale—Outright sales	2,362.6	1,740.9

(1) For the years ended December 31, 2016 and 2017, revenue from sale of properties for sale—outright sales equals total cash collection received from sale of properties for sale—outright sales. See “—Cash collection received from our NPA management business.”

(2) For the years ended December 31, 2016 and 2017, decreased acquisition and transfer costs of properties for sale—net is calculated from (i) the total acquisition and transfer costs of properties for sale in the amounts of Baht 2,148.6 million and Baht 1,897.4 million; respectively, (ii) less any reversals from revaluation of properties for sale sold during the periods in the amounts of Baht 442.5 million and Baht 405.3 million, respectively.

Our gain on sale of properties for sale decreased by Baht 621.7 million, or 26.3%, to Baht 1,740.9 million in 2017 from Baht 2,362.6 million in 2016, primarily due to the decrease of sale of properties for sale arising from decreased demand of customers.

Gain on installment sales

Gain on installment sales decreased by Baht 399.6 million, or 68.4%, to Baht 184.5 million in 2017 from Baht 584.1 million in 2016, primarily as a result of the closure of a significant debtor’s account in 2017 upon full repayment of installments due under that account.

Other operating income

Our other operating income remained relatively stable from Baht 169.5 million in 2016 to Baht 165.9 million in 2017.

Other operating expenses

The following table sets forth the principal components of our other operating expenses.

<u>Other operating expenses</u>	Year Ended December 31,	
	2016	2017
	Baht	Baht
	<i>(in millions)</i>	
Employee expenses	1,473.6	1,450.7
Directors' remuneration	12.2	12.2
Premises and equipment expenses	227.3	225.0
Taxes and duties	455.3	561.3
Impairment loss on properties for sale (reversal)	82.7	(69.3)
Properties for sale expenses	75.2	82.2
Other expenses	255.6	257.7
Total other operating expenses	2,581.9	2,519.8

Our other operating expenses decreased by Baht 62.1 million, or 2.4%, from Baht 2,581.9 million in 2016 to Baht 2,519.8 million in 2017, primarily due to reversals of impairment loss on properties for sale in 2016 which resulted from the revaluation of the appraised value of our properties for sale, partially offset by an increase of certain taxes on revenue from our accrued income from auction sale.

Bad debts and Doubtful accounts

We recorded bad debts and doubtful accounts of Baht 21.1 million in 2016 and a reversal of bad debts and doubtful accounts of Baht 1,024.9 million in 2017, such reversal was due to change in certain results of appraisal values of the collateral underlying our NPLs and an increase in the number of doubtful accounts closed.

Operating profit before income tax expenses

As a result of the foregoing, we had a decrease of Baht 406.8 million, or 8.3%, in our operating profit before income tax expenses, to Baht 4,509.0 million in 2017, from Baht 4,915.8 million in 2016.

Income tax expenses

Our income tax expenses decreased by Baht 4.0 million, or 32.8%, to Baht 8.2 million in 2017 from Baht 12.2 million in 2016 due to our lower taxable income in 2016.

Net profit

As a result of the foregoing, we had a decrease of Baht 402.8 million, or 8.2% in our net profit, to Baht 4,500.8 million in 2017 from Baht 4,903.6 million in 2016.

Other comprehensive expenses

Our other comprehensive expenses decreased by Baht 61.1 million, or 96.1%, to Baht 2.5 million in 2017 from Baht 63.6 million in 2016 due to (i) the re-evaluation of employee benefits, and recognized actuarial losses of Baht 67.4 million, resulting from the adjustment of assumptions used for the evaluation of employees benefits carried out by the actuary once every three years, and (ii) the loss recognized on re-valuing available-for-sale investments in accordance with its reduced fair value in 2016.

Total comprehensive income

Accordingly, our total comprehensive income decreased by Baht 341.7 million, or 7.1%, to Baht 4,498.3 million in 2017 from Baht 4,840.0 million in 2016.

Nine-month period ended September 30, 2018 as compared to nine-month period ended September 30, 2019

The following table sets forth selected income statement items and changes in these items for the nine-month period ended September 30, 2018 as compared to the nine-month period ended September 30, 2019.

	Nine-Month Period Ended September 30,			Changes	
	2018	2019		Amount	%
	Baht	Baht	US\$	Baht	
	<i>(in millions, except percentages, numbers of Shares and basic earnings per share)</i>				
Interest income ⁽¹⁾	3,816.7	7,948.2	259.8	4,131.5	108.2
Interest expenses	1,315.5	1,524.6	49.8	209.1	15.9
Interest income—net	2,501.2	6,423.6	210.0	3,922.4	156.8
Gain/(loss) on investment in securities—net	(30.2)	3.9	0.1	34.1	(112.9)
Gain on sale of properties for sale	2,506.7	1,130.0	37.0	(1,376.7)	(54.9)
Gain on installment sales	73.7	80.6	2.6	6.9	9.4
Other operating income	52.2	43.5	1.4	(8.7)	(16.7)
Total operating income	5,103.6	7,681.6	251.1	2,578.0	50.5
Other operating expenses	2,055.0	2,588.0	84.6	533.0	25.9
Bad debts and doubtful accounts	(265.1)	209.6	6.8	474.7	(179.1)
Operating profit before income tax expenses	3,313.7	4,884.0	159.7	1,570.3	47.4
Income tax expenses	2.9	1.7	0.1	(1.2)	(41.4)
Net profit	3,310.8	4,882.3	159.6	1,571.5	47.5
Items that may be reclassified to profit or loss					
Gain (Loss) on remeasuring of available-for-sale investment	0.6	(13.9)	(0.4)	(14.5)	(2,416.7)
Items that may not be reclassified to profit or loss					
Actuarial losses on defined benefit plans	—	(20.8)	(0.7)	(20.8)	N/A
Other comprehensive income (expenses)	0.6	(34.7)	(1.1)	(35.3)	(5,883.3)
Total comprehensive income	3,311.4	4,847.6	158.5	1,536.2	46.4
Basic earnings per share (Baht)	1.21	1.79	0.06	0.58	47.9

(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 years ended December 31, 2016, 2017 and 2018, but are reclassified to be presented as a combined line item, “interest income from loans purchased” in the reviewed interim financial statements for the nine-month period ended September 30, 2019. As a result of the reclassification, “gain on loans purchased” is a component of interest income in the reviewed interim financial statements for the nine-month period ended September 30, 2019.

Interest income

The following table sets forth the principal components of our interest income.

Interest income	Nine-Month Period Ended September 30,		
	2018	2019	
	Baht	Baht	US\$
	<i>(in millions)</i>		
Loans purchased ⁽¹⁾	3,731.3	7,816.5	255.5
Interest income from loans purchased	1,432.1	1,245.6	40.7
Gain on loans purchased	2,299.2	6,570.9	214.8
Investment in securities	2.7	24.8	0.8
Cash at financial institutions	7.0	9.4	0.3
Installment sale receivables	64.6	87.2	2.9
Others	11.1	10.3	0.3
Interest income	3,816.7	7,948.2	259.8

(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 years ended December 31, 2016, 2017 and 2018, but are reclassified to be presented as a combined line item, “interest income from loans purchased” in the reviewed interim financial statements for the nine-month period ended September 30, 2019. As a result of the reclassification, “gain on loans purchased” is a component of interest income in the reviewed interim financial statements for the nine-month period ended September 30, 2019.

Our interest income increased by Baht 4,131.5 million, or 108.3%, to Baht 7,948.2 million (US\$259.8 million) for the nine-month period ended September 30, 2019 from Baht 3,816.7 million for the nine-month period ended September 30, 2018, primarily due to cash payments received from a significant debtor in the amount exceeding our cost of loans purchased in 2019.

Our interest income from loans purchased decreased by Baht 186.5 million, or 13.0%, to Baht 1,245.6 million (US\$40.7 million) for the nine-month period ended September 30, 2019 from Baht 1,432.1 million for the nine-month period ended September 30, 2018, primarily due to our recognition of interest income from loans purchased of a significant debtor with debt restructuring arrangements for the nine-month period ended September 30, 2018 and gain on loans purchased increased by Baht 4,271.7 million, or 185.8%, to Baht 6,570.9 million (US\$214.8 million) for the nine-month period ended September 30, 2019 from Baht 2,299.2 million for the nine-month period ended September 30, 2018, primarily due to cash payments received from a significant debtor in the amount exceeding our cost of loans purchased for the nine-month period ended September 30, 2019.

Interest expenses

The following table sets forth the principal components of our interest expenses

Interest expenses	Nine-Month Period Ended September 30,		
	2018	2019	
	Baht	Baht	US\$
		<i>(in millions)</i>	
Interest and discount on promissory notes	215.1	206.4	6.7
Interest paid on loans	330.8	449.2	14.7
Interest on debentures	769.6	869.0	28.4
Interest expenses	1,315.5	1,524.6	49.8

Our interest expenses increased by Baht 209.1 million, or 15.9%, to Baht 1,524.6 million (US\$49.8 million) for the nine-month period ended September 30, 2019 from Baht 1,315.5 million for the nine-month period ended September 30, 2018, primarily due to an increase in bank loans in late 2018 and the higher interest rates on the new debentures issued in mid- 2018 due to the longer maturity periods.

Interest income—net

As a result of the foregoing, we recorded net interest income for the nine-month periods ended September 30, 2018 and 2019 of Baht 2,501.2 million and Baht 6,423.6 million (US\$210.0 million), respectively, due to payment received from one of the major debtors in excess of the cost of loans purchased in 2019.

Gain/loss on investment in securities—net

We recorded net loss on investment in securities for the nine-month period ended September 30, 2018 of Baht 30.2 million and net gain on investment in securities for the nine-month period ended September 30, 2019 of Baht 3.9 million (US\$0.1 million), respectively, our profits increased by Baht 34.1 million as we did not record impairment of most of investment in securities in 2019.

Gain on sale of properties for sale

The following table sets forth components of our gain on sale of properties for sale, which includes only outright sales and excludes gain on installment sales:

Gain on sale of properties for sale (Outright sales)	Nine-Month Period Ended September 30,		
	2018	2019	
	Baht	Baht	US\$
		<i>(in millions)</i>	
Revenue from sale of properties for sale—Outright sales ⁽¹⁾	4,085.2	2,395.0	78.4
Decreased acquisition and transfer cost of properties for sale—net ⁽²⁾	1,578.5	1,265.0	41.4
Total gain on sale of properties for sale—Outright sales	2,506.7	1,130.0	37.0

(1) For nine-month periods ended September 30, 2018 and 2019, revenue from sale of properties for sale—outright sales equals total cash collection received from sale of properties for sale—outright sales. See “—Cash collection received from our NPA management business”

(2) For nine-month periods ended September 30, 2018 and 2019, decreased acquisition and transfer cost of properties for sale—net is calculated from (i) the total decreased acquisition and transfer costs of properties for sale and adjustment in the amounts of Baht 2,073.0 million and Baht 1,611.5 million (US\$52.7 million), respectively; and (ii) less any reversals from revaluation of properties for sale sold during the periods in the amounts of Baht 494.5 million and Baht 346.6 million (US\$11.3 million), respectively.

Our gain on sale of properties for sale decreased by Baht 1,376.7 million, or 54.9%, to Baht 1,130.0 million (US\$37.0 million) for the nine-month period ended September 30, 2019 from Baht 2,506.7 million for the nine-month period ended September 30, 2018, primarily due to a decrease in sales and uncertainty of land and building tax and stricter lending policies by financial institutions and loan-to-value (LTV) measures.

Gain on installment sales

For the nine-month periods ended September 30, 2018 and 2019, our gain on installment sales was Baht 73.7 million and Baht 80.6 million (US\$2.6 million), respectively. Such increase was insignificant.

Other operating income

Our other operating income decreased by Baht 8.7 million, or 16.7%, to Baht 43.5 million (US\$1.4 million) for the nine-month period ended September 30, 2019 from Baht 52.2 million for the nine-month period ended September 30, 2018, primarily due to our recording of gains on sales of non-operating properties in 2018.

Other operating expenses

The following table sets forth the principal components of our other operating expenses.

	Nine-Month Period Ended September 30,		
	2018	2019	
	Baht	Baht	US\$
		<i>(in millions)</i>	
Other operating expenses			
Employee expenses	1,241.7	1,545.9	50.5
Directors' remuneration	8.9	12.0	0.4
Premises and equipment expenses	163.8	167.6	5.5
Taxes and duties	387.9	563.3	18.4
Impairment loss on properties for sale (reversal)	(8.4)	(9.5)	(0.3)
Properties for sale expenses	65.1	74.9	2.5
Other expenses	196.0	233.8	7.6
Other operating expenses	2,055.0	2,588.0	84.6

Our other operating expenses increased by Baht 533.0 million, or 25.9%, to Baht 2,588.0 million (US\$84.6 million) for the nine-month period ended September 30, 2019 from Baht 2,055.0 million for the nine-month period ended September 30, 2018, primarily due to an increase in performance-based bonus payments to our employees in accordance our bonus policy, record of increased employee expenses in accordance with the Notification of State Enterprise Labour Relations Committee Entitled Minimum Standards of Employment Conditions in State Enterprise (No. 4) and special business tax on cash payments received from a significant debtor.

Bad debts and doubtful accounts

We recorded a reversal of bad debts and doubtful accounts of Baht 265.1 million for the nine-month period ended September 30, 2018, and incurred bad debts and doubtful accounts of Baht 209.6 million (US\$6.8 million) for the nine-month period ended September 30, 2019, respectively. Such change was primarily due to the change in the value of the collateral underlying our NPLs and our increased acquisitions and transfers of NPLs.

Operating profit before income tax expenses

As a result of the foregoing, our operating profit before income tax expenses increased by Baht 1,570.3 million, or 47.4%, to Baht 4,884.0 million (US\$159.7 million) for the nine-month period ended September 30, 2019 from Baht 3,313.7 million for the nine-month period ended September 30, 2018.

Income tax expenses

Our income tax expenses decreased by Baht 1.2 million, or 41.4%, to Baht 1.7 million (US\$0.1 million) for the nine-month period ended September 30, 2019 from Baht 2.9 million for the nine-month period ended September 30, 2018.

Net profit

As a result of the foregoing, our net profit increased by Baht 1,571.5 million, or 47.5%, to Baht 4,882.3 million (US\$159.6 million) for the nine-month period ended September 30, 2019 from Baht 3,310.8 million for the nine-month period ended September 30, 2018.

Other comprehensive income (expenses)

We recorded our other comprehensive income of Baht 0.6 million for the nine-month period ended September 30, 2018 and other comprehensive expense of Baht 34.7 million (US\$1.1 million) for the nine-month period ended September 30, 2019. Such change was primarily due to a decrease in the fair value of available-for-sale investment and our review of assumption of actuarial estimates.

Total comprehensive income

As a result of the foregoing, our total comprehensive income increased by Baht 1,536.2 million, or 46.4%, to Baht 4,847.6 million (US\$158.5 million) for the nine-month period ended September 30, 2019 from Baht 3,311.4 million for the nine-month period ended September 30, 2018.

Reclassification and Principal Components of Statement of Financial Position

Reclassification

“Other assets” had been reclassified in the interim financial statement for the nine-month period ended September 30, 2019. As a result of which, the information in the statement of financial position under the interim financial statements for the nine-month period ended September 30, 2019 is not consistent with the information in the statement of financial position under the audited financial statements for the years ended December 31, 2016, 2017 and 2018.

“Advance for expenses on asset acquisition and others” and “other assets” are presented as a combined line item in the statement of financial position for the years ended December 31, 2016, 2017 and 2018, but are reclassified to be presented as two separate line items in the statement of financial position for the nine-month period ended September 30, 2019. As a result of the reclassification, “advance for expenses on asset acquisition and others” is no longer a component of “other assets” in the reviewed interim financial statements for the nine-month period ended September 30, 2019.

Investment in securities

Our net investment in securities comprises of: (i) held-to-maturity debt instruments such as debt instruments of private sectors; (ii) available-for-sale securities such as domestic marketable equity securities and warrants; and (iii) general investments which comprise domestic non-marketable equity securities acquired as a result of foreclosures, less (a) revaluation of investment in securities; (b) revaluation allowance; and (c) allowance for impairment.

Loans purchased—net

Our net loans purchased represents our beginning balance of loans purchased before revaluation less revaluation of loans purchased and allowance for doubtful accounts of loans purchased.

Revaluation of loans purchased occurred in 1999 when we acquired investment in securities debentures at a cost of Baht 1.0, and subsequently in 2004, the issuer of the debentures completed its debt restructuring. As a result, we converted our investment in securities (debentures) to loans purchased in an amount equal to the amount we believe we would receive from the debtor pursuant to the debt restructuring agreement. In order to reconcile the net loans purchased to the original cost, we recorded a revaluation of investment in receivable in an amount equal to the difference between the cost and the amount we believe we would have received from the debtor. This transaction is not expected to recur.

We record our allowance for doubtful accounts of loans purchased based on the rules under the Notification of the BOT No. SorNorSor. 5/2559 re: Classification and Provisions of the Financial Institutions, dated June 10, 2016. We classify our debtors into five categories, namely: (i) normal, (ii) special mention, (iii) substandard, (iv) doubtful and (v) doubtful of loss. The classification depends on how long the debt has been overdue. See “—Critical Accounting Policies.”

A majority of our allowance for doubtful accounts of loans purchased come from loans purchased which are classified as doubtful of loss primarily due to the following reasons:

Our newly acquired NPLs are classified as doubtful of loss; and Debtors fail to make payment within applicable time limits.

Generally, debt that we purchase from financial institutions is distressed debt and the debtors are unable to make payment pursuant to the payment schedules. As a result, most of the debt that we purchase is categorized as doubtful of loss. When collateral underlying our investment of receivables is sold at an auction at a price lower than the balance of such loans purchased, the remaining gross balance of the loans purchased (that was in excess of the amount recovered from the sale of the collateral) is classified as doubtful of loss. We then record an allowance for impairment of loans purchased in an amount equal to the remaining gross balance of such loans purchased.

We adjust allowances for doubtful accounts of loans purchased quarterly. The adjustment is made in accordance with the regulations of the BOT. Allowances for doubtful accounts of loans purchased are reversed when (i) the loans purchased are completely written-off; or (ii) allowances for doubtful accounts decreased due to appraisal of collateral.

Installment sale receivables—net

Installment sale receivables arise from selling properties for sale on an installment payment basis. We record the difference between the selling price and the cost of properties for sale as a deferred gross margin from installment sales, and will only recognize it as income when the aggregate amount of cash received exceeds the cost of the properties for sale.

Properties for sale—net

Our net properties for sale represent the beginning balance of properties for sale, plus any properties acquired or transferred from financial institutions and assets transferred for debt repayment and properties received from auctions of debtors' assets for debt settlement, less properties sold, allowance for impairment of properties for sale and revaluation of properties for sale. Majority of our NPAs are from transfer of collateral underlying NPLs for settlement of debts or won by us by way of public auction (we won a public auction for a collateral underlying NPLs previously managed by us).

We record our allowance for impairment of properties for sale pursuant to the regulations of the BOT by comparing the appraised value of properties for sale and the acquisition cost of the properties. We reverse the allowance for impairment of properties for sale upon the sales of properties for sale or where there are changes to the appraised values. Where there is a sale of properties for sale, we will also record profit or loss in the statements of comprehensive income. Profits and losses from the sales of properties for sale depend on several factors including the selling price, cost and allowance for impairment.

Revaluation of properties for sale occurs when we acquire properties for sale either as a result of transfer in satisfaction of debt or from bids made at a price higher than the balance of loans purchased. We record the revaluation of properties for sale as an amount equal to the difference between the acquisition cost of properties for sale and the balance of loans purchased. We reverse the revaluation of properties for sale and record profit or loss in the statements of comprehensive income upon the sales of properties for sale. Profits and losses from the sales of properties for sale depend on several factors including the selling price, cost, allowance for impairment of properties for sale, revaluation of properties for sale and loans purchased in respect of the properties for sale.

Accrued Income from Auction Sale

- (i) Our accrued income from auction sale is recorded when collateral underlying our NPLs are sold by way of auction at the Legal Execution Department. If the auction is won by a third party, we record accrued income from auction sale at auction price, and present 7.0% of the auction price as an estimated auction expense. This estimated auction expense is presented as a deduction item from the accrued income from auction sale.
- (ii) On the other hand, if the auction is won by us and payment is made to the Legal Execution Department, we recognize accrued income from auction sale at auction price, and present approximately 3.5% of the auction price as a purchase fee.

Advance for expenses on asset acquisition and others

Generally, advance for expenses on asset acquisition and others are advances paid by us when bidding for collateral assets of our debtors from sales at auction. If the right to proceed with the legal proceeding of such underlying collateral is subrogated by us, we will pay advances for expenses on asset acquisition and others at approximately 3.5% of the auction price. If the right to proceed with the legal proceeding of the asset has not been subrogated by us, we will pay advances for expenses on asset acquisition and others in the amount of the full auction price. Such advances will be returned to us once the Legal Execution Department delivers the income and expenditure account to us.

Liabilities

Debt issued and borrowing constitutes the majority of our liabilities. Our debt is comprised of (i) promissory notes; (ii) borrowings; and (iii) debentures, and is an important source of funds for our acquisition of NPLs and properties for sale.

Other liabilities

Our other liabilities comprise of (i) tax payable and accrued expenses; (ii) deposits and marginal deposits; (iii) liabilities between Bangkok Commerce plc and us; (iv) suspense accounts and clearing cheques; (v) suspense accounts for debt payment; (vi) financial creditors selling their rights to claim; and (vii) others.

Statement of Financial Position

The following discussion on our financial position should be considered together with our cash collection. See “—Cash Collection Received From our NPL and NPA Management Business.”

Comparison of financial position as of December 31, 2016, 2017 and 2018 and September 30, 2019

The following table sets forth selected statement of financial position items and changes in those items as of December 31, 2016, 2017 and 2018 and September 30, 2019.

	As of December 31,			
	2016	2017	2018	
	Baht	Baht	Baht	US\$
	(in millions)			
Assets				
Cash	3.3	4.3	3.6	0.1
Cash at financial institutions	1,607.5	1,158.5	1,031.8	33.7
Investment in securities—net	146.2	139.6	93.9	3.1
Loans purchased—net	69,886.9	72,885.8	75,434.0	2,466.0
Installment sale receivables—net	1,562.0	640.9	708.3	23.2
Properties for sale—net	15,082.2	17,735.2	20,595.8	673.3
Accrued income from auction sale—net	3,026.0	4,981.5	7,115.5	232.6
Premises and equipment—net	1,377.1	1,332.1	1,251.5	40.9
Intangible assets—net	12.0	10.6	13.3	0.4
Advance for expenses on asset acquisition and others ⁽¹⁾	—	—	—	—
Other assets	933.5	1,044.9	1,405.3	45.9
Total assets	93,636.7	99,933.4	107,653.0	3,519.2
Liabilities				
Debt issued and borrowing	50,329.1	56,868.5	57,709.3	1,886.6
Accrued interest payable	140.1	277.2	245.4	8.0
Provisions	726.2	751.7	769.5	25.2
Accrued income payable from auction sale	—	—	5,342.0	174.6
Other liabilities	1,918.6	976.6	1,737.8	56.8
Total liabilities	53,114.0	58,874.0	65,804.0	2,151.2
Shareholders' equity				
Issued and paid-up share capital	13,675.0	13,675.0	13,675.0	447.0
Other component of shareholders' equity	(43.8)	(46.2)	(58.0)	(1.9)
Retained earnings				
Legal reserve	1,622.5	1,622.5	1,622.5	53.0
Unappropriated	25,269.0	25,808.1	26,609.5	869.9
Total shareholders' equity	40,522.7	41,059.4	41,849.0	1,368.0
Total liabilities and shareholders' equity	93,636.7	99,933.4	107,653.0	3,519.2

- (1) “Advance for expenses on asset acquisition and others” and “other assets” are presented as a combined line item in the statement of financial position for the years ended December 31, 2016, 2017 and 2018, but are reclassified to be presented as two separate line items in the statement of financial position for the nine-month period ended September 30, 2019. As a result of the reclassification, “advance for expenses on asset acquisition and others” is no longer a component of “other assets” in the reviewed interim financial statements for the nine-month period ended September 30, 2019.

	As of December 31,		As of September 30,	
	2018		2019	
	Baht	US\$	Baht	US\$
	(in millions)			
Assets				
Cash	3.6	0.1	6.4	0.2
Cash at financial institutions	1,031.8	33.7	1,541.0	50.4
Investment in securities—net	93.9	3.1	5,690.1	186.0
Loans purchased—net	75,434.0	2,466.0	79,136.1	2,587.0
Installment sale receivables—net	708.3	23.2	676.2	22.1
Properties for sale—net	20,595.8	673.3	23,244.8	759.9
Accrued income from auction sale—net	7,115.5	232.6	9,058.8	296.1
Premises and equipment—net	1,251.5	40.9	1,229.0	40.2
Intangible assets—net	13.3	0.4	17.4	0.6
Advance for expenses on asset acquisition and others ⁽¹⁾	1,217.2	39.8	934.8	30.6
Other assets ⁽¹⁾	188.1	6.1	166.7	5.4
Total assets	107,653.0	3,519.2	121,701.3	3,978.5
Liabilities				
Debt issued and borrowing	57,709.3	1,886.6	75,060.1	2,453.7
Accrued interest payable	245.4	8.0	386.9	12.7
Provisions	769.5	25.2	1,099.9	36.0
Accrued income payable from auction sale	5,342.0	174.6	—	—
Other liabilities	1,737.8	56.8	1,579.3	51.6
Total liabilities	65,804.0	2,151.2	78,126.2	2,554.0
Shareholders' equity				
Authorized share capital	16,225.0	530.4	16,225.0	530.4
Issued and paid-up share capital	13,675.0	447.0	13,675.0	447.0
Other component of shareholders' equity	(58.0)	(1.9)	(72.0)	(2.3)
Retained earnings				
Legal reserve	1,622.5	53.0	1,622.5	53.0
Unappropriated	26,609.5	869.9	28,349.6	926.8
Total shareholders' equity	41,849.0	1,368.0	43,575.1	1,424.5
Total liabilities and shareholders' equity	107,653.0	3,519.2	121,701.3	3,978.5

- (1) “Advance for expenses on asset acquisition and others” and “other assets” are presented as a combined line item in the statement of financial position for the years ended December 31, 2016, 2017 and 2018, but are reclassified to be presented as two separate line items in the statement of financial position for the nine-month period ended September 30, 2019. As a result of the reclassification, “advance for expenses on asset acquisition and others” is no longer a component of “other assets” in the reviewed interim financial statements for the nine-month period ended September 30, 2019.

Analysis of financial position as of December 31, 2016, 2017, 2018 and September 30, 2019

Investment in securities—net

Our net investment in securities is primarily comprised of net available-for-sale securities, net held-to-maturity debt securities and net general investment. As of December 31, 2016, 2017 and 2018 and September 30, 2019, our net investment in securities was Baht 146.2 million, Baht 139.6 million, Baht 93.9 million (US\$3.1 million) and Baht 5,690.1 million (US\$186.0 million), respectively. Our net investment in securities decreased from December 31, 2016 to December 31, 2017 primarily, due to the increase in value of investment in securities in 2017. Our net investment in securities decreased from December 31, 2017 to December 31, 2018 primarily due to an impairment loss on our investment in available-for-sale securities and net investment in securities. Our net investment in securities increased from December 31, 2018 to September 30, 2019 primarily due to our investment in short term government bond of Baht 5,610.6 million to manage liquidity.

Loans purchased—net

The following table sets forth information regarding our net loans purchased as of the dates indicated.

	As of and for the year ended December 31,				As of and for nine-month period ended September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
	<i>(in millions)</i>					
Loans purchased brought forward to beginning of year/period	71,273.2	78,080.2	79,914.0	2,612.4	81,803.8	2,674.2
Acceptance of additional purchase.....	12,636.1	10,252.7	10,971.3	358.7	12,116.7	396.1
Receipt of debt payment and adjustment—net ...	(5,829.1)	(8,418.9)	(9,081.5)	(296.9)	(8,322.3)	(272.1)
Balance of loans purchased before adjustment ...	78,080.2	79,914.0	81,803.8	2,674.2	85,598.2	2,798.2
Revaluation of loans purchased.....	(105.1)	(84.8)	(84.8)	(2.8)	(84.8)	(2.7)
Allowance for doubtful accounts.....	(8,088.2)	(6,943.4)	(6,285.0)	(205.4)	(6,377.3)	(208.5)
Loans purchased—net	69,886.9	72,885.8	75,434.0	2,466.0	79,136.1	2,587.0

As of December 31, 2016, 2017 and 2018 and September 30, 2019, our net loans purchased was Baht 69,886.9 million, Baht 72,885.8 million, Baht 75,434.0 million (US\$2,466.0 million) and Baht 79,136.1 million (US\$2,587.0 million), respectively. The changes in our loans purchased were attributable to the following factors:

(1) Loans purchased before adjustment

As of December 31, 2016, 2017 and 2018 and September 30, 2019, our loans purchased before adjustment were Baht 78,080.2 million, Baht 79,914.0 million, Baht 81,803.8 million (US\$2,674.2 million) and Baht 85,598.2 million (US\$2,798.2 million), respectively, such increase in loans purchased before adjustment was primarily due to:

Acceptance of additional purchase

For the years ended December 31, 2016, 2017 and 2018 and for the nine-month-period ended September 30, 2019, our acceptance of additional purchase were Baht 12,636.1 million, Baht 10,252.7 million, Baht 10,971.3 million (US\$358.7 million) and Baht 12,116.7 million (US\$396.1 million), respectively. Our acceptance of additional purchase decreased from 2016 to 2017 primarily due to higher levels of competition in the market for NPLs. Our acceptance of additional purchase increased from December 31, 2017 to September 30, 2019. In addition, we will generally focus on the expected return and business opportunity when purchasing NPLs.

Receipt of debt payment and adjustment—net

Net receipt of debt payment and adjustment comprise deduction of the cost of loans purchased from debt payment by debtor and net adjustment arising from cancellation of sale or decrease of the sale price of certain NPLs from financial institutions, including writing off bad debts.

For the years ended December 31, 2016, 2017, 2018 and the nine-month period ended September 30, 2019, our net receipt of debt payment and adjustment were Baht 5,829.1 million, Baht 8,418.9 million, Baht 9,081.5 million (US\$296.9 million) and Baht 8,322.3 million (US\$272.1 million), respectively. Our net receipt of debt payment and adjustment continuously increased from 2016 to 2017 and to 2018 primarily due to the higher levels of repayment by debtors used to deduct the cost in accordance with our accounting principle.

(2) Revaluation of loans purchased

For the years ended December 31, 2016, 2017 and 2018 and the nine-month period ended September 30, 2019, our revaluation of loans purchased was Baht 105.1 million, Baht 84.8 million, Baht 84.8 million (US\$2.8 million) and Baht 84.8 million (US\$2.7 million), respectively, due to certain insignificant adjustments in the repayment conditions under our debt restructuring or compromising agreements.

(3) Allowance for doubtful accounts of loans purchased

The following table sets forth information regarding our allowance for doubtful accounts of loans purchased as of the dates indicated.

Allowance for doubtful accounts of loans purchased Overdue period		As of December 31,				As of September 30,	
		2016	2017	2018		2019	
		Baht	Baht	Baht	US\$	Baht	US\$
<i>(in millions)</i>							
Normal	0-30 days	156.3	173.2	184.3	6.0	206.2	6.7
Special mention	31-90 days	30.0	14.1	40.9	1.4	7.7	0.3
Substandard	91-180 days	15.6	68.2	140.8	4.6	115.0	3.8
Doubtful	181 days-12 months	0.6	6.1	0.5	0.0	4.1	0.1
Doubtful of loss	more than 12 months	7,885.7	6,681.8	5,918.5	193.5	6,044.3	197.6
Allowance for doubtful accounts of loans purchased		8,088.2	6,943.4	6,285.0	205.5	6,377.3	208.5

Our allowance for doubtful accounts of loans purchased is generally a result of our accounting policy. Where we acquire or accept transfer of all underlying collateral of each debtor at a price lower than the cost of outstanding receivables, our allowance for doubtful accounts of loans purchased is set at the full outstanding cost.

Although the value of collateral underlying our acquired or transferred loans purchased is generally higher than the cost of loans purchased, we may record allowance for doubtful accounts of loans purchased if the value of collateral after deduction in accordance with the regulations of the BOT is lower than the outstanding loans purchased.

As of December 31, 2016, 2017 and 2018 and September 30, 2019, our allowance for doubtful accounts of loans purchased was Baht 8,088.2 million, Baht 6,943.4 million, Baht 6,285.0 million (US\$205.4 million) and Baht 6,377.3 million (US\$208.5 million), respectively. Our allowance for doubtful accounts of loans purchased continuously decreased from 2016 to 2017 and to 2018, primarily due to an increase in our receipt of payment/compromise of debts, closure of debtors' accounts and/or the value of the underlying securities used in calculating allowance for doubtful accounts as compared with the preceding period, which resulted in the reversal of allowance for doubtful accounts for items which had been recorded as allowance for doubtful accounts. The increase in our allowance for doubtful accounts of loans purchased from December 31, 2018 to September 30, 2019 was insignificant.

Installment sale receivables—net

As of December 31, 2016 and 2017, our net installment sale receivables was Baht 1,562.0 million and Baht 641.0 million, respectively. The decrease from 2016 to 2017 was primarily due to the closure of a significant debtor's account upon full repayment of installments due under that account.

Our net installment sale receivables increased from 2017 to 2018 to Baht 708.3 million (US\$23.2 million) primarily due to the installment sale to a number of major customers and the implementation of our project which provides the option of installment purchase for buyers who have ability to buy but are unable to obtain facility from financial institutions, including our policy to increase installment sales in 2018.

Our net installment sale receivables decreased slightly from December 31, 2018 to September 30, 2019 to Baht 676.2 million (US\$22.1 million).

Properties for sale—net

Properties for sale comprise movable and immovable properties acquired from (i) acquisition/transfer from financial institutions and (ii) debt settlement by debtors and auction of debtors' assets (we won a public auction for a collateral underlying NPLs previously managed by us). Most of our properties for sale are immovable properties acquired from debt settlement by debtors and auction of debtors' assets (we won a public auction for a collateral underlying NPLs previously managed by us).

The following table sets forth information regarding our net properties for sale as of the dates indicated.

Properties for sale	As of and for the year ended December 31,				As of and for the nine- month period ended September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
	<i>(in millions)</i>					
Immovable properties						
Beginning balance of immovable properties.....	17,287.8	19,223.3	22,866.6	747.5	26,676.4	872.1
Increase-bid from financial institutions.....	379.5	269.7	1,117.1	36.5	296.0	9.7
Decrease-bid from financial institutions	(753.0)	(480.2)	(851.8)	(27.8)	(288.3)	(9.4)
Increase-transfer of properties for debt repayment/ bid from debtors	4,255.8	5,101.1	5,914.1	193.3	5,875.0	192.0
Decrease-transfer of properties for debt repayment/ bid from debtors	(1,946.8)	(1,247.3)	(2,395.2)	(78.3)	(1,458.9)	(47.7)
Increase-non-operating branch.....	—	—	25.6	0.9	—	—
Ending balance of immovable properties	19,223.3	22,866.6	26,676.4	872.1	31,100.2	1,016.7
Movable properties						
Beginning balance of movable properties	134.0	137.3	294.3	9.6	347.5	11.3
Increase-bid from financial institutions.....	—	—	—	—	—	—
Decrease-bid from financial institutions	—	—	—	—	—	—
Increase-transfer of properties for debt repayment/ bid from debtors	3.5	157.0	53.2	1.7	2.9	0.1
Decrease-transfer of properties for debt repayment/ bid from debtors	(0.2)	—	—	—	—	—
Ending balance of movable properties	137.3	294.3	347.5	11.3	350.4	11.4
Total ending balance of properties for sale.....	19,360.6	23,160.9	27,023.9	883.4	31,450.6	1,028.1
Less Revaluation of properties for sale.....	(3,666.0)	(4,882.7)	(5,905.6)	(193.0)	(7,692.7)	(251.5)
Less Allowance for impairment of properties for sale	(612.4)	(543.0)	(522.5)	(17.1)	(513.1)	(16.7)
Properties for sale—net	15,082.2	17,735.2	20,595.8	673.3	23,244.8	759.9

As of December 31, 2016, 2017 and 2018 and September 30, 2019, our net properties for sale was Baht 15,082.2 million, Baht 17,735.2 million, Baht 20,595.8 million (US\$673.3 million) and Baht 23,244.8 million (US\$759.9 million), respectively. The increase in our properties for sale was primarily due to the following factors:

- Ending balance: As of December 31, 2016, 2017 and 2018 and September 30, 2019, our NPAs was Baht 19,360.6 million, Baht 23,160.9 million, Baht 27,023.9 million (US\$883.4 million) and Baht 31,450.6 million (US\$1,028.1 million), respectively. The increase was primarily due to the value of assets we acquired through the transfer of underlying collateral by our debtors to satisfy their debt and through the bidding of debtors' collateral from public auction, which exceeds our sales of NPAs for each respective period.
- Revaluation of properties for sale: For the years ended December 31, 2016, 2017 and 2018 and September 30, 2019, our revaluation of properties for sale was Baht 3,666.0 million, Baht 4,882.7 million, Baht 5,905.6 million (US\$193.0 million) and Baht 7,692.7 million (US\$251.5 million), respectively. The increase was primarily due to the value of assets we acquired exceeding the cost of loans purchased.
- Allowance for impairment of properties for sale: For the years ended December 31, 2016, and 2017 and 2018 and September 30, 2019, our allowance for impairment of properties for sale was Baht 612.4 million, Baht 543.0 million, Baht 522.5 million (US\$17.1 million) and Baht 513.1 million (US\$16.7 million), respectively. The change was primarily due to changes of the values of our NPAs.

Accrued income from auction sale—net

The following table sets forth the principal components of our accrued income from auction sale for the dates indicated.

Accrued income from auction sale	As of December 31,				As of September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
	<i>(in millions)</i>					
Accrued income from auction sale—third party buyers	2,640.7	4,215.2	5,463.4	178.6	6,892.1	225.3
Estimated auction sale expenses	(205.5)	(298.9)	(390.6)	(12.7)	(493.9)	(16.1)
Accrued income from auction sale—third party buyers— net.....	2,435.2	3,916.3	5,072.8	165.9	6,398.2	209.2
Accrued income from auction sale—Company as buyer...	590.8	1,065.2	2,042.7	66.7	2,660.6	86.9
Accrued income from auction sale—net	3,026.0	4,981.5	7,115.5	232.6	9,058.8	296.1

For the periods ended December 31, 2016, 2017 and 2018 and September 30, 2019, our net accrued income from auction sale was Baht 3,026.0 million, Baht 4,981.5 million, Baht 7,115.5 million (US\$232.6 million) and Baht 9,058.8 million (US\$296.1 million), respectively. The increase in our net accrued income from auction sale was primarily due to the following factors:

(1) Accrued income from auction sale—third party buyers

For the periods ended December 31, 2016, 2017 and 2018 and September 30, 2019, our accrued income from auction sale where the buyer was a third party was Baht 2,640.7 million, Baht 4,215.2 million, Baht 5,463.4 million (US\$178.6 million) and Baht 6,892.1 million (US\$225.3 million), respectively. Such increase was primarily due to our recording of accrued income from auction sale during the period more than the amount received from the Legal Execution Department as we have a policy to expedite auction sales of the collateral assets which results in the continued increase of the accrued income from auction sales where the buyer was a third party.

The following table sets forth a breakdown of our accrued income from auction sale where the buyer was a third party, by outstanding term, for the dates indicated below.

	As of December 31,				As of September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
	<i>(in millions)</i>					
Outstanding term						
Within 1 year	857.0	1,567.0	1,550.5	50.7	1,729.8	56.6
More than 1 year but not exceeding 3 years.....	988.5	1,124.2	2,074.0	67.8	2,756.0	90.1
More than 3 years but not exceeding 5 years.....	320.1	876.6	758.9	24.8	774.9	25.3
More than 5 years	475.1	647.4	1,080.0	35.3	1,631.4	53.3
Total	2,640.7	4,215.2	5,463.4	178.6	6,892.1	225.3

Accrued income from auction sales where the buyer was a third party which has been outstanding for more than 5 years primarily arise from cases which are under consideration by the Legal Execution Department. As a result, income and expenditure accounts cannot be delivered to us e.g. in bankruptcy cases, and the Legal Execution Department must wait for receipt of the court's orders for request made by creditors. However, we regularly monitor our accrued income from auction sale by maintaining a register for accrued income from auction sale, which helps us speed up the process for the income and expenditure account. We follow up on outstanding income and expenditure accounts on a quarterly basis.

(2) Estimated auction sale expenses

For the periods ended December 31, 2016, 2017 and 2018 and September 30, 2019, our estimated auction sale expenses were Baht 205.5 million, Baht 298.9 million, Baht 390.6 million (US\$12.7 million) and Baht 493.9 million (US\$16.1 million), respectively. The increase corresponded with the increase in accrued income from auction sales where the buyer was a third party.

(3) Accrued income from auction sale—Company as buyer

For the periods ended December 31, 2016, 2017 and 2018 and September 30, 2019, our accrued income from auction sale where we were the buyer was Baht 590.8 million, Baht 1,065.2 million, Baht 2,042.7 million

(US\$66.7 million) and Baht 2,660.6 million (US\$86.9 million), respectively. Our accrued income from auction sale where we were the buyer increased primarily because our payment to the Legal Execution Department for the collateral assets of debtors which we won at auction before the court allows us to be subrogated to the rights of previous creditors was higher than the amount that we have received from the Legal Execution Department.

Premises and equipment—net

Our net premises and equipment consist of land, buildings, building improvement, equipment and works in process.

The following table sets forth the principal components of our net premises and equipment by asset type as of the dates indicated.

	As of December 31,				As of September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
Premises and equipment—net						
			<i>(in millions)</i>			
Land	780.0	780.0	778.2	25.4	787.2	25.7
Buildings	228.2	206.6	186.4	6.1	175.1	5.7
Building improvement	199.8	167.0	161.2	5.3	140.7	4.6
Equipment	168.0	157.8	125.4	4.1	121.1	4.0
Work in process	1.1	20.7	0.4	0.0	4.9	0.2
Total	1,377.1	1,332.1	1,251.5	40.9	1,229.0	40.2

As of December 31, 2016 and 2017, our net premises and equipment was Baht 1,377.1 million and Baht 1,332.1 million, respectively. Our net premises and equipment decreased primarily due to annual depreciation in accordance with the accounting policy and the sale of non-operating properties at values that exceed their improvement cost.

As of December 31, 2018, our net premises and equipment was Baht 1,251.5 million, decreased from December 31, 2017, primarily due to (i) the relocation of our branch which we transferred related land and building as NPA for sale, (ii) annual depreciation in accordance with the relevant accounting policy and the sale of certain non-operating assets.

As of September 30, 2019, our net premises and equipment was Baht 1,229.0 million, decreased slightly from December 31, 2018.

Advance for expenses on asset acquisition and others

As of December 31, 2016, 2017 and 2018, our advance for expenses on asset acquisition and others was Baht 721.5 million, Baht 825.2 million and Baht 1,217.2 million (US\$39.8 million), respectively. Our advance for expenses on asset acquisition and others comprise advance for expenses on asset acquisition, deposit placed for asset acquisition, income tax refund, ownership transfer expenses and common expenses and others. Such change was primarily due to the increased amounts placed for asset acquisition as a third party and our implementation of policy and goal to expedite sales since 2017.

As of September 30, 2019, our advance for expenses on asset acquisition and others was Baht 934.8 million (US\$30.6 million), decreased from December 31, 2018, primarily due to our expediting of sales and the transfer process to NPAs.

Other assets

The following table sets forth information regarding our other assets.

	As of December 31,				As of September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
			<i>(in millions)</i>			
Prepaid expenses and deferred expenses	54.3	57.5	57.1	1.8	59.2	1.9
Accrued income, interest and dividend receivable	36.7	43.0	36.2	1.2	11.8	0.4
Advanced for litigation expenses	25.6	36.7	18.9	0.6	27.4	0.9
Withholding income tax	—	—	—	—	4.3	0.1
Employee welfare receivable	75.9	68.5	58.5	1.9	49.1	1.6
Others	19.5	14.1	17.4	0.6	14.9	0.5
Total	212.0	219.8	188.1	6.1	166.7⁽¹⁾	5.4

(1) “Advance for expenses on asset acquisition and others” and “other assets” are presented as a combined line item in the statement of financial position for the years ended December 31, 2016, 2017 and 2018, but are reclassified to be presented as two separate line items in the statement of financial position for the nine-month period ended September 30, 2019. As a result of the reclassification, “advance for expenses on asset acquisition and others” is no longer a component of “other assets” in the reviewed interim financial statements for the nine-month period ended September 30, 2019.

As of December 31, 2016, 2017 and 2018 and September 30, 2019, our other assets were Baht 212.0 million, Baht 219.8 million, Baht 188.1 million (US\$6.1 million) and Baht 166.7 million (US\$5.4 million), respectively, which mainly comprise advanced for litigation expenses, advanced for expenses on assets acquisition and registration fees and others, prepaid expenses and deferred expenses and employee welfare receivable.

Total assets

As a result of the foregoing, as of December 31, 2016, 2017 and 2018 and September 30, 2019, our total assets were Baht 93,636.7 million, Baht 99,933.4 million, Baht 107,653.0 million (US\$3,519.2 million) and Baht 121,701.3 million (US\$3,978.5 million), respectively.

Debt issued and borrowing

The following table sets forth information regarding our debt issued and borrowing by type of borrowing as of the dates indicated.

	As of December 31,				As of September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
Debt issued and borrowing						
				(in millions)		
Notes payable						
Short term	4,977.6	2,534.2	2,281.4	74.6	2,473.2	80.8
Long term	1,021.3	2,164.0	2,259.4	73.9	2,368.0	77.4
Less Deferred interest expense	(129.2)	(138.3)	(220.4)	(7.2)	(208.8)	(6.8)
Notes payable aval expense	(10.7)	(24.8)	(7.8)	(0.3)	(4.6)	(0.1)
Discount on promissory notes	(1.5)	—	—	—	—	—
Total notes payable	5,857.5	4,535.1	4,312.6	141.0	4,627.8	151.3
Borrowing				0.00		0.00
Short term	12,343.1	10,812.5	9,547.5	312.1	10,841.1	354.4
Long term	15,551.0	10,761.2	11,686.4	382.0	11,448.6	374.3
Less deferred credit fee	(4.4)	(3.0)	(1.7)	(0.1)	(0.6)	(0.0)
Total borrowing	27,889.7	21,570.7	21,232.2	694.1	22,289.1	728.6
Debentures	16,581.9	30,762.7	32,164.5	1,051.4	48,143.2	1,573.8
Total debt issued and borrowing	50,329.1	56,868.5	57,709.3	1,886.5	75,060.1	2,453.7

As of December 31, 2016, 2017 and 2018 and September 30, 2019, our debt issued and borrowing was Baht 50,329.1 million, Baht 56,868.5 million, Baht 57,709.3 million (US\$1,886.5 million) and Baht 75,060.1 million (US\$2,453.7 million), respectively.

Notes payable

As of December 31, 2016, 2017 and 2018, we had notes payable of Baht 5,857.5 million, Baht 4,535.1 million and Baht 4,312.6 million (US\$141.0 million), respectively. Our notes payable decreased from 2016 to 2018 as our notes matured.

Our net notes payable increased to Baht 4,627.8 million (US\$151.3 million) from December 31, 2018 to September 30, 2019 primarily due to our issuance of short term notes for the repayment of loans purchased.

Total borrowing

As of December 31, 2016, 2017 and 2018, our total borrowing was Baht 27,889.7 million, Baht 21,570.7 million and Baht 21,232.2 million (US\$694.1 million), respectively. Such decrease was due to the repayment amount of maturing loans exceeding additional loan amounts.

Our total borrowing increased to Baht 22,289.1 million (US\$728.6 million) from December 31, 2018 to September 30, 2019 primarily due to our additional loans for the repayment of loans purchased.

Debtentures

As of December 31, 2016, 2017 and 2018, our debtentures (following deduction of expenses for the issuance) were Baht 16,581.9 million, Baht 30,762.7 million and Baht 32,164.5 million (US\$1,051.4 million), respectively. Our debtentures have continuously increased between 2016 and 2018 primarily due to the issue of new debtentures to manage liquidity and finance the purchase of new portfolios are more than our repayment of maturing debtentures.

Our debtentures increased to Baht 48,143.2 million (US\$1,573.8 million) from December 31, 2018 to September 30, 2019 primarily due to our issuance of debtentures of Baht 20,000.0 million.

Accrued income payable from auction sale

As of December 31, 2018, our accrued income payable from auction sale were Baht 5,342.0 million (US\$174.6 million) due to the receipt of payment of the auction sale from the Legal Execution Department for the year ended December 31, 2018 in respect of the sale of collateral assets of one debtor in which we, as a preferential creditor, had filed to receive the proceeds from such auction sale while the debtor and other two creditors had filed for the revocation of the auction sale to the Central Bankruptcy Court. In the same period, the Court of First Instance dismissed such request from the debtor and the other two creditors. However, they are entitled to file an appeal to such order. Subsequently, the debtor filed a motion to withdraw its appeal and the other two creditors filed a motion to waive their rights to appeal the court's order. We then received a letter certifying that the Central Bankruptcy Court had rendered the final decision on this case, dismissing the case filed by the debtor and the other two creditors during the nine-month period ended September 30, 2019. We recorded gain on loans purchased in the amount of Baht 3,214.6 million (US\$105.1 million).

Other liabilities

Our other liabilities primarily consists of tax payable and accrued expenses, deposit and marginal deposit, liabilities between Bangkok Commerce Plc and our company, suspense account and clearing cheque, suspense account for debt payment (cash and properties for sale for sale), financial creditors selling rights to claim and others.

The following table sets forth the principal components of our other liabilities as of the dates indicated.

Other liabilities	As of December 31,				As of September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
			(in millions)			
Tax payable and accrued expenses	345.6	380.1	734.8	24.0	541.9	17.7
Deposit and marginal deposit	97.0	110.1	297.7	9.7	605.6	19.8
Liabilities between Bangkok Commerce Plc.						
and the Company	19.2	19.2	19.2	0.6	19.2	0.6
Suspense account and clearing cheque	128.8	96.3	155.0	5.1	84.9	2.8
Suspense account for debt payment	375.8	351.6	145.9	4.8	305.4	10.0
Financial creditors selling right to claim	939.5	—	364.6	11.9	—	—
Others	12.7	19.3	20.6	0.7	22.3	0.7
Total other liabilities	1,918.6	976.6	1,737.8	56.8	1,579.3	51.6

As of December 31, 2016, 2017 and 2018 and September 30, 2019, our other liabilities were Baht 1,918.6 million, Baht 976.6 million, Baht 1,737.8 million (US\$56.8 million) and Baht 1,579.3 million (US\$51.6 million), respectively. Our other liabilities decreased from December 31, 2016 to December 31, 2017 primarily due to the repayment to financial creditors selling right to claim in accordance with the conditions of the sale. Our other liabilities increased from December 31, 2017 to December 31, 2018 primarily due to our recording of accrued performance-based bonus payments to our employees in accordance with our bonus policy and financial creditors selling right to claim prior to repayment. Our other liabilities decreased from December 31, 2018 to September 30, 2019 primarily due to our repayment to financial creditors selling right to claim and certain tax payable and accrued expenses for the nine-month period ended September 30, 2019.

Total liabilities

As a result of the foregoing, as of December 31, 2016, 2017 and 2018 and September 30, 2019, our total liabilities were Baht 53,114.0 million, Baht 58,874.0 million, Baht 65,804.0 million (US\$2,151.2 million) and Baht 78,126.2 million (US\$2,554.0 million), respectively.

Total shareholders' equity

The following table sets forth information regarding our total shareholders' equity as of the dates indicated.

	As of December 31,				As of September 30,	
	2016	2017	2018		2019	
Total shareholders' equity	Baht	Baht	Baht	US\$	Baht	US\$
	(in millions)					
Share capital						
Authorized share capital	16,225.0	16,225.0	16,225.0	530.4	16,225.0	530.4
Issued and paid-up share capital	13,675.0	13,675.0	13,675.0	447.0	13,675.0	447.0
Other components of shareholders' equity	(43.8)	(46.2)	(58.0)	(1.9)	(72.0)	(2.3)
Retained earnings						
Appropriated						
Legal reserve	1,622.5	1,622.5	1,622.5	53.0	1,622.5	53.0
Unappropriated	25,269.0	25,808.1	26,609.5	869.9	28,349.6	926.8
Total shareholders' equity	40,522.7	41,059.4	41,849.0	1,368.0	43,575.1	1,424.5

Total shareholders' equity comprises issued and paid-up share capital, other components of shareholders' equity and retained earnings. As of December 31, 2016 and 2017, our total shareholders' equity was Baht 40,522.7 million and Baht 41,059.4 million, respectively, increased by Baht 536.7 million or 1.3%, primarily due to our net profit of Baht 4,500.8 million and dividend payment in the amount of Baht 3,961.6 million for year ended December 31, 2017.

As of December 31, 2017 and 2018, our total shareholders' equity were Baht 41,059.4 million and Baht 41,849.0 million (US\$1,368.0 million), respectively, increased by Baht 789.6 million, or 1.9%, primarily due to our net profit of Baht 5,202.0 million and dividend payment in the amount of Baht 4,400.6 million (US\$143.9 million) for year ended December 31, 2018.

Meanwhile, our total shareholders' equity increased by Baht 1,726.1 million from Baht 41,849.0 million (US\$1,368.0 million) as of December 31, 2018 to Baht 43,575.1 million (US\$1,424.5 million) as of September 30, 2019, primarily due to our recognition of net profit of Baht 4,882.3 million (US\$159.6 million) and dividend payment of Baht 3,121.5 million (US\$102.0 million) for the nine-month period ended September 30, 2019.

Upon the completion of the financial statement for the nine-month period ended September 30, 2019, the Extraordinary General Meeting of Shareholders No. 3/2019 held on November 12, 2019 considered and approved the payment of an interim dividend prior to the initial public offering in the amount of Baht 13,000.00 million, or Baht 4.75 per share from the Company's retained earnings. Our shareholders' equity value as of September 30, 2019 was Baht 15.93 per share (US\$0.52).

Our payment of an interim dividend above may result in a decrease in unappropriated retained earnings and shareholders' equity by Baht 13,000.00 million and an increase in liabilities from an increase of dividend payable in the amount of Baht 13,000.00 million, which may result in a change in financial ratio relating to capital structure for the nine-month period ended September 30, 2019 as follows:

Financial ratio	For the nine-month period ended September 30, 2019	After the payment of an interim dividend ⁽²⁾
Return on equity (%)	15.24 ⁽¹⁾	17.98 ⁽¹⁾
Liability-to-equity ratio	1.79x	2.98x
Interest-bearing debt to equity ratio	1.72x	2.88x

(1) Calculated by annualizing the relevant items in the statement of comprehensive income for the nine-month period ended September 30, 2019.

(2) Financial ratio after the payment of an interim dividend calculated from financial statement for the nine-month period ended September 30, 2019 without considering our record after the payment of an interim dividend.

Liquidity and Capital Resources

Our business is capital intensive and we have to maintain sufficient liquidity at all times. Our access and ability to tap various sources of funding is therefore critical to fund our purchases of NPLs and NPAs and to grow our business. Historically, we have relied on variety of sources such as short-term and long-term promissory notes, short-term and long-term bank loans and issuance of debentures and cash from our operating

activities. In our business operation, we may consider using leverage obtained from aforementioned sources where appropriate and are not subject to restrictions on when leverage may be used. In this regard, under the terms of certain of our third party financing documents, we are required to maintain debt-to-equity ratio of no more than 3.0 to 1.0 for the years ended December 31, 2019 and 2020 or until we receive the proceeds from the Combined Offering, whichever is earlier, and a maximum debt-to-equity ratio of no more than 2.0 to 1.0 afterwards. We have not entered into any collateral or asset reuse arrangements. We expect to continue to rely on these sources of funding after the IPO.

Cash flows

As of December 31, 2016, 2017 and 2018 and September 30, 2018 and 2019, our cash and cash equivalents amounted to approximately Baht 1,606.4 million, Baht 1,158.9 million, Baht 1,031.6 million (US\$33.7 million), Baht 1,698.1 million (US\$55.5 million) and Baht 1,537.7 million (US\$50.3 million), respectively.

Cash flows	For the Year Ended December 31,				For the Nine-Month Period Ended September 30,		
	2016	2017	2018		2018	2019	
	Baht	Baht	Baht	US\$	Baht	Baht	US\$
	<i>(in millions)</i>						
Net cash provided from (used in) operating activities.....	3,424.4	3,816.7	8,176.6	267.3	5,046.1	(3,294.6)	(107.7)
Net cash used in investing activities	(111.4)	(87.9)	(60.9)	(2.0)	(1,002.7)	(5,652.5)	(184.7)
Net cash provided from (used in) financing activities.....	(3,316.5)	(4,176.3)	(8,243.0)	(269.5)	(3,504.2)	9,453.2	309.0
Cash and cash equivalents at beginning of year	1,609.9	1,606.4	1,158.9	37.9	1,158.9	1,031.6	33.7
Cash and cash equivalents at end of year	1,606.4	1,158.9	1,031.6	33.7	1,698.1	1,537.7	50.3

Net cash provided from (used in) operating activities

For the nine-month period ended September 30, 2019, our net cash used in operating activities was Baht 3,294.6 million (US\$107.7 million), primarily comprising cash received from interest income of Baht 7,917.6 million (US\$258.8 million), a decrease in loans purchased of Baht 5,057.3 million (US\$165.3 million), operating profit before income tax expenses of Baht 4,884.0 million (US\$159.7 million) and a decrease in property foreclosed of Baht 639.3 million (US\$20.9 million), partially offset by cash paid for purchase of assets transferred from financial institutions of Baht 7,524.1 million (US\$246.0 million), net interest income of Baht 6,423.6 million (US\$210.0 million), a decrease in unearned accrued income from auction sale of Baht 5,342.0 million (US\$174.6 million), an increase in accrued income from auction sale of Baht 1,943.3 million (US\$63.5 million) and cash paid on interest of Baht 1,383.1 million (US\$45.2 million).

For nine-month period ended September 30, 2018, our net cash provided from operating activities was Baht 5,046.1 million, primarily comprising unearned accrued income from auction sale of Baht 5,342.0 million, operating profit before income tax expenses of Baht 3,313.7 million, cash received from interest income of Baht 3,069.0 million, a decrease in loans purchased of Baht 2,830.9 million and a decrease in property foreclosed of Baht 1,090.0 million, partially offset by cash paid for purchase of assets transferred from financial institutions of Baht 4,402.2 million, a decrease in net interest income of Baht 1,758.6 million, a decrease in other liabilities of Baht 1,512.2 million, an increase in accrued income from auction sale of Baht 1,379.5 million and cash paid on interest of Baht 1,331.1 million.

For the period ended December 31, 2018, our net cash provided from operating activities was Baht 8,176.6 million (US\$267.3 million), primarily comprising operating profit before income tax expenses of Baht 5,209.3 million (US\$170.3 million), decreased in loans purchased of Baht 5,037.0 million (US\$164.7 million) cash received from interest income of Baht 1,971.9 million (US\$64.5 million) and an increase in property foreclosed of Baht 1,513.9 million (US\$49.5 million), and partially offset from cash paid for purchase of assets transferred from financial institutions of Baht 7,088.3 million (US\$231.7 million), an increase in accrued income from auction sale of Baht 2,129.5 million (US\$69.6 million) and cash paid on interest of Baht 1,801.2 million (US\$58.9 million).

For the period ended December 31, 2017, our net cash provided from operating activities was Baht 3,816.7 million, primarily comprising a decrease in loans purchased of Baht 4,987.6 million, operating profit before income tax expenses of Baht 4,509.0 million, cash received from interest income of Baht 2,015.9 million and a decrease in property foreclosed of Baht 898.6 million, and partially offset from cash paid for

purchase of assets transferred from financial institutions of Baht 4,734.3 million, an increase in accrued income from auction sale of Baht 1,785.5 million and cash paid on interest of Baht 1,484.9 million.

For the period ended December 31, 2016, our net cash provided from operating activities was Baht 3,424.4 million, primarily comprising operating profit before income tax expenses of Baht 4,915.9 million, a decrease in loans purchased of Baht 3,856.4 million, a decrease in property foreclosed of Baht 1,714.2 million and cash received from interest income of Baht 1,401.0 million, and partially offset from cash paid for purchase of assets transferred from financial institutions of Baht 5,411.3 million, cash paid on interest of Baht 1,224.7 million and an increase in accrued income from auction sale of Baht 1,185.8 million.

Net cash used in investing activities

For the nine-month period ended September 30, 2019, our net cash used in investing activities was Baht 5,652.5 million (US\$184.7 million), primarily due to cash paid on purchase of available-for-sale securities of Baht 11,187.7 million (US\$365.7 million).

For the nine-month period ended September 30, 2018, our net cash used in investing activities was Baht 1,002.7 million, primarily due to cash paid on purchase of available-for-sale securities of Baht 5,052.1 million.

For the period ended December 31, 2018, our net cash used in investing activities was Baht 60.9 million (US\$2.0 million), primarily due to cash paid on purchase of premises and equipment of Baht 78.6 million (US\$2.6 million).

For the period ended December 31, 2017, our net cash used in investing activities was Baht 87.9 million, primarily due to cash paid on purchase of premises and equipment of Baht 99.4 million.

For the period ended December 31, 2016, our net cash used in investing activities was Baht 111.4 million, primarily due to cash paid on purchase of premises and equipment of Baht 123.8 million.

Net cash provided from (used in) financing activities

For the nine-month period ended September 30, 2019, our net cash provided from financing activities was Baht 9,453.2 million (US\$309.0 million), comprising cash paid on repayment of loans and debt securities of Baht 35,990.8 million (US\$1,176.6 million), cash paid on debenture payment of Baht 4,000.0 million (US\$130.8 million), cash paid on dividend payment to shareholders of Baht 3,121.5 million (US\$102.0 million), which was partially offset by cash received from bank loans of Baht 32,600.0 million (US\$1,065.7 million) and cash received from debenture issuance of Baht 20,000.0 million (US\$653.8 million).

For the nine-month period ended September 30, 2018, our net cash used in financing activities was Baht 3,504.2 million, comprising cash paid on repayment of loans and debt securities of Baht 17,242.1 million, cash paid on dividend payment to shareholders of Baht 4,400.6 million and cash paid on debenture payment of Baht 4,300.0 million, which partially offset by cash received from bank loans of Baht 14,450.0 million and cash received from debenture issuance of Baht 8,000.0 million.

For the year ended December 31, 2018, our net cash provided used in financing activities was Baht 8,243.0 million (US\$269.5 million), primarily comprising cash paid on repayment of loans and debt securities of Baht 21,779.0 million (US\$712.0 million), cash paid on debenture payment of Baht 6,600.0 million (US\$215.8 million) and cash paid on dividend payment to shareholders of Baht 4,400.6 million (US\$143.9 million), which partially offset by cash received from bank loans of Baht 16,450.0 million (US\$537.8 million) and cash received from debenture issuance of Baht 8,000.0 million (US\$261.5 million).

For the year ended December 31, 2017, our net cash used in financing activities was Baht 4,176.3 million, primarily comprising cash paid on repayment of loans and debt securities of Baht 45,324.7 million, cash paid on debenture payment of Baht 8,400.0 million and cash paid on dividend payment to shareholders of Baht 3,961.6 million, which partially offset by cash received from bank loans of Baht 30,943.3 million and cash received from debenture issuance of Baht 22,600.0 million.

For the year ended December 31, 2016, our net cash used in financing activities was Baht 3,316.5 million, primarily comprising cash paid on repayment of loans and debt securities of Baht 56,844.3 million and cash paid on dividend payment to shareholders of Baht 3,842.7 million, which partially offset by cash received from bank loans of Baht 50,979.7 million and cash received from debenture issuance of Baht 6,400.0 million.

Material Contractual Obligations and Commitments

The following table sets forth information regarding our actual material contractual obligations and commitments as of September 30, 2019.

	Total	Less than 1 year	1-5 years	More than 5 years
	Baht	Baht	Baht	Baht
		<i>(in millions)</i>		
Notes	4,841.2	2,473.2	2,210.8	157.2
Borrowings	22,289.7	10,841.1	11,448.6	—
Debentures	48,200.0	4,030.0	22,200.0	21,970.0
Total	75,330.9	17,344.3	35,859.4	22,127.2

Off-Balance Sheet Arrangements

As of September 30, 2019, we did not have any material off-balance sheet arrangements or contingent liabilities. See “—*Litigation and our Legal Provisioning Policy.*”

Historical and Planned Capital Expenditures

Our capital expenditures primarily consist of expenses relating to land, equipment and building improvement.

Quantitative and Qualitative Disclosure About Market and Other Risks

We are, in the normal course of business, exposed to various types of market risks, including liquidity risk, credit risk and interest rate risk. Our risk management strategy aims to minimize the adverse effects of these risks on our financial performance. See “*Business—Risk Management.*”

Strategy risk

Strategy risk is the risk that we may have to adjust our strategy to deal with external and internal factors. External factors include regulatory changes or other changes in the business environment. Internal factors include the execution of our strategy and whether any adjustments on our strategy are required. We manage strategy risk, review corporate direction and devise strategic plans. The Board of Directors and management take part in determining corporate direction and establishing an action plan that is related to and aligned with the strategic plan so that they can properly control strategy risk, and can benchmark our performance against the action plan to assess the achievement of our strategic plan.

Operational risk

Operational risk is risk relating to the internal processes of the company, such as day-to-day business operations, human resources, IT and others. We adopt an operational risk procedure to identify, assess, monitor and control risk, including periodically reporting any risks to the Risk Oversight Committee so that it is aware of the risk level in each transaction and can maintain an acceptable level of risk. We develop key instruments in operational risk management, including instruments to monitor and control risk at the corporate, departmental and functional levels, such as self-assessment of performance and reporting monthly loss data relating to any events that may have caused loss during that period.

Liquidity risk

Liquidity refers to the capability of an organization to meet its funding requirements for management and purchase or transfer of assets and for completing transactions. We manage liquidity risk according to guidelines approved by the Risk Oversight Committee, and in line with the policy of our major shareholder so that we can manage liquidity efficiently and reliably.

Credit risk

As an asset management company, we generate revenue from managing and selling NPLs and NPAs, and not from lending. Hence, our business is mainly subject to asset quality risk. We determine the creditworthiness of borrowers and the quality of the underlying collateral in order to determine the optimal restructuring solution and minimize credit risk. We also continue to monitor debtors performance in order to mitigate risk from debtors who fail to meet their obligations under restructuring agreements, and we take remedial action as required.

Market risk

We define market risk as the risk of volatility in real estate prices, as real estate is the primary asset class of the collateral underlying our NPLs and NPAs. Appraisal prices are subject to change based on external factors affecting the asset (e.g., changes in zoning or other regulations affecting the asset) or general market conditions. We set aside appropriate reserves for impairment of assets in accordance with applicable accounting policies and standards.

Interest rate risk

Changes in interest rates can have adverse or favorable effects on various aspects of our business. An increase in interest rates will generally increase our cost of funds as well as interest amounts our debtors are obliged to pay us. Higher interest rates, particularly in times coinciding with economic downturns, may also result in additional defaults by our debtors. Increases in interest rate may result in additional defaults by debtors of commercial banks, which could increase the supply of NPLs in the market. However, if our cost of funds increases, we may have to decrease our bid prices for NPLs to achieve our internally target rates of return on our portfolios, which may affect our success rates at bidding for NPLs. Lower interest rates will tend to have the opposite effect.

Seasonality

We do not experience any material seasonality in our business.

Analysis of Significant Financial Ratios

The following discussion set forth our description of significant financial ratios.

Ratios which represent special features of our business

Cash collection ratio in respect of our NPL management business

For the years ended December 31, 2016, 2017 and 2018 and the nine-month period ended September 30, 2019, our cash collection ratio in respect of our NPL management business were 13.32%, 12.83%, 14.55% and 20.55%, respectively. Such decrease from the year ended December 31, 2016 to the year ended December 31, 2017 was primarily due to (i) overall decrease of repayment from debtors which is consistent with the decrease of quality of loans purchased in the financial institution system and (ii) an increase in our loans purchased consistent with our strategy to expand our assets base. The increase in this ratio from the year ended December 31, 2017 to the year ended December 31, 2018 was primarily due to (i) an increase in the receipt of payment from significant debtors; and (ii) an increase in cash from auction sales of the Legal Execution Department in accordance with our proactive policy to increase cash collection from auction sales at the Legal Execution Department.

The increase in our cash collection ratio in respect of our NPL management business from the year ended December 31, 2018 to the nine-month period ended September 30, 2019 was primarily due to (i) our policy to increase cash collection from auction sales at the Legal Execution Department; and (ii) the receipt of the payment from auction sales at the Legal Execution Department in respect of sales of collateral assets of one significant debtor of Baht 5,342.0 million (US\$174.6 million) during the nine-month period ended September 30, 2019.

Cash collection ratio in respect of our NPA management business

For the years ended December 31, 2016, 2017 and 2018 and the nine-month period ended September 30, 2019, our cash collection ratio in respect of our NPA management business were 31.83%, 24.88%, 29.12% and 16.16%, respectively. The decrease from the year ended December 31, 2016 to the year ended December 31, 2017 was primarily due to (i) a decrease in our sales of vacant lands which was consistent with the downturn of the real estate industry and (ii) an increase in NPAs consistent with our strategy to expand our assets base. The increase in this ratio from the year ended December 31, 2017 to the year ended December 31, 2018 was primarily due to an increase in cash collection from outright sales of properties for sale which we believe it resulted from improved economic conditions.

The decrease in the cash collection ratio in respect of our NPA management business from the year ended December 31, 2018 to the nine-month period ended September 30, 2019 was primarily due to (i) a

decrease in cash collection from outright sales of properties for sale which we believe is due to the impact and uncertainty of land and building tax and stricter lending policies by financial institutions as well as loan-to-value (LTV) measures and an economic downturn that led to a slowdown of purchases of real properties during the nine-month period ended September 30, 2019; and (ii) an increase in NPAs consistent with our strategy to expand our assets base.

Debt to shareholders' equity ratio

As of December 31, 2016, 2017 and 2018 and September 30, 2019, our debt to shareholders' equity ratio were 1.31, 1.43, 1.57 and 1.79 times, respectively. The increase from the years ended December 31, 2016 to the years ended December 31, 2017 was primarily due to our higher amount of new debentures issued and offered to manage liquidity and finance our purchases of new NPLs and NPAs portfolios than the amount paid in respect of debentures which were due. The increase from the years ended December 31, 2017 to the years ended December 31, 2018 was primarily due to our accrued income payable from auction sale of Baht 5,342.0 million (US\$174.6 million) as we received the payment from the auction sale of collateral assets at the Legal Execution Department in respect of a debtor. However, if in the future, the Court revokes such auction sale, we will be required to return such amount to the debtor's assets (the Legal Execution Department) within a certain period.

The increase in our debt to shareholders' equity ratio from December 31, 2018 to the nine-month period ended September 30, 2019 was primarily due to an increase in loans from financial institutions to manage liquidity and finance our purchases of new portfolios and our dividend payment during such period.

Dividend payout ratio

For the years ended December 31, 2017 and 2018, we had dividend payout ratio of 80.79% and 97.77% of our net profit for the preceding year. For the nine-month period ended September 30, 2019, we declare dividend payment at the rate of 60.00% of our net profit of the preceding year.

INDUSTRY OVERVIEW

The independent market research report contained in this section, including all data (actual, estimates and forecasts) relate to the distressed asset management industry in Thailand. The Company does not make any representation as to the accuracy of this information. These sources, including the data provided by Ipsos, are based on economic and other assumptions that may prove to be incorrect and the information has not been independently verified by the Company, the International Bookrunners or the Thai underwriters, nor any of their respective advisors. You should recognize that certain industry data contained in this section is estimated in the absence of official confirmation or reliable country source information, and you should not place undue reliance on such data.

This report includes forecasts and other forward-looking estimates. These forward-looking statements are necessarily based on various assumptions and estimates that are inherently subject to various risks and uncertainties relating to possible invalidity of the underlying assumptions and estimates and possible changes or development of social, economic, business, industry, market, legal, government, and regulatory circumstances and conditions and actions taken or omitted to be taken by others.

Assumptions relating to the foregoing involve judgments with respect to, among other things, future economic and competitive market conditions and future government and business decisions, all of which are difficult or impossible to predict accurately. Actual results and future events could differ materially from such projections. You should not place undue reliance on such statements, or on the ability of Ipsos or any other third party to accurately predict future industry trends or performance. This report contains information supplied by, and analysis based on, public and private sources. To the extent such sources have been cited in this section, Ipsos confirms that it is allowed to reference such sources. While Ipsos believes that the information is correct, it cannot guarantee its validity. Some amounts in this report are rounded.



Summary Report for the Prospectus

Market Landscape and Competitive Analysis for the Distressed Asset Management Industry in Thailand

Ipsos Business Consulting

November 2019



The information contained in the section "Industry Overview" has been prepared by Ipsos Business Consulting ("Ipsos"), independent market research experts commissioned by our Company to analyse and report on, among others, the market landscape of Thailand's distressed asset management industry. Such information has been prepared by Ipsos on the basis of various official government publications and other sources as indicated therein. We believe that the information in "Industry Overview" has been derived from reliable and appropriate sources, and that reasonable care has been taken in extracting and reproducing the information in this section from such sources. We believe that the information in this section is not false or misleading in any material respect, and that no fact has been omitted that would render such information false or misleading in any material respect. The information in this section has not been independently verified by us, the Joint Global Coordinators or any of their respective affiliates, advisers, directors, officers or representatives. None of the Joint Global Coordinators, nor any of their respective affiliates, advisers, directors, officers or representatives makes any representation as to the accuracy, completeness or fairness of such information.

References to Ipsos should not be considered as the opinion of Ipsos as to the value of any security or the advisability of investing in our Company.

Thailand's economic performance and growth

The current situation of the Thai economy

Thailand's gross domestic product

	Unit	2014	2015	2016	2017	2018	2019F
GDP, chain volume measures (reference year = 2002)	million baht (% YoY)	9,232,084 1.0%	9,521,408 3.1%	9,840,993 3.4%	10,237,003 4.0%	10,659,712 4.1%	10,936,865 2.6%
Total investment (reference year = 2002)	million baht (% YoY)	2,252,515 -2.2%	2,350,865 4.4%	2,418,035 2.9%	2,461,691 1.8%	2,554,135 3.8%	2,623,097 2.7%
Total consumption (reference year = 2002)	million baht (% YoY)	6,225,486 1.2%	6,372,887 2.4%	6,547,427 2.7%	6,698,816 2.3%	6,964,147 4.0%	7,230,916 3.8%
▪ Private consumption	million baht (% YoY)	4,768,309 0.8%	4,879,051 2.3%	5,020,058 2.9%	5,169,727 3.0%	5,407,534 4.6%	5,640,058 4.3%
▪ Public consumption	million baht (% YoY)	1,457,177 2.8%	1,493,836 2.5%	1,527,369 2.2%	1,529,089 0.1%	1,556,613 1.8%	1,590,858 2.2%
Export of goods (at current prices)	million baht	7,359,947 5.3%	7,331,655 -0.4%	7,533,400 2.8%	7,920,700 5.1%	8,114,900 2.5%	n/a n/a



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	(% YoY)						
Import of goods (at current prices)	million baht (% YoY)	6,801,008 -2.5%	6,407,028 -5.8%	6,270,835 -2.1%	6,815,779 8.7	7,394,400 8.5%	n/a n/a

Source: National Economic and Social Development Board, Bank of Thailand

In the third quarter of 2019, Thailand's real GDP grew by 2.4 percent from the previous quarter due to several supporting factors, including: (1) the growth in private consumption; (2) the growth in government expenditure (3) the growth of total investment; (4) the growth in construction sector, which drove by the expansion of public construction; (5) the increase in agriculture production from previous quarter after the prolonged periods of drought and no rainfall; (6) the slightly growth in electricity, gas, stream and air conditioning supply sector; (7) the growth in land transportation sector, air transportation sector, postal service sector and other related services; (8) the growth in accommodation and food service activities from the rise of foreign tourists from the previous quarter and from the extension of Visa-on-arrival fee waiver; and (9) the growth in wholesale, retail sales sector and the repair of motor vehicles and motorcycles sector, which has been slowdown from the decline in household spending, but still be able to supported real GDP's growth.

However, several factors added pressures on the growth of Thailand's real GDP in the third quarter of 2019 including: (1) the decrease in export sector from the decline in export value and export volume; (2) the slowdown in manufacturing production following the decline in export value, which resulted in the falling in manufacturing production index and capacity utilization rate from the previous quarter; and (3) the decrease in water transportation sector from the decrease in demand for international shipping and the decrease in manufacturing production. Because of these negative factors, Office of the National Economic and Social Development Board (NESDB) revised the economic projection for 2019 by cutting the forecast Thailand's real GDP growth rate from 3.6 percent (with the range of 3.3 to 3.8 percent) to 3.0 percent (with the range of 2.7 to 3.2 percent) in August 2019 and adjusted to 2.6 percent in 18 November 2019.

Thailand's direct foreign investment (FDI) increased from 20.8 billion baht in the first quarter of 2019 to 63.3 billion baht in the second quarter of 2019. The financial and insurance sector and wholesale and retail trade; repair of motor vehicles and motorcycles sector proved to be the most attractive for foreign investors, with a net investment inflow of 17.4 billion baht each in the second quarter of 2019. This was followed by the manufacture of computer, electronic and optical products sector, and the real estate sector. These sectors brought in foreign investment totals of 16.8 billion baht, and 15.9 billion baht, respectively.

Thailand's high level of household debt continues to put pressure on the overall economy. The level of household debt increased steadily from 2007 to 2015. In 2015, Thailand's household debt to GDP reached a peak of 81.2 percent, before dropping in 2016 and 2017. However, Thailand's household debt to GDP has since risen to 78.7 percent in the first and second quarter of 2019, up slightly from 78.6 percent in 2018. The level of household debt to GDP in the first and second quarter of 2019 was the highest level in the past two and a half year. the level of household debt to GDP increased in 2019 as the growth rate of household debt level has been higher than the growth rate of GDP since the third quarter of 2019. As a result, the level of household debt to GDP tends to increase. Household debt problem is one factor that affected Thailand's economic growth as people tend to spend less when they are indebted, which slowdown the private consumption. Moreover,



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high level of household debt could increase the vulnerability of household to the uncertainty of economy and could affect household's debt servicing ability in the future.

Thailand's overall financial stability remained sound in the third quarter of 2019 as the unemployment rate and the inflation rate remain low. However, Thailand's real GDP growth rate that is lower than the expected growth rate, the increase in the level of household debt to GDP and the appreciation of Thai Baht resulted in added pressure on the Thai economy.



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Interest rate movement

Start	End	Policy rate (% per annum)	Start	End	Policy rate (% per annum)
1-Jan-08	30-Jun-08	3.25	1-Jul-11	31-Jul-11	3.25
1-Jul-08	31-Jul-08	3.50	1-Aug-11	31-Oct-11	3.50
1-Aug-08	30-Nov-08	3.75	1-Nov-11	31-Dec-11	3.25
1-Dec-08	31-Dec-08	2.75	1-Jan-12	30-Sep-12	3.00
1-Jan-09	31-Jan-09	2.00	1-Oct-12	30-Apr-13	2.75
1-Feb-09	31-Mar-09	1.50	1-May-13	31-Oct-13	2.50
1-Apr-09	30-Jun-10	1.25	1-Nov-13	28-Feb-14	2.25
1-Jul-10	31-Jul-10	1.50	1-Mar-14	28-Feb-15	2.00
1-Aug-10	30-Nov-10	1.75	1-Mar-15	31-Mar-15	1.75
1-Dec-10	31-Dec-10	2.00	1-Apr-15	31-Nov-18	1.50
1-Jan-11	28-Feb-11	2.25	1-Dec-18	31-Jul-19	1.75
1-Mar-11	31-Mar-11	2.50	1-Aug-19	31-Oct-19	1.50
1-Apr-11	31-May-11	2.75	1-Nov-19	Present*	1.25
1-Jun-11	30-Jun-11	3.00			

Source: Bank of Thailand

Remark: Policy rate is the 1-day bilateral repurchase rate set by the Bank of Thailand for conducting monetary policy.

*As of 18 November 2019

The Monetary Policy Committee (MPC) continued with an expansionary monetary policy by maintaining a low policy interest rate to stimulate economic growth since 2015. Thereby, Thailand's policy interest rate was maintained at 1.50 percent until November 2018. As Thailand's economic continued to grow, the Monetary Policy Committee (MPC) increased a policy interest rate by 0.25 percent to 1.75 percent in December 2018. The committee calculated that the prolonged low policy rate had stimulated the Thai economy to meet the target level. Therefore, the need to maintain the policy rate at 1.50 percent was reduced. The raised policy



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interest rate is expected to increase financial stability in the country, although the policy rate of 1.75 percent is still relatively low and suitable to support continued economic growth.

However, the Monetary Policy Committee (MPC) cut a policy rate from 1.75 percent to 1.50 percent in August 2019. Later, the Monetary Policy Committee (MPC) adjusted a policy rate by decreasing from 1.50 percent to 1.25 percent in November 2019 as Thailand's economic is expected to growth lower than the expected growth rate from the deceleration of export value and from the slowdown of private consumption in the country. Moreover, the headline inflation rate is expected to lower than the target from the decline in oil price. The Monetary Policy Committee (MPC) expected that the decreased policy interest rate could raise the headline inflation rate toward the target and support Thailand's economic growth.

In October 2019, Thailand's MLR ranged from 6.03 percent to 6.60 percent; and the savings deposit rate ranged from 0.3 percent to 0.63 percent. Since Thailand's savings deposit rate remains low, many Thai people and investors are moving their savings account deposits to securities with higher returns. Nevertheless, the MLR and saving deposit rate is expected to increase since the Monetary Policy Committee (MPC) cut the policy interest rate from 1.50 percent to 1.25 percent in November 2019.

In the third quarter of 2019, Thai baht was at an average of 30.71 baht per US dollar, appreciating from the 2018 average rate of 32.31 baht per US dollar. The appreciation of Thai baht was partly supported by capital inflows in both equity and bond market due to an expected policy rate cut of the Federal Reserve (Fed) in June. Besides, Thai baht was also supported by strong economic fundamentals reflecting from a surplus of current account and a foreign inflow in the Thai bond market. Furthermore, the external debt to GDP ratio was considered low by the international standard as the ratio stood at 34.8 percent in the second quarter of 2019. On the other hand, the international reserves remained high at 215.8 billion US dollars in the second quarter of 2019, or at about 3.5 times of short-term external debt or 1.3 times of total external debt, which reflected that the level of international reserves was sufficient to cover external debt burden even in the case where none of the external debt could be rolled over. As a result, Thailand was less affected by the global economic and financial volatility compared to neighboring countries, such as emerging markets (EMs) with fragile economic fundamentals.

According to the Office of National Economic and Social Development Board (NESDB), the average value of Thai baht in 2019 is predicted to 31.0 baht per US dollar, appreciated from 32.3 baht per US dollar in 2018 from the adopting of the expansionary monetary policy in several major countries and other important countries. Central banks in several countries is expected to cut the policy interest rate because of the slowdown of world economy.

Economic outlook

According to Office of the National Economic and Social Development Board (NESDB), Thailand's economy is forecasted to grow by 2.6 percent in 2019, decreasing from 4.1 percent in 2018, due to several reasons (1) the uncertainty of the world economy, (2) the deceleration of Thailand's export value from the economic slowdown in trading partners countries and the uplift of trade protection measure, (3) the appreciation of Thai Baht, (4) the drought and the prolonged periods of no rainfall which affect the agriculture production, (5) the rise in household debt level which increase the vulnerability of Thai households, (6) the slowdown of tourist



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arrival (7) the delay of FY2020 government budgeting process. Thailand's overall financial stability remained sound in 2019. Headline inflation is forecasted to be 0.8 percent in 2019, decreasing from 1.1 percent in 2018 from the decline in crude oil price.

For Thailand's economy in 2020, Office of the National Economic and Social Development Board (NESDB) forecasts that Thailand's real GDP will grow by 3.2 percent (with the range of 2.7 to 3.7 percent), which is higher than expected real GDP growth rate in 2019 with several supporting factors includes (1) the growth of private consumption (2) the government spending under FY2020 government budgeting process which is expected to be approved in the beginning of the 2020 (3) the increase in public investment (4) the increase in export value. Headline inflation in 2020 is forecasted to be in the range of 0.5 percent to 1.5 percent, increasing from headline inflation in 2019.

However, Thailand's economic growth in the fourth quarter of 2019 and 2020 are likely to face increased limitations and downside risks caused by global economic and financial volatility and the escalating trade protection measures.

Distressed asset management in Thailand

Thailand's financial sector has strengthened over the past two decades and today supports the country's growing economy and mitigates risks from volatility of international finance markets. Thailand has steadily become more conservative in its financial activities following the implementation of various measures and regulations. One of the most important factors strengthening the financial sector has been the development of the distressed asset management industry, which helps promote efficient management of distressed assets which comprises Non-Performing Loans (NPLs) and Non-Performing Assets (NPAs).

Local asset management companies acquire NPLs and NPAs mainly from commercial banks and other financial institutions through auctions or direct purchases through bilateral negotiations. They manage NPLs through debt restructuring negotiations in order to reach optimal solutions for all parties, and manage and rehabilitate NPAs before reselling them on the open market. Through this function the industry plays a critical role in developing the overall economy.

The more efficient the distressed asset management industry is, the greater its ability to reduce the burden on financial institutions. Distressed asset management companies make the financial sector more flexible and help to stabilise the banking sector. They enable a potential debtor to continue running its business and also serve as a mechanism to absorb distressed assets from Thai financial institutions.

Development of Thailand's distressed asset management industry

The positive economic outlook in early 1990s led the Thai government to attempt to position the country as one of Asia's leading financial hubs, similar to Hong Kong and Singapore. In 1993, the Bangkok International Banking Facility (BIBF) was established with the intention of liberalizing the country's financial markets. The Thai government aimed to raise capital from offshore markets by setting high interest rates to attract capital inflows. Under the BIBF, locally incorporated and foreign banks were allowed to run offshore banking operations, and the facility became a channel for borrowing low interest rate funding from abroad.



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The resulting surge in capital inflows in 1995 and 1996 allowed the financial institutions to have easy access to capital. At the same time, Thailand maintained a fixed exchange rate regime, leading most people at the time to believe that they were not exposed to any currency risk as the central bank took all the risk. This belief led financial institutions and people to make high risk transactions including exchange rate risk and maturity risk. Short-term debt levels increased substantially and most of the debts were rolled over for long-term use, leading to currency and maturity mismatches. A substantial portion of capital was invested in non-productive sectors, especially real estate. Demand for property during this period was extraordinarily high, leading to soaring prices.

The economy deteriorated from 1996 to 1997 due to export contraction and current account deficit, leading foreign lenders to concern about the level of Thailand's foreign debt, the potential of Thai's economy and the asset price bubble burst. Oversupply of real estate in the market resulted in more NPLs at financial institutions and a steep deterioration in asset values across the board. Short-term liabilities in foreign currency exceeded foreign exchange reserves. Sudden capital outflows caused a balance-sheet crisis. NPLs doubled in 1996, and then doubled again in the first quarter of 1997. NPLs at financial institutions reached 225 billion baht in 1997.

Extensive forward commitments to defend the value of the baht and the effort to maintain a fixed exchange rate regime gradually exhausted foreign reserves, resulting in the announcement of a managed float of the currency on July 2, 1997 by Prime Minister Chavalit Yongchaiyudh. The move was perceived as the action that started the broader Asian Financial Crisis and resulted in an immediate 18 percent devaluation of the baht. The Thai baht currency continued to lose half of its value against the US dollar, reaching a rate of 55.5 baht/US dollar in January 1998.

Thai financial institutions, businesses and corporations suffered greatly as their US dollar debt liabilities soared. The crisis was not limited to the financial industry and also affected the real estate and other core business sectors in Thailand. The contagion spread to other countries in the APAC region and destabilised markets. Poor management and insufficient compliance and controls at financial institutions exacerbated the currency crisis. Rising unemployment, widespread bankruptcies and business closures meant many people were unable to service their debts and defaulted. NPLs rose sharply as a result.

The Thai finance sector collapsed as their US dollar debt liabilities increase. By mid-1997, the Bank of Thailand (BOT) suspended the operations of 58 finance companies due to insolvency or lack of liquidity. The biggest creditor was the Financial Institutions Development Fund (FIDF) at about 1.4 trillion baht.

With the depletion of its foreign exchange reserves, the Thai government was constrained to borrow from the International Monetary Fund (IMF). In order to receive bailout funds from the IMF, Thailand was required to close illiquid financial institutions. Of the 58 suspended finance companies, 56 went bankrupt. The government established the Financial Sector Restructuring Authority (FRA) in October 1997 to review rehabilitation plans and liquidate the assets of the 56 bankrupt companies. The FRA was tasked to identify bad debts for further restructuring. Foreign financial institutions purchased some of the bad debts. The remaining bad debts were handled by the Asset Management Corporation, which was established under the Emergency Decree on the Asset Management Corporation B.E. 2540 (1997) to purchase or receive distressed assets from



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In 1998, the Cabinet approved the establishment of the Bangkok Commercial Asset Management Co., Ltd (BAM). The company was established to manage distressed assets from the Bangkok Bank of Commerce (BBC), which ceased operations in August 1998. Currently, the company is 99.99 percent owned by the FIDF.

In April 2000, the Cabinet approved the establishment of the Sukhumvit Asset Management Co., Ltd (SAM), which was tasked with receiving and managing NPLs from Krungthai Bank. It was registered as an asset management company, and is 99.99 percent owned by the FIDF.

In 2001, the government enacted the Emergency Decree on the Thai Asset Management Corporation B.E. 2544 (2001). The Thai Asset Management Corporation (TAMC) was created to address problems relating to NPLs at private and state-owned financial institutions. It also aimed to promote the efficient management of NPAs, which were transferred from financial institutions and asset management companies to the TAMC. The TAMC received 770 billion baht worth of bad loans, 81 percent of which once belonged to state-owned banks with the remainder coming from private banks.

In 2005, the Cabinet approved the sale of the Asset Management Corporation's major assets — including investments in receivables, properties for sale and securities — to BAM, as well as the transfer of its employees to BAM on a voluntary basis. This significantly strengthened BAM's operations. The Asset Management Corporation was later dissolved under the Act Abrogating Financial Institution Assets Management Corporation B.E. 2549 (2006). The dissolution reduced the government's burden of managing NPLs and NPAs. The government was of the view that financial institutions had been successfully reformed, were well regulated and were capable to handle such matters by themselves.

In 2011, TAMC announced its intention to dissolve in line with its stated purpose to serve the industry for a limited period of 10 years, under Section 95 of the Emergency Decree on the Thai Asset Management Corporation B.E. 2544 (2001). TAMC transferred its distressed assets that it could not restructure and sell to financial institutions within 2011 to BAM and SAM.



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As of November 2019, there are 63 companies registered as asset management companies in Thailand, with 58 of them actively conducting business activities.



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The socio-economic impact of Thailand's distressed asset management industry

There are three core reasons why financial institutions dispose distressed assets:

- To take prompt and effective action to manage NPLs so the financial institutions can minimize the loss in their value;
- To reduce the provision burden carried by financial institutions, allowing them to maintain sound capital structure and raise capital more easily and ultimately let them focus on lending activities and contribute to the development of the credit system; and
- To improve the quality of bad debt management by transferring the responsibility to dedicated asset management companies with expertise in improving the value of troubled assets.

Asset management companies help solve the problem of distressed assets in the banking system. They focus on negotiating and cooperating with debtors, using measures such as extension of debt repayment period, grace periods for loan and/or interest, principal reduction, interest rate reduction, suspension of interest payments and debt to equity conversion. By restructuring debt, disposing of properties for sale and restoring the debtor's business, a financial institution can manage its asset quality more efficiently and flexibly. The management of distressed assets by asset management companies also allows potential debtors to keep their businesses running, which in turn benefits overall economic development and creates stability in the financial system.

In addition, asset management companies manage NPAs more efficiently. Asset managers manage NPAs with a focus on improving the assets to be in ready-to-sell condition to meet the demand of target group. They inspect, determine asset renovation and make additional investments, if needed, to improve the quality of the assets. They increase the assets' value and bring money back into economic circulation.

	2011	2012	2013	2014	2015	2016	2017	2018	2019Q3
Total balance of asset management companies' gross investment in loans (billion baht)	242.5	243.7	223.2	219.7	218.7	216.0	219.3	227.9	269.8
Net value of foreclosed properties under asset management companies (billion baht)	42.9	50.0	40.1	36.9	34.0	35.1	36.9	39.1	40.6

Source: Bank of Thailand

Remark

1) As at 31 December of each year or last day of the quarter.



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2) The definition of the total balance of asset management companies' gross investment in loans and the total balance of gross properties foreclosed is taken from the Bank of Thailand's database glossary and accounting report format. The total balance of asset management companies' gross investment in loans comprises of gross total investment in receivables + gross loan to customers.

- Gross total investment in receivables is the investment value (cost) of AMCs purchasing NPLs from financial institutions.*
- Gross loan to customers is the transferred balance of investment in receivables under either a new agreement or debt restructuring agreement in addition to the existing agreement.*

The total balance of asset management companies' gross properties foreclosed comprises foreclosed properties and other properties from purchased, transferred or payment receivables.

As at 30th September 2019, the total balance of asset management companies' gross investment in loans (gross investments in receivables and gross loans to customers) was 269.8 billion baht. Meanwhile, the net value of foreclosed properties under asset management companies was approximately 40.6 billion baht, up from 39.1 billion baht in 2018.



Major participants in Thailand's distressed asset management industry

Thailand's distressed asset management industry is comprised of four types of participants: sellers of distressed assets, acquirers of distressed assets, regulators and other participants such as asset valuation specialists and law firms. The two largest asset management companies in Thailand, BAM and SAM, are the main acquirers, and they manage distressed assets acquired from financial institutions to strengthen the financial system.

I. Sellers in the distressed asset management market

Sellers in the distressed asset management industry are also referred to as suppliers or providers of distressed assets. According to the 1998 Emergency Decree on Asset Management Companies, there are several categories of suppliers that can sell or transfer distressed assets to asset management companies:

- 1) Financial institutions pursuant to the Financial Institutions Businesses Act B.E. 2551 (2008), which are:
 - a. Commercial banks
 - b. Finance companies
 - c. Credit Foncier companies;
- 2) Registered asset management companies;
- 3) Financial Institution Asset Management Corporation (dissolved);
- 4) Government Housing Bank;
- 5) Secondary Mortgage Corporation;
- 6) Government Savings Bank;
- 7) Export-Import Bank of Thailand;
- 8) Small and Medium Enterprise Development Bank of Thailand;
- 9) Islamic Bank of Thailand;
- 10) Financial Institution Development Fund;
- 11) Thai Asset Management Corporation (dissolved);
- 12) Non-bank financial institutions; and
- 13) Other entities that are announced by the Finance Minister in the Royal Thai Government Gazette.

Commercial banks and non-bank financial institutions are major distressed asset providers. NPLs are the major class of distressed assets to be transferred, as compared with NPAs.

II. Acquirers in the distressed asset management market

Acquirers are subject to the Emergency Decree on Asset Management Companies B.E. 2541 (1998). As of November 2019, there were 63 asset management companies registered with the Bank of Thailand. These

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are classified into two major categories, which are companies under commercial banks business group and others. There are currently 9 asset management companies under commercial banks business group. All asset management companies can sell assets through their own branches, or through banks as their selling agents. In 2018, the major asset management companies ranked in order by total assets were: BAM, SAM and IAM.

1. Asset management companies that are subsidiaries of financial institutions in Thailand, pursuant to the Financial Institutions Businesses Act B.E. 2551 (2008)

Asset Management Company	Parent Company
TS Asset Management Co., Ltd. N F S Asset Management Co., Ltd. Max Asset Management Co., Ltd.	Thanachart Capital Public Co., Ltd.
Sinnsuptawee Asset Management Co., Ltd	Bangkok Bank Public Co., Ltd.
Phethai Asset Management Co., Ltd	Kasikornbank Public Co., Ltd.
Ayudhya Asset Management Co., Ltd	Bank of Ayudhya Public Co., Ltd.
Phahonyothin Asset Management Co., Ltd (Formerly Phayathai Asset Management Co., Ltd)	TMB Bank Public Co., Ltd.
Sathorn Asset Management Co., Ltd.	CIMB Thai Bank Public Co., Ltd.
Rutchayothin Assets Management Co., Ltd	Siam Commercial Bank Public Co., Ltd.

Source: Publicly available information from parent companies' annual reports

Asset management companies that are subsidiaries of financial institutions, pursuant to the Financial Institutions Businesses Act B.E. 2551 (2008), have to comply with the Bank of Thailand's regulations on financial reporting practices, in terms of the consolidated financial statements with their parent companies. They also have to comply with the same limits as their parent companies on holding periods for properties for sale. Asset management companies that are subsidiaries of financial institutions can hold properties for sale for a period of 5 or 10 years depending on the classification of properties according to the BOT notification No. SorNorSor 23/2552, and are allowed to hold the properties for another 5-year extended holding period when the ratio of book value of foreclosed properties held in the extended period to capital reserves does not exceed 10.0 percent; however, if such ratio exceeds 10.0 percent, the Bank of Thailand will grant permission if the asset management companies can increase their capital reserves to a minimum of 20.0 percent, 40.0 percent, 55.0 percent and 70.0 percent of the properties' appraisal value or the book value in the 2nd, 3rd, 4th and 5th year of the extended period, respectively. There is an exception for the 1st year as the capital reserve requirement remains at 0.0 percent.

On the other hand, there is no limitation on the holding period of properties for asset management companies that are not members of a financial institution group. Moreover, most asset management



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companies in this category usually receive both strategic and financial supports from their parent companies such as distribution channel, pre-emptive capital injection, and low-interest loan.

2. Asset management companies that are not subsidiaries of financial institutions, pursuant to the Financial Institutions Businesses Act B.E. 2551 (2008)

Asset management companies that are not under the control of financial institutions can be both state-owned enterprises and private companies.

The two largest asset management companies, BAM and SAM, are both subsidiaries of FIDF. Both are extremely robust in terms of budget and loan sourcing, since FIDF is one of their shareholders.

The privately owned asset management companies J Asset Management Co., Ltd. and SWP Co., Ltd. (former Srisawas Asset Management Co., Ltd.) are subsidiaries of JMT Network Services Plc. and Srisawad Power 1979 Plc., respectively. These parent companies provide financial services such as debt collection and personal loans. However, in order to purchase and manage distressed assets, a company is required by the Emergency Decree on Asset Management Companies to register with and gain approval from the Bank of Thailand. The subsidiary companies registered under the Emergency Decree have a business scope similar to asset management companies that are non-members of the financial institution group. Parent companies that are not financial institutions have greater flexibility in performing activities other than distressed asset management and in doing business in the non-financial sector.

III. Regulators

The Bank of Thailand is the regulator of asset management companies. A limited company or limited public company can be registered as an asset management company with a licence granted by the Governor of Bank of Thailand. Activities such as the purchase or transfer of distressed assets between sellers and acquirers, the purchase or possession of shares in a limited company as a result of debt restructuring, as well as rendering distressed loan management services, should be reported or approved by the Bank of Thailand according to the Emergency Decree and the BOT notifications No. SorNorSor 23/2552 as well as BOT notifications No. SorNorSor 5/2562

IV. Other participants

Third-party professional service providers provide intermediary services based on their professional knowledge and skills. Third parties in the distressed asset management industry include:

- (1) Asset valuation specialists, which carry out the valuation of collateral related to distressed assets such as land, real estate and vehicles; and
- (2) Law firms, which provide legal services.

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Other participants in the distressed asset management value chain include:

- (1) Debtors transferred from a financial institution, together with NPL portfolios purchased by an asset management company; and
- (2) Buyers of foreclosed properties, which include both corporate and retail buyers.

Characteristics of Thailand's distressed asset management industry

In general, asset management companies can adjust their strategy and management along with shifts in business cycle. To illustrate, asset management companies can benefit from the slowdown of the economy by purchasing NPLs and NPAs from the financial institutions at attractive prices due to the high amount of distressed assets. Meanwhile, asset management companies can restructure those distressed assets and eventually resell them to the market during the economic recovery or peak stage. The main business of distressed asset management companies is purchasing or receiving distressed assets (NPLs, NPAs and collateral) from the categories of financial institutions. Their revenue mainly comes from two activities: debt restructuring and management (NPL management), and sale of collateral (NPA management).

Asset management companies help debtors restructure their debt through various measures, including renegotiation of payment terms and extension of payment deadlines. Asset management companies charge interest from the restructured distressed assets. Once debtors' businesses return to normal business operations, they are expected to repay interest and principal. Collateral received from debtors or purchased from financial institutions generates revenue for asset management companies through capital gains. The management and sale of collateral improve the quality of the assets and thus put back good quality assets into economic circulation. Distressed asset management promotes the development of the business sector and helps the economy achieve sustainable growth.

Overview of Thailand's distressed asset management industry

Asset management companies require significant capital to purchase distressed assets, as well as market experience and diverse branch networks. Distressed assets can be categorised into two types, according to their source:

1. Banking sector distressed assets

	2011	2012	2013	2014	2015	2016	2017	2018	2019Q3	CAGR (2011-2018)
Commercial banks' net loans to customers (billion baht)	7,533.7	8,591.4	9,493.0	9,891.9	10,469.7	10,602.7	11,061.1	11,687.9	11,793.7	6.5%

Source: Bank of Thailand

Remark: As at 31 December of each year or last day of the quarter.

	2011	2012	2013	2014	2015	2016	2017	2018	2019Q3	CAGR
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										(2011-2018)
Total gross NPLs in commercial banks (billion baht)	256.8	247.3	258.9	271.9	332.9	380.9	425.6	440.1	465.7	8.0%

Source: Bank of Thailand

Remark: As at 31 December of each year or last day of the quarter.

Total banking assets have grown significantly along with the consistent expansion of loans from 2011 to the third quarter of 2019. The 3 largest loan types by outstanding amount are for personal consumption, financial and insurance activities, and manufacturing. The 3 largest loan types account for 30 percent, 22 percent, and 14 percent of total loans outstanding, respectively. Krungsri Bank delivered the highest loan growth with CAGR of 13.4 percent from 2011-2018 due to a significant increase in corporate loans since 2015 from the success of its merger and acquisition activities with The Bank of Tokyo-Mitsubishi UFJ, Limited Bangkok Branch (BTMU).

In the third quarter of 2019, the 4 largest commercial banks by the amount of outstanding loans are SCB, KTB, BBL, and Kasikorn. Their loans account for more than half of the banking industry. The expansion of banks' loans directly resulted in the growth of asset size. During the 2011-2018 period, outstanding loans from SCB, KTB, BBL, and Kasikorn grew at a CAGR of 7.4 percent, 4.0 percent, 4.9 percent, and 6.0 percent, respectively.

2. Specialised Financial Institutions (SFIs), Secondary Mortgage Corporation, and cooperatives

The sources of distressed assets have become increasingly diverse as other financial institutions such as Specialised Financial Institutions (SFIs), Secondary Mortgage Corporation, and Cooperatives are gradually playing a greater role in financial activities.

	2011	2012	2013	2014	2015	2016	2017	2018	CAGR (2011-2018)
Total gross NPLs in Specialised Financial Institutions (SFIs) and Secondary Mortgage Corporation (billion baht)	136.9	163.0	170.0	187.4	191.1	211.7	175.1	191.5	4.9%
Total gross NPLs in Cooperatives (billion baht)	24.5	29.5	33.2	42.7	53.0	58.1	53.4	56.4	12.6%
Total (billion baht)	161.4	192.5	203.2	230.1	244.1	269.8	228.5	247.9	6.3%



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Source: Financial Institutions' annual reports, Secondary Mortgage Corporation's website, and Cooperative Auditing Department's website

Remark:

- 1) Specialised Financial Institutions (SFIs) include the Small and Medium Enterprise Development Bank of Thailand (SME Bank), the Islamic Bank of Thailand, the Government Housing Bank, the Export-Import Bank of Thailand, the Bank for Agriculture and Agricultural Cooperatives and the Government Savings Bank.
- 2) Asset management companies in Thailand are currently not allowed to purchase NPLs from Cooperatives and the Bank for Agriculture and Agricultural Cooperatives.
- 3) As at 31 December of each year
- 4) Cooperatives in Thailand are classified into 7 types, which are Agricultural Cooperative, Land Settlement Cooperative, Fisheries Cooperative, Consumer Cooperative, Thrift and Credit Cooperative, Service Cooperative, and Credit Union Cooperative, according to Cooperative Auditing Department (CAD).

Gross NPLs of major non-bank financial institutions have increased from 161.4 billion baht as at 31 December 2011 to 247.9 billion baht as at 31 December 2018, representing a CAGR of 6.3 percent. The increase in NPLs for major non-bank financial institutions was driven by specialised financial institutions such as the Government Savings Bank (GSB), cooperatives, and the Bank for Agriculture and Agricultural Cooperatives (BAAC), whose gross NPLs account for 24 percent, 23 percent, and 22 percent of the total NPLs in the group, respectively. However, Gross NPLs of major non-bank financial institutions decreased from 211.7 billion baht in 2016 to 175.1 billion baht in 2017 due to the establishment of Islamic Bank Asset Management (IAM), which is wholly owned by the Finance Ministry, on 27 September 2017 to manage NPLs transferred from Islamic Bank of Thailand (IBank).

Top three companies with the highest total assets

	2011	2012	2013	2014	2015	2016	2017	2018	CAGR (2011- 2018)
Total assets (million baht)									
BAM	59,230 .50	72,058 .20	74,984 .20	81,441 .10	85,716 .73	93,653. 29	99,933 .41	107,65 3.00	8.91%
SAM	41,137 .20	48,067 .20	60,403 .20	61,373 .40	36,587 .91	33,713. 93	35,058 .30	43,055. 53	0.65%
IAM	-	-	-	-	-	-	22,897 .41	24,550. 57	7.22%
Others	55,179 .60	46,605 .20	40,477 .50	36,298 .20	30,467 .45	35,324. 48	41,573 .37	52,484. 90	-0.71%



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Industry total	155,547.30	166,730.60	175,864.90	179,112.70	152,772.09	162,691.70	199,462.49	227,744.00	5.60%
Percentage share of total assets (%)									
BAM	38.08%	43.22%	42.64%	45.47%	56.11%	57.57%	50.10%	47.27%	-
SAM	26.45%	28.83%	34.35%	34.27%	23.95%	20.72%	17.58%	18.90%	-
IAM	-	-	-	-	-	-	11.48%	10.78%	-
Others	35.47%	27.95%	23.01%	20.26%	19.94%	21.71%	20.84%	23.05%	-
Industry total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.0%	100.0%	-

Source: Department of Business Development

Remark:

- 1) As at 31 December of each year
- 2) Amounts are derived from the published financial statements of the relevant entities. Financial information of BAM and other companies included in this report is not in all cases comparable across all periods or dates presented, nor is such information in all cases comparable as between different companies for the same period or as of the same date, due to differences/changes in accounting policies and other factors

As at 31 December 2018, the distressed asset management industry's combined assets totalled 227.7 billion baht. BAM is the largest asset management company in the industry in terms of total assets. The majority of BAM's assets include loan and accrued interest receivables, and properties foreclosed. BAM has a policy of actively participating in every auction by financial institutions of distressed assets with collateral, as well as in direct purchases – a fact reflected in its market-leading position in terms of total assets, loan and accrued interest receivables, and properties foreclosed of 107.7 billion baht, 75.4 billion baht, and 20.6 billion baht in 2018, respectively.

Most AMCs operate their business with positive retained earnings and show a considerably low debt-to-equity ratio, especially AMCs under commercial bank business groups including Sinnsuptawee, Ayudhaya, Sathorn, TS, and Phethai. These AMCs have low debt-to-equity ratios and could receive financial support from parent companies and/or companies in the group. In 2018, however, some AMCs such as Rutchayothin, Thai (A), and SAM still have negative debt-to-equity ratios of -5.4, -2.8, and -1.2, respectively. As a result, the industry average debt-to-equity ratio was -2.7 in 2018.



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SAM has total assets of 43.1 billion baht in 2018, with a growth rate of more than 22.8 percent over its 35.1 billion baht total in 2017. This growth is largely due to an increase of cash received from selling NPAs and managing NPLs. Although the negative retained earnings of SAM resulted in a negative debt-to-equity ratio of -1.2 in 2018, SAM's negative retained earnings improved to 199.2 billion baht from 204.7 billion baht in 2017. Apart from its operational improvement, the improved retained earnings of SAM results from positive sentiment in the industry. Meanwhile, RCAM and LSF have high debt-to-equity ratios of 2,081 and 35.2, respectively, due to the acquisition of debt securities and loans used for business operation, along with minimal retained earnings, as they established their businesses and received their licences from BOT in 2018 and 2017, respectively.

With over 20 years of expertise since the company was established in 1998, BAM continues to have the highest amount of total assets in the industry in 2018 at 107.7 billion baht, or 47.3 percent of the industry's total assets. BAM's total assets increased from 99.9 billion in 2017, for a growth rate of 7.7 percent. In addition, BAM's interest income increased to 1,975.6 million baht in 2018, from 1,226.9 million baht in 2011.

Apart from its continuously growing total assets, BAM excels in terms of operational efficiency in restructuring debt. As a result, gain on investment in receivables was high at 4,438.3 million baht in 2018, an increase from its total of 3,509.1 million baht in 2017. Moreover, BAM has the widest coverage in terms of the number of branches; that is, BAM currently has 1 headquarters and 25 branches nationwide. BAM's number of branches is also much higher than the second-largest player. As a result, BAM's gains on sales of foreclosed properties was relatively high at 3,105.5 million baht in 2018, a significant increase from 1,740.9 million in 2017 due to higher demand for unsold new residential units.

In 2018, BAM delivered the highest net profit among all AMCs in the industry at 5,202.0 million baht, increasing from 2,935.1 million baht in 2011. BAM reported a ROE of 12.6 percent in 2017.

BAM's debt-to-equity ratio was 1.6 in 2018, remaining at the same level as in 2017. This debt-to-equity ratio reflects its strong financial position and potential to grow, due to its capacity to acquire loans used to purchase NPAs. BAM's decreased reliance on debt also contributes to shareholders' higher return on equity, given other factors remain constant. In 2018, BAM's equity was 41,849.0 million baht, the highest in the industry from DBD's database. This high equity also results from its strong retained earnings of 28,232.0 million baht, which represents a dramatic increase from its earnings of 11,266.3 million baht in 2011 (CAGR: 14.0%).

By comparison, SAM, the second-largest asset management company in terms of asset size, has total assets of 43.1 billion baht in 2018. This amount indicates a growth rate of more than 22.8 percent over its total assets of 35.1 billion baht in 2017, a rise that reflects the increase of cash received from selling NPAs and managing NPLs. However, SAM still registered a negative equity of 199,209.4 million baht in 2018 due to its large negative retained earnings balance. SAM's net profit fluctuated in 2013 and 2014, exceeding 100.0 percent as a result of a reimbursement in provisions and a gain from the dissolution of TAMC. However, SAM's cash flow was still considered low, as its high profit of 45,519.2 million baht in 2013 was due to debt revaluation in the amount of 10,740.6 million baht.



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Well-capitalised foreign entities, such as Loan Star Funds, have also recently presented themselves as new potential competitors for BAM in acquiring NPLs and NPAs. Loan Star Funds, which previously had no local office presence in Thailand, recently established LSF Asset Management (Thailand) Co., Ltd. in 2017. Total company assets reached 4,371 billion baht in 2018, which put them in 6th place in terms of total assets compared to all AMCs in Thailand. Accretive Co. Ltd., another potential competitor for BAM, also established Accretive Asset Management Co., Ltd. However, the company still had a relatively small asset size of 160.5 million baht in 2018, which is well below the industry average.

Competitive dynamics

The two largest asset management companies, BAM and SAM, have a clear advantage over other players in terms of market experience, professional talent, partners that help provide mortgage loans to customers, and their distribution and service network. They have long maintained their position as the major players in Thailand's distressed asset management industry.

Capital strength and capital requirement

To operate competitively in this market an asset management company must have adequate funds to expand its NPL portfolio through acquisitions, mainly at distressed asset auctions. The two largest asset management companies are particularly strong in terms of capital, as their establishment was supported by the Ministry of Finance through the Financial Institutions Development Fund (FIDF). The strong creditability of FIDF and BAM's strong reputation, allow BAM to access other sources of funding such as bank loans, debentures, and other debt instruments.

Market experience

The two largest distressed asset management companies in Thailand, BAM and SAM, were established soon after the Asian Financial Crisis in 1997 and have been building their experience in the market ever since. While it is easy to register as a distressed asset management company, it takes time to gain the experience needed to train human resources and to understand the market. The latter capability is essential for making accurate estimates of asset value, and asset management companies with extensive experience are better at evaluating asset risk levels. The two largest asset management companies — with the largest portfolios and first-mover advantage — have accumulated market experience that cannot be obtained easily by other market participants.

Professional talent

BAM and SAM constantly strengthen their professional teams through recruitment and team development. Their dominant market positions and reputations make it easier for them to attract and retain qualified staff. In the short term it will be difficult for other market participants to match their levels of expertise, giving the top two firms an additional competitive advantage.

Partnership with financial institutions



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BAM and SAM have partnered with financial institutions such as the Government Housing Bank, Government Savings Bank and TMB Bank. Financial institutions help their customers gain access to mortgage loans more easily. Partnerships with banks represent one of their competitive advantages over other entities.

Distribution and service networks

Asset management companies	Number of branches
BAM	1 HQ + 25 branches <i>(1 HQ is in Bangkok, other branches are located outside of Bangkok)</i>
J Asset Management Co. Ltd. (JMT Network Services Plc.)	1 HQ + 8 branches <i>(HQ is in Bangkok, all branches are located outside of Bangkok)</i>
SAM	1 HQ + 4 branches <i>(HQ is in Bangkok, all branches are located outside of Bangkok)</i>
Other asset management companies	1 HQ in Bangkok and Metropolitan area

Source: Publicly available information from each company's website, news and interview.

Remark: As of June 2019

BAM and SAM have developed their networks in key regions in Thailand, providing a foundation for nationwide business development. Such national coverage broadens NPA sales channels, resulting in stronger performance. A large number of branches also allows BAM and SAM to appraise or source NPAs more efficiently. In 2018, BAM had the widest distribution and services network coverage among AMCs. The other asset management companies (excluding BAM, SAM and J AMC) have a single headquarters in Bangkok with no branches elsewhere. Since the extension of business networks requires substantial capital investment, it would be difficult for other asset management companies to compete in this respect in the near future.



Improvements in the regulatory environment

Since the establishment of distressed asset management companies in 1998, the Bank of Thailand has gradually amended regulations to enhance their competitiveness. These less strict regulations have created more opportunities in the market. Supplies of distressed assets from banking and other various financial institutions have increased from the past. Supply sources are expected to expand further in the future. Meanwhile, the definition of distressed assets has been broadened to include more classes of NPLs, collaterals and investments that were not previously covered. Currently, distressed assets according to BOT notification No. SorNorSor 5/2562 are classified into four categories: (1) assets of financial institutions classified according to the asset classification criteria and provisioning requirements as established by the Bank of Thailand that consist of loss assets, doubtful of loss assets, doubtful assets and substandard assets; (2) assets that financial institutions have written off; (3) properties foreclosed; and (4) investments of other asset management companies. Increases in the number of suppliers and the supply of distressed assets in the future provide further opportunities for asset management companies to grow.

Financial institutions can hold properties for sale for a period of 5 or 10 years depending on the classification of properties according to the BOT and are allowed to extend the holding period for another 5 years if the ratio of book value of foreclosed properties held in the extended period to capital reserves does not exceed 10.0 percent; however, even if such a ratio exceeds 10.0 percent, the Bank of Thailand will grant permission if the asset management company can increase its capital reserves to meet the minimum requirements. This limits the ability of financial institutions to use capital for other purposes. As a result, the aforementioned restriction creates an incentive for financial institutions to hand over their NPAs to asset management companies prior to the deadline in order to release their capital reserves. This creates opportunities for asset management companies to purchase NPAs at reduced prices from financial institutions.

In 2019, the Bank of Thailand amended regulations governing asset management companies to widen their business scope. The amended legislation allows asset management companies to purchase and transfer bad assets from non-bank financial institutions. Asset management companies will henceforth be able to provide advisory services to other financial institutions or their borrowers on debt restructuring as well. Another amended law aims to resolve Thailand's household debt problem effectively. Moreover, the amended law requires that the committee or person with power of management or advisor in asset management companies holds sufficient qualifications, in order to improve transparency and corporate governance.

Developments trends in Thailand's distressed asset management industry

Business innovation has driven the growth of the distressed asset management industry over the past 20 years and will remain the driving force of business development in the future. From the analysis of Thailand's distressed asset management industry, AMCs can adjust their strategy and management to follow shifts in the business cycle by purchasing NPLs and NPAs from financial institutions at attractive prices during periods of



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economic slowdown, and restructure those distressed assets to resell them during the economic recovery or peak stage. Hence, AMCs' earnings are highly correlated with the business cycle. In other words, their earnings are at the highest during the economic recovery or peak stage, and relatively low during the slowdown of the economy, as they purchase NPLs and NPAs. The distressed asset management industry has indeed grown significantly over the past decade. The total assets of the industry increased from 155.5 billion baht in 2011 to 227.7 billion baht in 2018.

Non-bank AMCs, including BAM, have increased the size of their business as their total assets grew from 103.9 billion baht (66.8 percent of total industry assets) in 2011 to 210.2 billion baht (92.3 percent of total industry assets) in 2018. This growth comes in part from the establishment in 2017 of Islamic Bank Asset Management (IAM), which is wholly owned by the Finance Ministry, and whose purpose is to manage NPLs transferred from Islamic Bank of Thailand (iBank). Moreover, many AMCs, such as Mahanakorn, LSF, and J AMC, significantly increased their total assets in 2018.

By contrast, the total assets of AMCs under commercial bank business groups has continuously declined from 51.6 billion baht (33.2 percent of total industry assets) in 2011 to 17.6 billion baht (7.7 percent of total industry assets) in 2018 due to their less aggressive strategy in doing business. Despite declining total assets, most AMCs under the commercial banks' business group, such as Ayudhya, Phethai, and TS, operate at a low debt-to-equity ratio. Thus, AMCs under commercial banks' business group are considered to operate their business more conservatively.

Compared to AMCs under commercial banks' business group, non-bank AMCs generally operate their business with a higher debt-to-equity ratio. These AMCs follow a more assertive strategy because they need financing to further expand their business through the purchase of NPAs, and to increase their distribution and service network to serve more customers.

Growth in the industry has led to a number of new entrants. Most new entrants are subsidiaries or strategic partners with the non-bank financial institutions. One recent new entrant is SWP, which established its business and received its licence from BOT in July 2014. SWP is a subsidiary of Srisawad Power 1979 Plc., operating in the hire purchase and housing loan business. However, the distressed asset industry requires a large amount of capital to run operations, and a certain period of time to generate profit. For these reasons, together with the considerable experience in the industry that the long-established AMCs hold, older and larger companies will therefore have competitive advantages over new entrants and small AMCs in distressed asset auctions and operation. Ease of funding accessibility, lower financing cost as a result of higher credit rating and reputation, and economies of scale give established AMCs a significant market advantage.

The demand for residences is expected to slightly decrease in 2019 in both the Greater Bangkok area and other regions, due to the new tightening of credit underwriting standards for mortgage loans (LTV), the new Land and Building Tax Act B.E. 2562, and the declining purchasing power of the low-to-mid customer segment as a result of the economic slowdown and high levels of household debt. However, Thailand's housing market in 2020 will grow more than 2019 from the recovery of Thai economy and from the government housing stimulus measures including (1) The temporary cut of a property transfer fee and a mortgage fee to 0.01 percent until



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24 December 2020, which applies to homes priced at no more than 3 million baht; (2) Low-interest loan (with fixed interest rate of 2.5 percent for the first three years) for properties priced at no more than 3 million baht from GH bank until 24 December 2020. These two housing stimulus measures is expected to support the demand and supply of housing property priced at no more than 3 million baht and cause Thailand's housing market to accelerate more than 2019.

The favourable outlook of the second-hand residential market would positively impact sales of AMCs' NPAs. Moreover, the distressed asset industry can also benefit from the business cycle of the real estate industry. To illustrate, although AMCs' earnings are relatively low during periods of economic downturn due to the decrease in overall sales, AMCs can purchase NPAs from financial institutions at attractive prices due to the expected large amount of NPA supplies.

Office of the National Economic and Social Development Board (NESDB) predicted that Thailand's real GDP will grow by 3.2 percent in 2020 (with the range of 2.7 to 3.7 percent) from several supporting factors includes (1) the growth of private consumption (2) the government spending under FY2020 government budgeting process which is expected to be approved in the beginning of the 2020 (3) the increase in public investment (4) the increase in export value. Headline inflation in 2020 is forecasted to be in the range of 0.5 percent to 1.5 percent, increasing from headline inflation in 2019. Additionally, a policy interest rate was cut from 1.75 percent to 1.50 percent in August 2019. And, the Monetary Policy Committee (MPC) announced the reduction of a policy rate again in November 2019 by cutting a policy rate from 1.50 percent to 1.25 percent which could support the growth of Thai economy in 2020.

Meanwhile, the new supply and sale of real estate are both expected to grow for the provinces in the eastern economic corridor (EEC) region, but slow down in Greater Bangkok and other areas as a consequence of the wider economic slowdown and rising interest rates. Moreover, the economic outlook in upcountry areas is expected to remain stagnant due to declining crop prices. Market conditions allow AMCs to sell low-priced NPAs located in the upcountry; and they may also have a chance to purchase NPAs in the upcountry if the NPAs are sold at attractive prices.

Given its largest asset size, widest coverage, and ease of access to funding, BAM is expected to easily maintain its leading position in the distressed asset management industry in the long term. The more favourable economic and residential market outlook is expected to benefit BAM's sales of NPAs, especially since BAM has the highest capability in making profits compared to competitors in the industry. In addition, the stagnant economic outlook in the upcountry will give BAM a good opportunity to purchase NPAs at low prices in order to generate profit in the foreseeable future. Meanwhile, the persistent low-interest environment, coupled with BAM's economies of scale, will also provide BAM with a low cost of funding so that it can continue to deliver higher margins and profitability.

SUPERVISION AND REGULATION

Regulation by the BOT and the Ministry of Finance

We are regulated by the BOT, which was established in 1942 under the Bank of Thailand Act B.E. 2485 (1942) as amended (the “**Bank of Thailand Act**”) as the central bank of Thailand and which is in charge of implementing the domestic monetary policy. The BOT has historically been closely involved in the regulation of the banking and finance industry in Thailand. The BOT is under the supervision of the Ministry of Finance and is governed by the Bank of Thailand Act.

The BOT and the Ministry of Finance are granted broad powers under the Emergency Decree on Asset Management Companies B.E. 2541 (1998), as amended (“**AMC Law**”) to supervise and monitor activities of asset management companies. The following discussion sets forth information with respect to significant asset management regulations in Thailand.

Asset Management Companies

The AMC Law was enacted to solve the problems of non-performing assets that prevent financial institutions from raising funds and extending credit to the economic sector. The AMC Law grants asset management companies certain privileges to facilitate their businesses. The AMC Law also enables financial institutions to transfer NPLs to a separate institution, so that they can focus on their core businesses of accepting deposits and offering loans.

We were registered as an asset management company under the AMC Law. Under the AMC Law, an asset management company must first be incorporated by registration with the MOC with a registered paid-up capital of at least Baht 25 million, and have the business objective of managing assets that a financial institution will transfer to the company. The application can then be submitted to register the company as an asset management company with the BOT. An asset management company can also procure its own capital through (i) domestic and offshore borrowing; and (ii) issuing shares and debentures under the law on securities and exchange or other debt instruments as permitted by the BOT.

Business of an Asset Management Company

Business of an asset management company includes the following activities:

- (a) to purchase or accept the transfer of NPLs from financial institutions or assets of financial institutions that have had their operations suspended, closed down or that have had their licenses for operating commercial banking business, finance business or credit financiers business revoked, and their collateral for management or disposal;
- (b) to manage NPLs of financial institutions or assets of financial institutions that have had their operations suspended, closed down or that have had their licenses for operating commercial banking business, finance business or credit financiers business revoked, and their collateral;
- (c) to advise debtors, financial institutions or financial operators in debt restructuring and related advisory activities; and
- (d) to conduct other businesses in connection with the business under (a), (b) and (c) as announced by the Minister of Finance with the approval of the Cabinet.

Pursuant to the Notification of BOT, an asset management company may take any action necessary in managing the NPLs to rehabilitate the debts that were purchased or transferred from the financial institution(s). Such actions include, for example, debt restructuring, entering into a compromise or composition agreement, or holding shares in a company acquired from the debtor paying its debts.

Ownership of Immovable Properties

An asset management company is allowed to own immovable properties without restriction. However, if more than 50% of the total issued shares of an asset management company are held by a financial institution, the regulations on the disposal of immovable property governing financial institutions shall also apply to an asset management company. In such a case, the asset management company shall dispose of its immovable properties at the beginning of the sixth year, and all immovable properties shall have been completely disposed of within 10 years after the date of acquisition.

Limitation on Interest Rates Charged

The interest rate charged to a debtor by an asset management company may not exceed the rate set out under the original contract on the date of transfer (if the interest rate under the original contract is a floating rate and there is no basis for computation of interest rate, the interest rate must not be higher than the rate set by the BOT). However, if an asset management company grants an additional loan to the debtor under the original contract for the purpose of adding value to the transferred assets, the interest rate charged on the additional loan may be agreed upon between the asset management company and the debtor. The agreed interest rate on the additional loan will not be subject to the maximum interest rate of 15% per annum, but cannot be higher than the rate set by the BOT.

Tax Effects

Exemptions from Fees and Taxes related to Transfers of NPLs from a Financial Institution

The AMC Law provides for exemptions from fees and taxes arising from transfers of assets from financial institutions to an asset management company in accordance with rules and procedures as prescribed by the Cabinet through publication in the Government Gazette, whether in general or specifically on a case by case basis.

Exemption from Corporate Income Tax

The Thai Revenue Code exempts an asset management company from corporate income tax for the net profit derived from the management of NPLs purchased or acquired from financial institutions, provided that 95% or more of the shares in the asset management company are held, directly or indirectly, by the FIDF.

Tax Effects of Provisions for Corporate Income Tax Purposes

The Thai Revenue Code exempts asset management companies from corporate income tax if FIDF holds, either directly or indirectly, more than 50% of its share capital. The exemption is capped at the amount equal to provisions made for allowance for bad debts or allowance for doubtful accounts (pursuant to regulations of the BOT) in excess of the provisions made for the same allowance in the balance sheet of the previous accounting period.

In addition, under the Thai Revenue Code, companies are permitted to carry forward any tax loss for up to five years.

Inspections by the BOT

Pursuant to the AMC Law, the BOT may appoint inspectors for the purpose of examining and reporting on the affairs and assets of asset management companies. The inspectors have powers to supervise asset management companies in Thailand, such as power to order employees to produce books, records, or related evidence and enter the premises of asset management companies during working hours.

BUSINESS

Overview

We are the largest distressed asset management company in Thailand as of December 31, 2018 based on total asset size, according to the Ipsos Report. We are a state-owned enterprise, with FIDF holding a 99.9% stake, and are under the supervision of the BOT. Our principal business is to manage NPLs and NPAs.

We possess strong capabilities in sourcing and managing NPLs and NPAs. We purchase NPLs from financial institutions in Thailand, including banks and other asset management companies, and manage NPLs through debt restructuring negotiations with debtors to reach optimal solutions for all stakeholders where possible. Our NPLs are mostly collateralized by real estate properties, secured by a first priority mortgage, and are recorded in our financial statements at acquisition cost as loans purchased.

We also manage NPAs, primarily real estate assets such as undeveloped landbanks (which includes agricultural property), hotels, commercial properties and residential properties, including detached houses, townhouses and condominiums as well as certain movable assets and securities. We acquire NPAs through various means, such as negotiating with debtors for the transfer of the underlying collateral in satisfaction of debt, foreclosing on the collateral underlying our NPLs and purchasing NPAs directly from financial institutions. We record our NPAs at acquisition cost (including related expenses, if any) from the Legal Execution Department or financial institutions. We eventually seek to sell our NPAs.

As of December 31, 2016, 2017 and 2018 and September 30, 2019, we generated 62.4%, 70.8%, 65.2% and 84.9%, respectively, of our total operating income from our NPLs and 37.0%, 28.6%, 34.4% and 14.9%, respectively, of our total operating income from our NPAs and investment in securities and had total assets of Baht 93,636.7 million, Baht 99,933.4 million, Baht 107,653.0 million (US\$3,519.2 million) and Baht 121,701.3 million (US\$3,978.5 million), respectively, including assets relating to NPLs management (i.e. loans purchased—net and accrued income from auction sale—net) of Baht 72,913.0 million, Baht 77,867.3 million, Baht 82,549.4 million (US\$2,698.6 million) and Baht 88,194.9 million (US\$2,883.1 million), respectively, and assets relating to NPAs management (i.e., investment in securities—net, installment sale receivables—net, properties for sale—net. and advance for expenses on asset acquisition and others) of Baht 17,512.0 million, Baht 19,340.9 million, Baht 22,615.3 million (US\$739.3 million) and Baht 30,545.9 million (US\$998.6 million), respectively.

Our headquarters are located in Bangkok, and we have a nationwide network of 25 branch offices. We have over 1,200 employees, which help us provide our services throughout Thailand and cater to the specific needs and demands of each region in which we operate. Our nationwide network of branch offices provides us with the physical presence and market knowledge as well as the regional capability to manage NPLs and NPAs efficiently.

We believe some of our competitive advantages are our expertise in negotiating, debt restructuring, selling NPAs and appraising assets, which stems from our management's deep experience in the distressed asset management industry as well as our extensive nationwide network. This enables us to win bids for NPLs and NPAs at appropriate prices and helps us maintain positive profit margins. We typically bid for NPLs and NPAs as they become available for purchase, and we maintain close relationships with financial institutions throughout Thailand to proactively identify opportunities to purchase NPLs, in particular NPLs secured by real estate properties, and NPAs. During the years 2016 to 2018, our NPLs acquired from financial institutions were Baht 12,636.1 million, Baht 10,252.6 million and Baht 10,971.3 million (US\$358.7 million), respectively. We acquire NPAs from various financial institutions in the total amount of Baht 379.5 million, Baht 269.6 million and Baht 1,117.1 million (US\$36.5 million), respectively.

History, Major Developments and Group Structure

We were initially established under the Emergency Decree on Asset Management Company B.E. 2541 (1998) (as amended) (“**AMC Decree**”) in 1999 to manage NPLs and NPAs of the Bangkok Bank of Commerce Public Company Limited (“**BBC**”) arising from the 1997 financial crisis. Over time, our businesses have expanded to include managing NPLs and NPAs acquired from financial institutions, including banks and other asset management companies.

Our key milestones are set forth below:

Month / Year	Key milestone
August 1998.....	The Cabinet approved the financial institution recovery plan of the MOF to manage distressed assets, including permitting financial institutions and other persons to establish an asset management company.
January 1999	We were registered as a private limited company, and 99.9% of our shares were owned by BBC. We were granted approval to register as an asset management company according to the AMC Decree with a paid-up capital of Baht 54,700.0 million, representing 547.0 million shares with a par value of Baht 100.0 per share.
November 1999	As part of a capital restructuring, we decreased our paid-up capital by reducing the par value per share from Baht 100.0 to Baht 25.0. As a result, our paid-up capital was reduced from Baht 54,700.0 million to Baht 13,675.0 million.
October 2001.....	We entered into an asset transfer agreement with TAMC to transfer our NPLs as well as other rights over collateral assets to TAMC. We and TAMC agreed that NPLs and rights over collateral assets would be gradually transferred. TAMC agreed to make payment for the transfer of the NPLs in an amount equal to the value of collaterals underlying NPLs. We and TAMC also agreed on certain profit and loss sharing arrangements over a 10-year period.
February 2003	BBC transferred our shares to FIDF totaling 546,999,993.0 shares with a par value of Baht 25.0 per share. As a result, we were classified as a state-owned enterprise 99.9% owned by FIDF. FIDF subsequently acquired five additional shares at a par value of Baht 25.0 per share in 2010 and 2011. As a result, FIDF owned 546,999,998.0 shares with a par value of Baht 25.0 per share.
September 2003	We purchased NPLs and NPAs from PAMC in the total amount of Baht 19,712.2 million. This was the first time that we purchased NPLs and NPAs from a financial institution.
January 2006	As part of the dissolution of the Asset Management Corporation (“ AMC ”) pursuant to the Act Abrogating Asset Management Corporation B.E. 2549 (2006), AMC sold its core assets, comprising NPLs and NPAs, to us at a price of Baht 27,300.0 million. The sale also included the voluntary transfer of employees from AMC to us.
October 2006.....	To promote transparency and formulate standard of sales and purchases of NPAs, we entered into a memorandum of understanding for the sale and purchase of NPAs with 12 financial institutions and six asset management companies, which sets forth the uniform terms and procedures for sales and purchases of NPAs.
August 2012.....	In connection with the dissolution of TAMC pursuant to the Emergency Decree on Thai Asset Management Corporation B.E. 2544 (2001) (as amended) (“ TAMC Decree ”), we entered into two distressed asset purchase agreements (one relating to NPLs and one relating to NPAs) to purchase NPLs and NPAs from TAMC in the aggregate amount of Baht 15,757.2 million.
May 2013	We signed a memorandum of understanding with Secondary Mortgage Corporation to cooperate in the purchase of mortgages from financial institutions that wish to sell bundled loan portfolios that include both performing loans and NPLs. Under this arrangement, Secondary Mortgage Corporation will purchase the performing loans whereas we will purchase the NPLs, thus allowing us access to additional sources of NPLs.
December 2014.....	We issued, for the first time, Baht 4,500.0 million of unsubordinated and unsecured debentures (“ Debentures ”). These Debentures had a maturity date of December 2017 and bear interest at a rate of 3.3% per annum.
December 2015.....	We converted from a private limited company to a public limited company and changed the par value of one shares from Baht 25.0 per share to Baht 5.0 per share. We issued Baht 1,800.0 million of Debentures. These Debentures have a maturity date of December 2018 and bear interest at a rate of 2.8% per annum.

Month / Year	Key milestone
December 2016.....	We issued Baht 6,400.0 million of Debentures. These Debentures have a maturity date ranging from June 2018 to December 2023 and bear interest at a rate ranging from 2.4% to 3.8% per annum.
June 2017	We issued Baht 5,600.0 million of Debentures. These Debentures have a maturity date ranging from December 2018 to June 2027 and bear interest at a rate ranging from 2.2% to 3.9% per annum.
September 2017	We issued Baht 17,000.0 million of Debentures. These Debentures have a maturity date ranging from March 2019 to September 2027 and bear interest at a rate ranging from 2.0% to 3.9% per annum.
June 2018	We issued Baht 8,000.0 million of Debentures. These Debentures have a maturity date ranging from December 2019 to June 2028 and bear interest at a rate ranging from 2.2% to 4.3% per annum.
July 2019	We issued Baht 20,000.0 million of Debentures. These Debentures have a maturity date ranging from January 2021 to July 2034 and bear interest at a rate ranging from 2.3% to 3.9% per annum.
August 2019	Extraordinary Shareholders' Meeting no. 1/2019 was held on August 2, 2019, during which a resolution was passed to allocate up to 510.0 million newly issued shares with a par value of Baht 5.0 per share. The aforementioned capital increase was registered in 2015. We will allot (i) up to 280.0 million Shares for the IPO and (ii) up to 230.0 million Shares for the Over-allotment Option.

Our Competitive Strengths

Largest distressed asset management company in Thailand with established experience

We are the largest distressed asset management company in Thailand based on total asset size as of December 31, 2018, according to the Ipsos Report. With our total asset size and experience in the distressed asset management business, we believe we are well equipped to resolve issues relating to distressed assets in Thailand, with a focus on managing the assets and reaching optimal solutions for all stakeholders where possible. We also believe that our large and diversified portfolio of assets provides us with diverse income streams for cash collection.

Extensive nationwide sourcing and management network

Our headquarters are located in Bangkok, and we have a nationwide network of 25 branch offices, giving us the largest network among distressed asset management companies in Thailand.

We believe our nationwide presence allows us to (i) monitor and manage our NPLs and NPAs efficiently and (ii) more accurately evaluate and appraise NPLs and NPAs during the sourcing process.

With an extensive network of branch offices, we also have greater access to our end-customers and are able to provide better customer service. Our employees are familiar with local market conditions, which is helpful in determining the timing and price of our NPL and NPA sales. In addition, we may react to market conditions by moving our branch offices and changing our geographic strategy, including transferring our employees and resources to regions with higher levels of business activity.

We believe our versatile business model enables us to take advantage of opportunities in a variety of market conditions. In times of economic growth, we anticipate that our borrowers' ability to repay debts will be stronger, which will enable us to generate more cash from NPLs. Improved cash collection allows us to accumulate cash to purchase NPLs and NPAs at appropriate time and prices. Furthermore, we are generally able to sell NPAs at more favorable prices in a strong economy.

Conversely, the amount of NPLs held by financial institutions generally increases in economic downturns, increasing the supply of NPLs and NPAs, which presents us with increased opportunities to acquire NPLs and NPAs at favorable prices through bidding.

Strong track record in sourcing, managing and monetizing NPLs and NPAs

We have over 20 years of experience in the business of managing NPLs and NPAs in Thailand. We possess strong capabilities in sourcing NPLs and NPAs at appropriate prices and effectively managing and monetizing our NPLs and NPAs. In particular:

Sourcing NPLs and NPAs at appropriate prices

We believe that our extensive nationwide reach, our team's real estate experience and our familiarity with collateral underlying NPLs and NPAs give us an advantage over our competitors in identifying, valuing and pricing NPLs and NPAs during the bidding process. Our headquarters and network of 25 branch offices throughout Thailand allow us to send representatives to physically inspect the collateral underlying the NPLs and NPAs to be purchased, allowing us to conduct more accurate valuations. As of September 30, 2019, we have more than 350 employees dedicated to sourcing NPLs and NPAs. During the year 2016 to 2018, we acquired NPLs from financial institutions totaling Baht 12,636.1 million, Baht 10,252.6 million and Baht 10,971.3 million (US\$358.7 million), respectively. As of December 31, 2016, 2017, and 2018, our NPLs (liability under cost basis) totaled Baht 77,975.1 million, Baht 79,829.2 million and Baht 81,719.0 million (US\$2,671.4 million), respectively, while our liabilities under existing contracts (liability under accrual basis) totaled Baht 439,486.4 million, Baht 442,052.6 million and Baht 454,965.7 million (US\$14,873.0 million), respectively.

Experience in effectively managing and monetizing NPLs and NPAs

We believe that we possess the ability to manage our NPLs and NPAs to help ensure that we are able to maintain or generate cash from our NPLs and NPAs through our knowledge of and competence in considering the needs and demands of relevant markets. In particular, with over 20 years of experience in the business of managing NPAs and NPLs and our extensive nationwide sourcing and management network, we believe that we have an advantage over our competitors, as compared to other distressed asset management companies that directly manage NPLs, or larger commercial banks that have an asset management arm but do not manage NPAs or NPLs as their main business.

We manage our NPLs primarily through debt restructuring negotiations with debtors and seek to reach, where possible, optimal solutions for all stakeholders. Our experience and asset database provide us with the ability to restructure NPLs in an efficient manner, primarily taking into account each debtor's repayment ability, while also managing the associated risks. In addition, we have a team with extensive knowledge of the judicial enforcement process in Thailand to streamline our internal process with respect to the foreclosure and expertise in the assets underlying our NPLs to achieve speedy and efficient outcomes. We also believe that we have a strong ability to renovate and add value to our NPAs. We have a specialized team focused on NPAs comprised of professionals who are well versed in the needs and demands of the market for various types of real estate properties.

Furthermore, our nationwide presence allows us to send representatives to regularly inspect our NPAs to help ensure that they are maintained properly and in condition for sale. We also leverage the regional expertise provided by our nationwide network of branch offices to negotiate with our customers to achieve appropriate outcomes. As of September 30, 2019, we have more than 200 employees responsible for managing NPAs throughout Thailand.

We believe our strategy to manage our NPAs by asset type rather than by geographic location has enhanced our ability to identify and target potential customers and to sell NPAs more rapidly and at appropriate prices.

We have NPA management teams that specialize in particular types of assets, such as the housing team, condominium team, land team and properties for investment team. Our asset-based approach has allowed us to develop different strategies to market and sell different types of NPAs, which improve our efficiency in the selling process, our profitability, and our turnaround time.

Furthermore, our nationwide network of branch offices provides us with expert knowledge of the local real estate market and enables us to effectively sell NPAs in all areas of Thailand. We also cooperate with allied financial institutions to help provide credit to purchasers of our NPAs, which in turn facilitates our cash collection and selling of NPAs.

Strong risk management capabilities

Our strong risk management capabilities are an integral part of our business. We have developed a prudent and sound risk management system, which focuses on risk prevention, while preparing for potential

uncertainties that may affect our goals and objectives at either the organization level or project level. We incorporate risk management into our routine operations and promote it as part of our organizational culture.

We continually review and refine our risk management system to ensure that it is in line with the risk management policy established by our Risk Oversight Committee. Our risk management system plays a pivotal role in establishing our risk management policy and strategy, reviewing the appropriateness and thoroughness of our risk management policy, and monitoring corporate risks.

Recognizing the importance of risk management, we have established rules for efficient risk management that we believe are suitable to our business. We study, assess, monitor, and manage risks systematically and continuously to ensure that our management understands the risks involved in our business and are able to manage risks within the specified scope.

Well diversified and sustainable sources of funding to support business expansion

As of September 30, 2019, we had borrowing relationships with eleven domestic financial institutions. We believe that this diversification gives us the ability to negotiate better terms and leaves us room for further leverage with different financial institutions. We have not had any payment defaults and have not been notified of any breaches of provisions under our loan agreements. As a result, we believe that our relationships with these banks are strong.

We have historically funded our operations through a variety of sources, including short-term and long-term notes, short-term and long-term loans, debentures and cash generated from operations. Following the listing of our Shares on the SET, we expect to continue to use these tools, as well as other capital markets solutions, to fund our operations in the future.

Our debt-to-equity ratios as of December 31, 2016, 2017 and 2018 and September 30, 2019 were 1.3, 1.4, 1.6 and 1.8, respectively. Our strong financial position allows us to adopt flexible capital structures and financing strategies, which help us grow our operations.

As of September 30, 2019, we had a total of Baht 2,473.2 million (US\$80.8 million) of short-term notes before deducting deferred interest expense and aval expense, Baht 2,368.0 million (US\$77.4 million) of long-term notes before deducting deferred interest expense and aval expense, Baht 10,841.2 million (US\$354.4 million) of short-term borrowing before deducting deferred loan fees, Baht 11,448.6 million (US\$374.3 million) of long-term borrowing before deducting deferred loan fees and Baht 48,200.0 million (US\$1,575.7 million) of debentures before deducting debenture issuance expenses.

See “*Management’s Discussion and Analysis of Financial Condition and Results of Operation—Analysis of financial position as of December 31, 2016, 2017, 2018 and September 30, 2019—Debt issued and borrowing.*”

Experienced directors and senior management team with established track record

Our directors and senior management team have an average of over 25 years of experience in the financial services industry and experience working at large organizations in Thailand, such as the BOT, commercial banks and other financial institutions. Based on their experience, our directors and senior management understand and are capable of dealing with the entire life cycle of loans, with insights on how banks originate loans, manage receivables, and choose to dispose of NPLs and NPAs.

Furthermore, we believe that our senior management is well-known in the financial services industry in Thailand and many of our management have real estate-related experience, which has allowed them to develop relationships with leaders in the financial services and real estate business throughout the country and provided them with knowledge necessary to successfully negotiate and build a network with the relevant organizations.

In addition, we also have a policy to continually groom our junior management for senior roles which will provide us with a strong reserve of talent for sustainable growth in the future.

Our Strategies

We aim to maintain our position as the largest distressed asset management company in Thailand with excellent management and aim to foster strong relationships with our customers and with the financial institutions from which we purchase our NPLs and NPAs, in order to create long-term value for our shareholders.

Grow our asset base

We have created a network to regularly monitor the offer for sale of assets of financial institutions in Thailand that have NPLs and NPAs to grow our asset base. Subject to market conditions and the availability of suitable and reasonably priced NPLs and NPAs, we generally target sustainable growth in our asset base over the long term.

Under normal conditions, we believe that the market for NPLs and NPAs will continue to be well supplied by financial institutions as a result of, among others, the BOT's requirements on holdings of NPAs by financial institutions. In addition, we will have increased opportunities to source more NPLs and NPAs during periods of economic downturn.

We believe that we will be able to draw on our established presence in the NPL management industry and our existing relationships in order to continuously grow our asset base.

Shorten turnaround time and increase our cash collection

We also focus on shortening the time we take from acquiring NPLs to monetizing them. We plan to do so by proactively managing our NPLs (including negotiations with debtors and increasing the efficiency of our internal processes) to shorten the amount of time for converting assets underlying NPLs into NPAs. In particular, we have a team with extensive knowledge of and expertise in the judicial enforcement process in Thailand to streamline our internal process with respect to the enforcement of collateral underlying our NPLs to achieve speedy and efficient outcomes, including proactively monitoring the state of NPLs and drafting required documentation in advance to prepare for the court process.

In 2017, we launched a campaign called "Pleased to have your home back" in an effort to help our debtors to reclaim their housing collateral. To be eligible for this program, debtors shall not be under receivership and the principal amount of their debt shall not exceed Baht 10.0 million. Eligible debtors may reclaim their housing collateral by repaying 100.0% of the principal amount of their debt within 90 days or repaying their debt in installments within 20 years at 80.0% of the appraised value of their housing collateral in accordance with the Company's criteria. We have applied the principles and conditions of this campaign to increase the number of NPL customers who have entered into debt restructuring agreements for housing loans and/or secured personal loans with their home as security, in order to increase the consistency of our cash collection. We have also launched other campaigns in order to help our debtors repay their debts. For example, the "BAM, reduce to release debts" scheme was launched to allow individual debtors who are not under receivership and do not own other assets to resolve their unsecured loans with a principal amount of not exceeding Baht 3.0 million by repaying 10.0% of the unpaid principle amount within 90 days or repaying 15.0% of the unpaid principle amount in installments over a period of three years with no interest. Another example is a campaign launched in 2018 called "BAM, Revitalize your Business" under which we allow our individual and corporate debtors who are not under receivership and do not own other assets to resolve debts with a principal amount not exceeding Baht 20.0 million by repaying 100% of the principal amount within 90 days or repaying 80.0% of the appraised value of their collateral in accordance with the Company's criteria in installments within 10 years. Nonetheless, such campaigns are subject to other conditions set out by us.

We also focus on expediting the disposal of our NPAs. We manage our NPAs based on their asset types to better address our target customers' requirements, and have experienced teams that focus on specific asset types. Furthermore, we seek to incentivize our workforce to reduce turnaround time to monetize NPAs by evaluating our employees' performance based on key performance indicators. We also continuously undertake promotional campaigns across the country throughout the year to promote our NPAs. For example, we use "display farms," whereby we provide potential buyers with models showing them how they can earn income from our NPAs through various uses, to increase demand. We also establish booths at real estate marketing events to market our NPAs and identify potential buyers for our NPAs. In addition, where necessary or commercially worthwhile, we also carry out improvement works on our NPAs to add value and help us dispose of our NPAs. We believe that these initiatives will allow us to reduce expenses associated with holding NPAs.

In the future, we plan to facilitate and expedite the disposal of our NPAs through sales events regularly. We also plan to establish a special team to focus on management of high value and less liquid NPAs.

In addition, we have a campaign that allows customers who do not have access to loans from financial institutions to purchase assets through installment payments of no more than Baht 2.0 million where the selling prices of the asset is no more than Baht 3.0 million, or under other special circumstances, such as where the NPA has a high value or the debtor of the related NPL enforced by us would like to repurchase the NPA.

Invest in employee training, enhance organizational competencies and implement succession scheme

We provide our employees with opportunities to enhance their capabilities through both internal training programs and access to external learning activities. For example, we have an independent development program that allows employees to undertake self-evaluation and identify new skills which they would like to develop, and we tailor courses to cater to the needs of our different employees. Our employees will be eligible to take the courses upon approval from the human resources department.

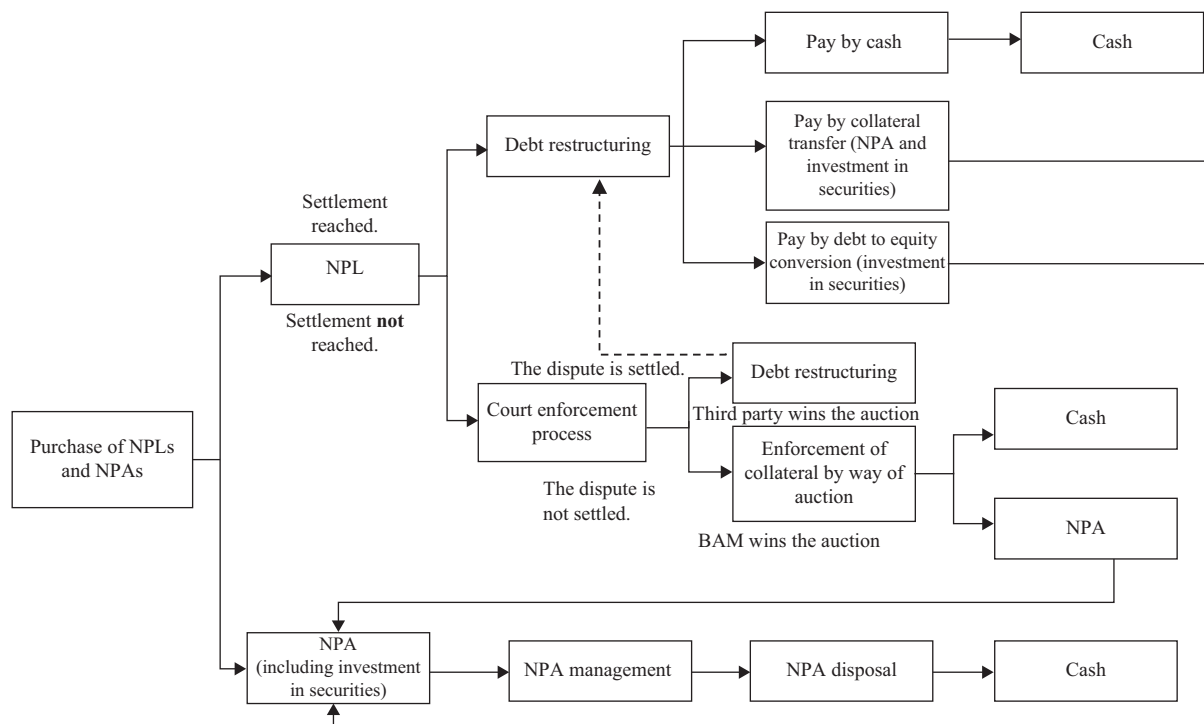
We also provide graduate education scholarships in Thailand and overseas to both qualified employees and non-employees. All scholarship recipients are required to return to our company and work for twice as long as the period of their studies. This helps increase the numbers of our employees with graduate education, ensures that we are able to retain such qualified employees and enables them to apply their knowledge to increase their productivity.

In addition, we have a succession and employee development scheme to identify and groom qualified employees to replace retiring senior management. We currently rotate employees at multiple levels to provide them with a diversified experience and prepare them for management roles in the future.

Principal Businesses

We have two principal business segments: (i) NPL management, and (ii) NPA management.

The following diagram shows the general flow of our primary business operations:



As of September 30, 2019, the book value of our NPLs (loans purchased) was Baht 79,136.1 million (US\$2,587.0 million), and the book value of our NPAs was Baht 23,244.8 million (US\$759.9 million). The book values of our NPLs and NPAs are recognized at acquisition cost.

The following table sets forth a breakdown of our revenue by revenue source for the years ended December 31, 2016, 2017 and 2018 and for the nine-month periods ended September 30, 2018 and 2019.

	For the Year Ended December 31,						For the Nine-month Period Ended September 30,					
	2016		2017		2018		2018		2019			
	Amount	% of	Amount	% of	Amount	% of	Amount	% of	Amount	% of	Amount	% of
	Baht	total	Baht	total	Baht	US\$	Baht	total	Baht	total	Baht	total
<i>(in millions, except percentages)</i>												
NPL management business												
Interest income ⁽¹⁾	1,232.3	14.1	1,877.5	24.6	1,856.8	60.7	19.0	3,731.3 ⁽¹⁾	58.1	7,816.5 ⁽¹⁾	255.5	84.9
Gain on loans purchased	4,224.4	48.2	3,509.2	46.0	4,438.3	145.1	45.5	N/A ⁽¹⁾	N/A	N/A ⁽¹⁾	N/A	N/A
Other operating income ⁽²⁾	11.8	0.1	14.5	0.2	57.9	1.9	0.6	12.9	0.2	3.2	0.2	0.1
Total revenue from NPL management business	5,468.5	62.4	5,401.2	70.8	6,353.0	207.7	65.2	3,744.2	58.3	7,819.7	255.7	85.0
NPA management business												
Interest income ⁽³⁾	150.3	1.7	117.3	1.5	92.9	3.0	0.9	78.5	1.2	122.3	4.0	1.3
Gain on sale of properties for sale	2,362.6	27.0	1,740.9	22.8	3,105.5	101.5	31.8	2,506.7	39.1	1,130.0	37.0	12.3
Gain/(loss) on investment in securities	20.0	0.2	(2.6)	0.0	(30.3)	(1.0)	(0.3)	(30.2)	(0.5)	3.9	0.1	0.0
Gain on installment sales	584.1	6.7	184.5	2.4	115.2	3.7	1.2	73.7	1.2	80.6	2.6	0.9
Other operating income ⁽⁴⁾	128.3	1.4	141.2	1.9	73.5	2.5	0.8	27.1	0.4	34.4	1.1	0.4
Total revenue from NPA management business	3,245.3	37.0	2,181.3	28.6	3,356.8	109.7	34.4	2,655.8	41.4	1,371.2	44.8	14.9
Other income ⁽⁵⁾	49.2	0.6	43.4	0.6	41.3	1.4	0.4	19.1	0.3	15.3	0.5	0.1
Total income	8,763.0	100.0	7,625.9	100.0	9,751.1	318.8	100.0	6,419.1	100.0	9,206.2	301.0	100.0

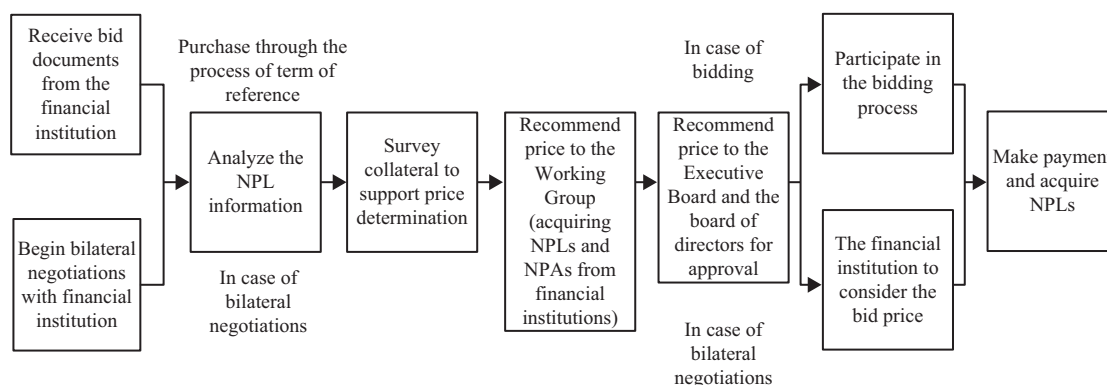
- (1) “Interest income from loans purchased” and “gain on loans purchased” are presented as two separate line items in the audited financial statements for the years ended December 31, 2016, 2017 and 2018, but are reclassified to be presented as a combined line item, “interest income from loans purchased” in the reviewed interim financial statements for the nine-month period ended September 30, 2019. As a result of the reclassification, “gain on loans purchased” is a component of interest income in the reviewed interim financial statements for the nine-month period ended September 30, 2019. For the nine-month periods ended September 30, 2018 and 2019, our interest income from loans purchased was Baht 3,731.3 million and Baht 7,816.5 million (US\$255.5 million), respectively, comprised of (a) interest income from loans purchased of Baht 1,432.1 million and Baht 1,245.5 million (US\$40.7 million), respectively, and (b) gain on loans purchased of Baht 2,299.2 million and Baht 6,571.0 million (US\$214.8 million), respectively.
- (2) Other operating income from NPL management business primarily comprises (a) an excess amount paid by debtors who we were unable to contact regarding returns and (b) the advances paid by us on behalf of debtors which were subsequently returned to us by the courts following the closure of the debtors’ accounts. Other operating income significantly increased in 2018 primarily due to our sale of a debtor account to another asset management company which failed to pay for the transfer of the claim to us within the agreed period and subsequently requested an extension to the payment due date, resulting in interest charges on the overdue amount and the recognition of other operating income.
- (3) Interest income from the NPA management business primarily comprises interest income from installment sales and interest income from matured debentures.
- (4) Other income from NPA management business primarily comprises (a) dividends from our investment in securities, (b) rent, (c) gain from foreclosure of installment sales and (d) other income from a breach of assets sale agreements.
- (5) Other income comprises (a) interest income from savings with financial institutions, (b) gain from sale of our properties and (c) others.

Sourcing and Management of NPLs

We purchase NPLs from financial institutions in Thailand and manage, negotiate and restructure our NPLs through a variety of means, with the ultimate goal of generating optimal value. When we acquire an NPL, we record the NPL on our books based on the acquisition cost as loans purchased. See “*Management’s Discussion and Analysis of Financial Condition and Results of Operation Critical Accounting Policies.*”

As of December 31, 2016, 2017 and 2018 and September 30, 2019, we had the right of claim against debtors based on the outstanding amount pursuant to the relevant loan and restructured debt contracts for the aggregate amount of Baht 439,486.4 million, Baht 442,052.6 million, Baht 454,965.7 million (US\$14,873.0 million), and Baht 471,124.4 million (US\$15,401.3 million), respectively.

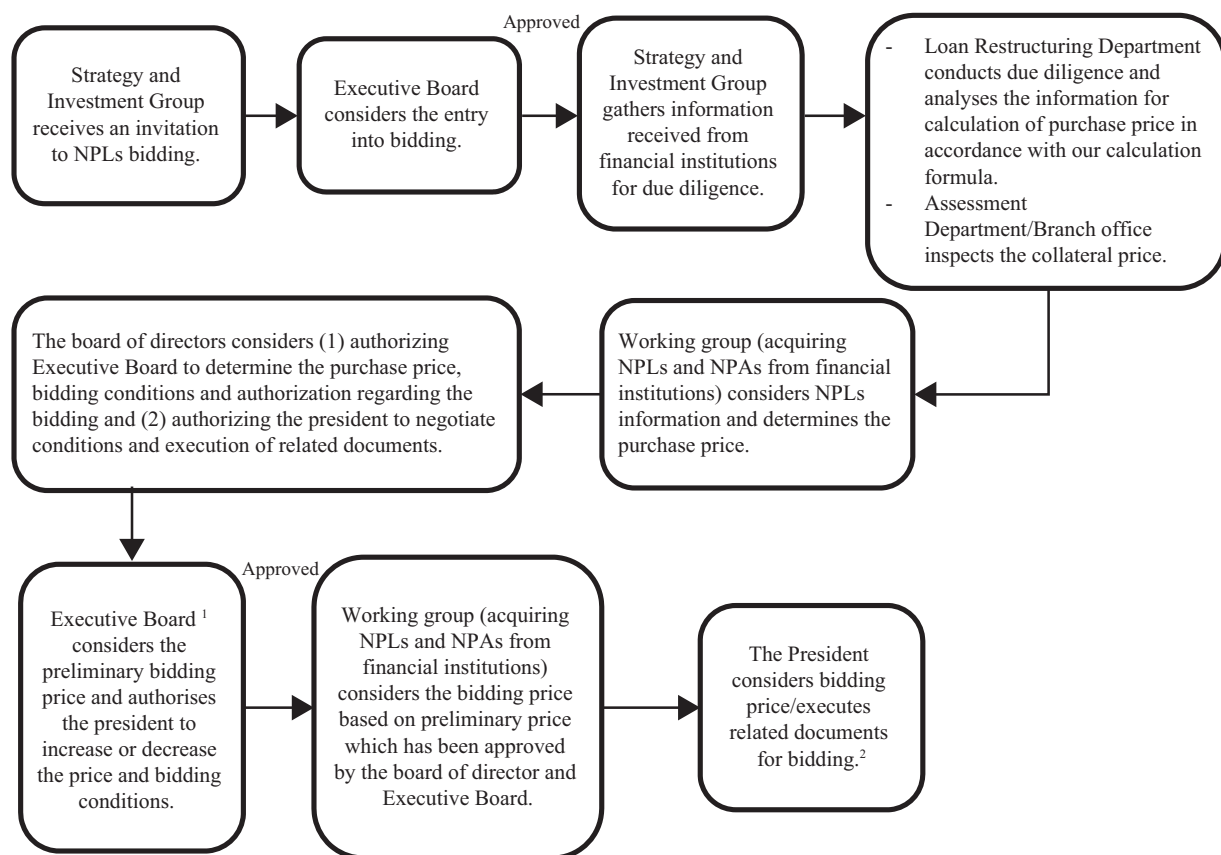
The diagram below illustrates our process for the sourcing, due diligence and valuation of NPLs and our payment process:



Sourcing

We actively seek opportunities to acquire NPLs from financial institutions in Thailand, primarily through competitive bidding and occasionally through bilateral negotiations with financial institution.

The diagram below illustrates our process for competitive bidding of NPLs from financial institutions:



Note: 1. In cases where the date of the bidding is a long time away from the date of the board of directors' meeting, the board of directors will authorize the Executive Board to determine the purchase price and bidding conditions for the sake of flexibility. Accordingly, the Executive Board will authorize the President to determine the bidding price and execute and approve any bidding documents.

2. The final bidding price presented to the President must have passed a consideration of the Working Group (acquiring NPLs and NPAs from financial institutions).

We acquire NPLs directly from financial institutions through bilateral negotiations, or by participating in the bidding process for NPLs as they become available from financial institutions, following receipt of information or registration with financial institutions to participate in the bidding process and receiving bid documents. When evaluating an NPL portfolio, we consider whether the NPLs are secured or unsecured. As of September 30, 2019, we have been focusing on portfolios where the substantial majority of NPLs are secured by real estate properties. Where we acquire NPLs directly from financial institutions, the purchase will take place after conclusion of our bilateral negotiations.

We maintain close relationships with financial institutions throughout Thailand and closely monitor their announcements.

The following table sets forth the sources of our NPLs and the acquisition amount of NPLs purchased from such sources for the periods indicated:

	As of December 31,				For the Nine-month Period Ended September 30,		
	2016	2017	2018		2018	2019	
	Baht	Baht	Baht	US\$	Baht	Baht	US\$
Sources of NPLs⁽¹⁾	<i>(in millions)</i>						
Financial Institution 1	6,271.9	4,038.9	4,203.7	137.4	3,157.2	5,596.5	183.0
Financial Institution 2	1,872.2	3,843.1	2,292.9	75.0	2,292.9	2,231.9	72.9
Financial Institution 3	1,185.2	1,168.8	1,494.8	48.9	1,494.8	1,055.2	34.5
Financial Institution 4	939.5	776.5	896.9	29.3	461.2	692.6	22.6
Financial Institution 5	589.5	245.1	505.0	16.5	433.1	632.6	20.7
Financial Institution 6	545.9	163.0	486.2	15.9	277.2	556.4	18.2
Financial Institution 7	416.5	117.1	461.2	15.1	242.9	369.1	12.1
Financial Institution 8	357.8	116.5	277.2	9.1	14.4	309.7	10.1
Financial Institution 9	276.1	100.1	242.9	7.9	—	275.1	9.0
Financial Institution 10	108.6	90.8	107.7	3.5	—	179.4	5.9
Total	12,563.2	10,659.9	10,968.5	358.6	8,373.7	11,898.5	389.0

(1) Represents the top 10 financial institutions from which we purchase NPLs. The top 10 financial institutions may vary from year to year.

Due diligence, valuation and payment

Once financial institutions put their portfolio of NPLs up for sale, whether through an open tender process or a bilateral negotiation with us, we conduct due diligence and valuation exercises based on the information received prior to purchasing NPLs. We typically sign a confidentiality agreement with the relevant financial institution before receiving bid documents containing information about the NPLs.

Our due diligence process involves reviewing the relevant credit documentation, obtaining additional information from the sellers as well as surveying and reviewing of the collateral values to support our determination of the acquisition price. We also utilize our efficient network of branch offices throughout Thailand. Typically, our staff from the branch office closest to the underlying collateral will gather information for the relevant NPL collateral survey, and present the survey results and pricing to our Working Group (acquiring NPLs and NPAs from financial institutions). The Working Group (acquiring NPLs and NPAs from financial institutions) will subsequently propose a primary price determination to the Executive Board and Board of Directors for approval.

We typically price the NPLs based on a combination of factors, including, among others, our expectation of realizable future cash flows, the value of the underlying collateral and the profile of the borrowers. In addition, we also consider the status of the court enforcement process, time limitations on enforcement, the industry and occupation of the debtor and the presence of any guarantees applicable to the loan. Our investment team recommends prices to our Working Group (acquiring NPLs and NPAs from financial institutions), which then makes further pricing recommendations to our Executive Board and Board of Directors for their consideration and approval. All bids and purchases of NPLs are subject to the final approval of our Executive Board and Board of Directors, which primarily take into account the reasonableness of the rate of return of our investment and the risk involved.

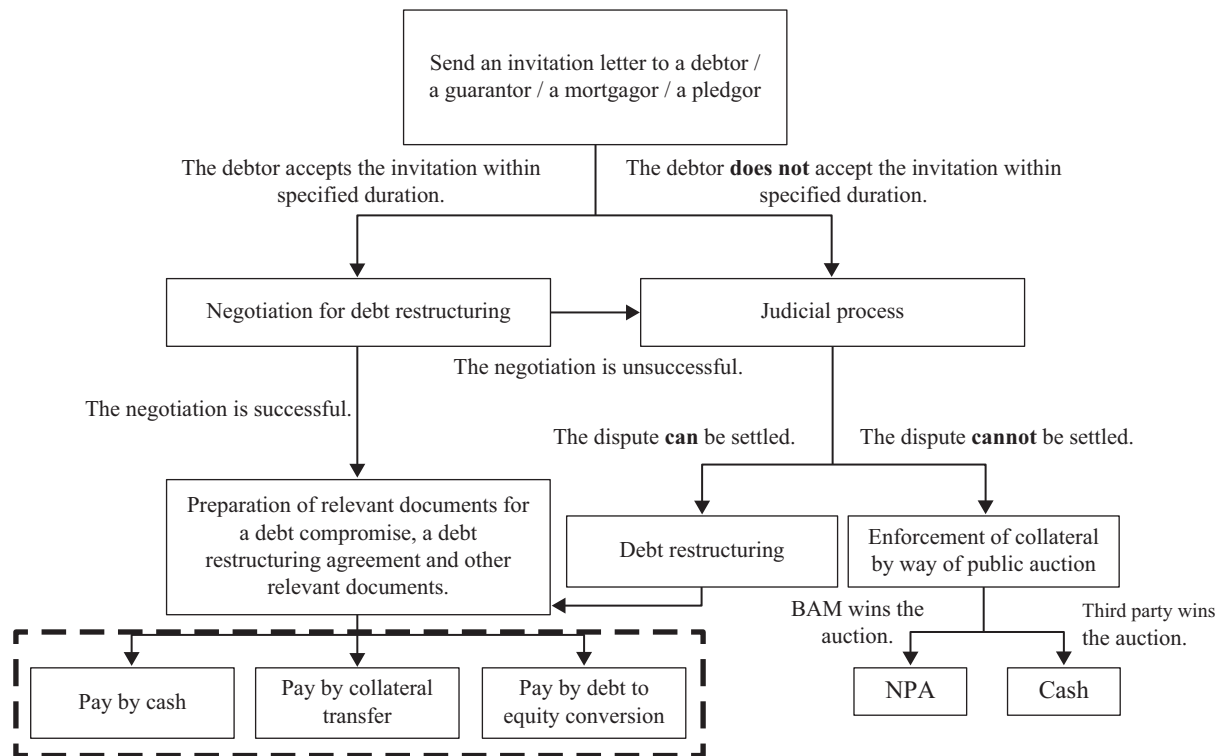
We purchase NPLs from financial institutions primarily with cash generated from operations and from the issuance of notes, loans, and debentures. The choice of funding generally depends on cost of funding and our liquidity. If we opt to use notes, the tenure of the notes will depend on our commercial negotiations.

Following the execution of a purchase agreement for an NPL, we typically have a period of time to examine the rights of claim and collateral assets, and reserve the right to return the NPL to the seller where certain conditions are not satisfied, such as failure to receive title documents for the purpose of judicial process or failure to deliver collateral assets. These conditions may vary from agreement to agreement.

In the past, we have also entered into profit and loss sharing agreements with NPL sellers with respect to the management of NPL pools. However, we do not have any profit and loss sharing agreement currently in effect.

Debt Restructuring

The following chart illustrates our process for managing and restructuring NPLs:



After we purchase NPLs from financial institutions, we attempt to contact the debtors, guarantors, pledgors and mortgagors to inform them of our ownership of the debt.

Once we are able to contact a debtor, we propose to negotiate with the debtor to restructure its debt. If we are not able to contact debtors, guarantors, pledgors and mortgagors, we will then proceed with the court process. We typically undertake the restructuring process in parallel with the court enforcement process for a debtor whose debt restructuring has yet to be successful in order to minimize turnaround time.

As part of the restructuring process, we evaluate the collateral and the debtor's ability to service the debt by considering various factors, including the debtor's salary, occupation and industry and the availability of guarantors. We consider numerous options in the restructuring process, including settling the debt or revising the terms of the loan through extending the due date, reducing the applicable interest rate and/or principal, acquiring the underlying collateral asset and converting debt into equity, among others. The actual options used in the restructuring process will depend on each debtor's ability to service the debt. In restructuring NPLs, we focus on minimizing the time we take to monetize our NPLs, and we generally seek to reach settlement as soon as reasonably possible.

If negotiations on restructuring are successfully concluded with a debtor, we enter into a restructuring agreement detailing the repayment schedule, repayment amount, repayment method and collateral and guarantee arrangements. The particular restructuring agreement is subject to multiple levels of internal review and approvals. Further restructuring negotiations may take place if the debtor continues to be unable to pay the loan after the restructuring.

In 2017, we launched a campaign called "Pleased to have your home back" as an option for debt compromise in an effort to help our debtors to reclaim their housing collateral. To be eligible for this program, debtors shall not be under receivership and the principal amount of their debt shall not exceed Baht 10.0 million. Eligible debtors may reclaim their housing collateral by repaying 100.0% of the principal amount of their debt within 90 days or repaying their debt in installments within 20 years at 80.0% of the appraised value of their housing collateral in accordance with the company criteria. We have also launched other campaigns in order to help our customers repay their debts. For example, the "BAM, reduce to release debts" scheme was launched to allow individual debtors who are not under receivership and do not own other assets to resolve their unsecured loans with a principal amount of not exceeding Baht 3.0 million by repaying 10.0% of the unpaid principle amount within 90 days or repaying 15.0% of the unpaid principle amount in installments over a period of three

years with no interest. Another example is a campaign launched in 2018 called “BAM, Revitalize your Business” under which we allow our individual and corporate debtors who are not under receivership and do not own other assets to resolve debts with a principal amount not exceeding Baht 20.0 million by repaying 100% of the principal amount within 90 days or repaying 80.0% of the appraised value of their collateral in accordance with the company criteria in installments within 10 years. Our campaigns not only help debtors release or redeem security, but also allow us to receive income from the cash flow from the repayment of debt or installment payments in accordance with the debt restructuring. Nonetheless, such campaigns are subject to other conditions set out by us.

We believe that we benefit from over 20 years of experience in managing NPLs and restructuring loans and are able to effectively achieve reasonable/appropriate outcomes in the restructuring process. In the event our negotiations for debt restructuring are not successful, we may carry out court enforcement proceedings against a debtor to enforce our rights and to foreclose on collateral.

Service channels

Debtors of our NPLs will receive documents with customized barcodes specific to each debtor to make repayments on NPLs to us through a number of service channels, including counter services available at 7-Eleven convenience stores, branch offices of major commercial banks throughout Thailand and our head office or our branch offices.

Management of NPLs that are in default

We monitor and control the timely repayment under debt restructuring agreement and aging of NPLs to ensure cash flow stability. We enter into debt restructuring negotiations with debtors, while at the same time maintaining all of our legal rights with respect to the NPL.

If a debtor continues to fail to make repayment pursuant to the debt restructuring agreement, we then make the decision whether to continue to pursue restructuring under new terms or go through the court enforcement process. We typically proceed with debt restructuring in parallel with the court enforcement process. However, as our primary goal is to monetize the NPLs as soon as possible, we generally prefer to conclude the debt restructuring before pursue the court enforcement process because debt restructuring is typically faster than court enforcement in terms of cash collection, and often involves less fees, compared to the court enforcement process.

Enforcement

Before deciding to enforce our NPLs and foreclose on the underlying collateral for our NPLs, we typically consider a number of factors, including the time necessary to monetize the NPL, the expenses involved in the enforcement process, the risks involved with the judicial process and the applicable statute of limitations or period of enforcement.

Following the transfer of NPLs from financial institutions, in order to enforce our rights under NPLs in case the financial institution has started legal proceeding of, we in accordance with the AMC Decree will subrogate to the rights of the financial institution which has transferred NPLs to us and was a former plaintiff in the ongoing legal proceeding or subrogate to the rights of a judgement creditor in case the court has ruled its decision. Upon our request of subrogation to the court, the court will examine it. The process of our subrogation may be delay if there is an objection to our request.

If the court rules in our favor, and we enforce the debt and foreclose on any collateral, the collateral will be put on sale by public auction for repayment of debt in which we typically participate.

If we are the plaintiff or the court allowed us to be subrogated to the rights of the judgement creditor, we will participate in a public auction with the right to set off the purchase price against the debtor’s outstanding debt and if we win such bid, the executing officer will then prepare a setting-off statement to identify whether or not we, as the purchaser, have to pay additional amount and notify us to collect documents of title transfer for the purpose of ownership registration and pay outstanding amount (if any) (in case the reserved amount is not sufficient for the incurred expenses) upon which we will collect the documents and process with the ownership registration. Subsequently, the executing officer will prepare an income and expense statement for interested parties setting out expenses and debt on accrual basis (outstanding debt in accordance with the court’s judgement). If the proceed from the public auction sale exceeds the outstanding debt, the plaintiff or judgement creditor shall be repaid from the enforcement only in the amount the court so ordered in respect of such person.

If we have yet to be allowed to be subrogated to the rights of the former plaintiff as a judgement creditor or a mortgagor, we will participate in a public auction as a third party and if we win such bid, we will pay the bidding price in full together with relevant expenses, then, we will collect the documents of title transfer and other related documents for the purpose of registration of title transfer. In this regard, the Legal Execution Department will repay to us the amount which we have advanced at the time of the auction after we successfully proceed with the subrogation.

If a third person wins the bid, we will proceed to request for the repayment of debt from the public auction proceed by preparing and gathering relevant documents including a copy of court's order granting us with the right to subrogation for the submission with the Legal Execution Department for its preparation of an income and expense statement. In this regard, the Legal Execution Department may request for additional documents prior to the delivery of the income and expense statement to us. We will record the reversal of accrued income from auction sale upon our receipt of such repayment of debt.

The delivery period of the income and expense statement by the Legal Execution Department depends on several factors, for example, the receipt of the court's final judgement in the case there is a request for a revocation of the public auction, disputes regarding the income and expense statement, delay in the legal proceeding in a bankruptcy case against the debtor as the Legal Execution Department can only prepare the income and expense statement upon the completion of the bankruptcy process of the Bankruptcy Court. To facilitate the delivery of income and expense statements, we maintain a register for accrued income from auction sale and regularly monitor such income.

The minimum repayment we are able to recover from the collateral in an auction side is the lowest of (i) the price at which the collateral was sold, less expenses, (ii) the mortgage value, which is the amount secured by the collateral under the loan (and which may be more or less than the outstanding amount of the loan and/or the selling price), and (iii) the outstanding amount of the loan.

In addition, we regularly monitor the result of operation from our investments via the Assets and Liabilities Management Working Group, and present the result of operation of each portfolio to the Executive Committee and/or the Board of Directors for their acknowledgement and for their consideration in making future portfolio acquisitions.

Quality and Types of NPLs

NPLs with or without debt restructuring or compromising contracts

We categorize our NPLs by debt restructuring into (i) NPLs with debt restructuring or compromising contracts; and (ii) NPLs without debt restructuring or compromising contracts.

The following table sets forth information regarding our NPLs with debt restructuring or compromising contracts, and NPLs without debt restructuring or compromising contracts for the periods indicated.

Type of NPLs	As of December 31,				As of September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
<i>(in millions)</i>						
With debt restructuring or compromising contracts	3,569.8	4,668.5	7,531.3	246.2	8,567.8	280.1
Without debt restructuring or compromising contracts	74,405.3	75,160.7	74,187.7	2,425.2	76,945.6	2,515.4
Total	77,975.1	79,829.2	81,719.0	2,671.4	85,513.4	2,795.5

NPLs by loans purchased classification based on BOT guidelines

We categorize our loans purchased into “normal,” “special mention,” “sub-standard,” “doubtful” and “doubtful of loss” and set aside allowance for doubtful accounts of our loans purchased based on BOT guidelines. See “*Management Discussion and Analysis of Financial Condition and Results of Operations—Analysis of Financial Position as of December 31, 2016, 2017, 2018 and September 30, 2019—Allowance for Doubtful Accounts of Loans Purchased.*”

The following tables set forth information regarding our loans purchased and allowance for doubtful accounts of loans purchased classification as of the dates indicated.

As of December 31, 2016				
	Loans purchased	Loans purchased after deducting adjusted collateral value ⁽¹⁾	Rate applicable for allowance of doubtful accounts	Allowance for doubtful accounts
		<i>(in millions of Baht, except percentages)</i>		
Classification of Loans Purchased				
Normal	1,998.8	125.0	100.0	156.3
Special mention	546.9	21.5	100.0	30.0
Sub-standard	875.7	15.6	100.0	15.6
Doubtful.....	69.7	0.6	100.0	0.6
Doubtful of loss	74,484.0	7,885.7	100.0	7,885.7
Total	77,975.1	8,048.4		8,088.2

(1) Allowance for doubtful accounts is calculated based on BOT guidelines, taking into account expected cash collection to be received from debt restructuring less present value.

As of December 31, 2017				
	Loans purchased	Loans purchased after deducting adjusted collateral value ⁽¹⁾	Rate applicable for allowance of doubtful accounts	Allowance for doubtful accounts
	Baht	Baht	%	Baht
	<i>(in millions, except percentages)</i>			
Classification of Loans Purchased				
Normal	2,730.2	167.1	100.0	173.2
Special mention	766.8	13.9	100.0	14.1
Sub-standard	1,080.1	68.3	100.0	68.3
Doubtful.....	85.8	6.0	100.0	6.0
Doubtful of loss	75,166.3	6,681.8	100.0	6,681.8
Total	79,829.2	6,937.1		6,943.4

(1) Allowance for doubtful accounts is calculated based on BOT guidelines, taking into account expected cash collection to be received from debt restructuring less present value.

As of December 31, 2018							
Loans purchased		Loans purchased after deducting adjusted collateral value ⁽¹⁾		Rate applicable for allowance of doubtful accounts	Allowance for doubtful accounts		
Baht	US\$	Baht	US\$	%	Baht	US\$	
<i>(in millions, except percentages)</i>							
Classification of Loans Purchased							
Normal	3,977.7	130.0	179.9	5.9	100.00	184.3	6.0
Special mention	1,110.3	36.3	40.5	1.3	100.00	40.9	1.4
Sub-standard	2,424.6	79.2	140.8	4.6	100.00	140.8	4.6
Doubtful.....	17.4	0.6	0.5	0.0	100.00	0.5	0.0
Doubtful of loss	74,189.0	2,425.3	5,918.5	193.5	100.00	5,918.5	193.5
Total	81,719.0	2,671.4	6,280.2	205.3		6,285.0	205.5

(1) Allowance for doubtful accounts is calculated based on BOT guidelines, taking into account expected cash collection to be received from debt restructuring less present value.

As of September 30, 2019

	Loans purchased		Loans purchased after deducting adjusted collateral value ⁽¹⁾		Rate applicable for allowance of doubtful accounts	Allowance for doubtful accounts	
	Baht	US\$	Baht	US\$	%	Baht	US\$
<i>(in millions, except percentages)</i>							
Classification of Loans Purchased							
Normal	4,896.2	160.1	202.6	6.6	100.00	206.2	6.7
Special mention	526.7	17.2	7.6	0.3	100.00	7.7	0.3
Sub-standard	2,912.8	95.2	115.0	3.8	100.00	115.0	3.8
Doubtful	229.5	7.5	4.1	0.1	100.00	4.1	0.1
Doubtful of loss	76,948.2	2,515.5	6,044.3	197.6	100.00	6,044.3	197.6
Total	85,513.4	2,795.5	6,373.6	208.4		6,377.3	208.5

(1) Allowance for doubtful accounts determined based on cash collection expected to be received from debt restructuring less present value, is using the interest rate under the debt restructuring agreement as the discount rate.

The following tables set forth our outstanding NPLs and value of collaterals for the period indicated. As of December 31, 2016, 2017 and 2018 and September 30, 2019, our outstanding NPLs and value of collaterals calculated in accordance with the latest appraisal value after deduction of discount in accordance with the BOT guidelines.

As of December 31, 2016

	Amount under Existing Contracts (Liability under Accrual Basis)	NPLs (Liability under Cost Basis)	Appraisal Value of Collateral
	Baht	Baht	Baht
<i>(in millions)</i>			
NPLs with debt restructuring			
Outstanding for 0—1 month	3,668.8	1,998.8	6,574.3
Outstanding for 1—3 months	784.5	546.9	1,502.8
Outstanding for 3—6 months	3,671.8	875.7	1,968.4
Outstanding for more than 6 months	617.2	148.3	318.8
Total NPLs with debt restructuring	8,742.3	3,569.7	10,364.3
NPLs without debt restructuring	430,744.1	74,405.4	118,959.4
Total NPLs without debt restructuring	430,744.1	74,405.4	118,959.4
Total	439,486.4	77,975.1	129,323.7

As of December 31, 2017

	Amount under Existing Contracts (Liability under Accrual Basis)	NPLs (Liability under Cost Basis)	Appraisal Value of Collateral
	Baht	Baht	Baht
<i>(in millions)</i>			
NPLs with debt restructuring			
Outstanding for 0—1 month	4,165.7	2,730.2	8,195.4
Outstanding for 1—3 months	1,115.5	766.8	2,008.6
Outstanding for 3—6 months	4,154.2	1,080.1	2,540.9
Outstanding for more than 6 months	251.0	91.4	156.7
Total NPLs with debt restructuring	9,686.4	4,668.5	12,901.6
NPLs without debt restructuring	432,366.2	75,160.7	121,033.6
Total NPLs without debt restructuring	432,366.2	75,160.7	121,033.6
Total	442,052.6	79,829.2	133,935.2

As of December 31, 2018

	Amount under Existing Contracts (Liability under Accrual Basis)		NPLs (Liability under Cost Basis)		Appraisal Value of Collateral	
	Baht	US\$	Baht	US\$	Baht	US\$
	<i>(in millions)</i>					
NPLs with debt restructuring						
Outstanding for 0—1 month	6,197.5	202.6	3,977.7	130.0	11,680.5	381.8
Outstanding for 1—3 months	2,127.5	69.5	1,110.3	36.3	3,277.2	107.1
Outstanding for 3—6 months	4,229.2	138.3	2,424.6	79.3	4,056.1	132.6
Outstanding for more than 6 months	61.7	2.0	18.7	0.6	51.4	1.7
Total NPLs with debt restructuring	12,615.9	412.4	7,531.3	246.2	19,065.2	623.2
NPLs without debt restructuring	442,349.8	14,460.6	74,187.7	2,425.2	117,311.6	3,835.0
Total NPLs without debt restructuring	442,349.8	14,460.6	74,187.7	2,425.2	117,311.6	3,835.0
Total	454,965.7	14,873.0	81,719.0	2,671.4	136,376.8	4,458.2

As of September 30, 2019

	Amount under Existing Contracts (Liability under Accrual Basis)		NPLs (Liability under Cost Basis)		Appraisal Value of Collateral	
	Baht	US\$	Baht	US\$	Baht	US\$
	<i>(in millions)</i>					
NPLs with debt restructuring						
Outstanding for 0—1 month	7,319.8	239.3	4,896.2	160.1	13,289.9	434.5
Outstanding for 1—3 months	873.2	28.5	526.7	17.2	1,655.0	54.1
Outstanding for 3—6 months	4,831.8	158.0	2,912.8	95.2	4,323.4	141.3
Outstanding for more than 6 months	920.3	30.1	232.1	7.6	865.6	28.3
Total NPLs with debt restructuring	13,945.1	455.9	8,567.8	280.1	20,133.9	658.2
NPLs without debt restructuring	457,179.3	14,945.4	76,945.6	2,515.4	115,942.0	3,790.2
Total NPLs without debt restructuring	457,179.3	14,945.4	76,945.6	2,515.4	115,942.0	3,790.2
Total	471,124.4	15,401.3	85,513.4	2,795.5	136,075.9	4,448.4

In order to ensure that we are able to operate efficiently, our Board of Director's Meeting No. 12/2019 held on July 23, 2019 approved the rules for approving write-off of bad debt NPLs from the list of debtors, which will be enforced before our listing on the SET. The rules are summarized as follows:

- In the case where the debtors are unsecured, we can write off the bad debt if:
 - we are not able to use our right to claim against the NPL debtors regardless of the amount under existing contract (obligations on an accrual basis including other expenses). We must receive an approval to write off the bad debt within the next accounting period from the date of receipt of the NPL;
 - the NPL debtors have a total amount under the existing contract of not exceeding Baht 100,000.0 and (i) we have exercised reasonable efforts to collect the debt and are of the opinion that the repayment is not worth the expenses of legal proceeding against the debtor and (ii) the debtors are deceased, cannot be located or have no assets to repay the debt or (iii) the debtors have dissolved their business and have other preferential creditors whose claims exceed the total assets of the debtor. We must receive an approval to not start a legal proceeding, to end the debt collection and to write off the bad debt within the relevant accounting period; or
 - the debtors are under the enforcement process and (i) in a civil case, the court has issued an order but the debtors do not have any assets to repay, or in a bankruptcy case, the court has ordered a composition or the debtors have been adjudged bankrupt and there has been a division of the debtors' assets, (ii) there has been reasonable follow up of the debt and no repayment, or (iii) there has been an investigation into the debtors' property and no other property against which our claims could be enforced was discovered. We must receive an approval to write off bad debt within the relevant accounting period.
- In the case where the debtors are secured, we can write off the bad debt if:
 - the debtors are under the enforcement process and (i) in a civil case, the case has reached the final stage or there has been a submission to distribute the assets or repay the mortgage, where other creditors also file for repayment, and (ii) in a bankruptcy case, there has been an order to compromise or the debtors have been adjudged bankrupt and there has been a division of the debtors' assets;

- there has been a reasonable effort to collect and request the repayment of debt and there was no repayment;
- there has been an investigation into the debtors' property and no other property against which our claims could be enforced was discovered; or
- there has been an enforcement of the collateral through a public auction and the money has been used to repay the debt.

We must receive an approval to write off bad debt within the relevant accounting period.

NPLs by collateral type

A substantial majority of the NPLs that we purchase are secured with collateral. Typically, collateral consists of real estate properties with appraisal price exceeding the acquisition cost of NPLs and is secured by a first priority mortgage. However, in the past, we have acquired unsecured debt NPLs such as credit card receivables where we believe they present good business opportunities, and may continue to purchase unsecured debt NPLs in the future from time to time. In addition, our NPLs also include unsecured receivables which still have certain remaining value after the debtor transfers all of its collateral or the collateral underlying an NPL is sold at an auction at a price lower than the balance of the NPL. In these cases, we record an allowance for doubtful accounts equal to the remaining gross balance of the NPL in excess of the amount recovered from the sale of the collateral.

The following table sets forth our NPLs by type of collateral as of the dates indicated.

	As of December 31,				As of September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
	<i>Amount of NPLs (in millions)</i>					
Type of Collateral for NPLs						
Real estate.....	58,867.6	61,761.8	63,352.0	2,071.0	69,085.6	2,258.4
Real estate and other security/collateral.....	14,092.5	13,652.9	14,216.0	464.7	11,745.2	384.0
Other security/collateral.....	553.4	471.7	508.1	16.6	523.9	17.1
Unsecured ⁽¹⁾	4,461.6	3,942.8	3,642.9	119.1	4,158.8	136.0
Total	77,975.1	79,829.2	81,719.0	2,671.4	85,513.5	2,795.5

(1) Unsecured NPLs are mainly NPLs that debtor has transferred all underlying collateral to repay the debt or we purchased it at a public auction at a price below the balance of the NPLs.

NPL portfolio by size

The following table sets forth our NPLs, broken down by the size of the outstanding amount of the loan or debt restructuring contracts as of the dates indicated.

	As of December 31,				As of September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
	<i>Amount of outstanding loan or debt restructuring contracts (in millions)</i>					
Size of Outstanding Amount of Loan or Debt Restructuring Contracts (liability on accrual basis based on financial statement)						
Less than Baht 1 million.....	17,507.1	21,117.5	21,464.8	701.7	21,507.3	703.1
Baht 1—5 million	44,967.5	50,483.0	55,931.3	1,828.4	61,937.7	2,024.8
Baht 5—10 million.....	24,355.9	25,453.3	26,579.9	868.9	28,124.2	919.4
Baht 10—50 million	61,648.2	62,692.3	64,146.2	2,097.0	68,260.4	2,231.5
Baht 50—100 million	33,028.3	33,374.6	35,055.5	1,146.0	35,835.7	1,171.5
Baht 100—500 million.....	104,792.2	105,533.9	107,196.4	3,504.3	110,875.3	3,624.5
Greater than Baht 500 million.....	153,187.2	143,398.0	144,591.6	4,726.7	144,583.8	4,726.5
Total	439,486.4	442,052.6	454,965.7	14,873.0	471,124.4	15,401.3

The following table sets forth our NPLs, broken down by the remaining acquisition cost as of the dates indicated.

	As of December 31,				As of September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
Cost (NPLs—Net)			<i>Amount of Remaining Acquisition Cost (in millions)</i>			
Less than Baht 1 million	8,656.8	11,303.3	11,500.0	376.0	11,785.7	385.3
Baht 1—5 million	21,443.7	22,922.0	24,696.0	807.3	26,797.1	876.0
Baht 5—10 million	7,291.7	7,091.8	7,157.3	234.0	7,894.0	258.1
Baht 10—50 million	13,994.1	13,787.6	14,518.0	474.6	16,175.3	528.8
Baht 50—100 million	5,088.7	5,296.4	5,177.9	169.3	5,931.5	193.9
Baht 100—500 million	6,091.8	5,271.8	5,519.2	180.4	5,844.1	191.0
Greater than Baht 500 million	7,320.1	7,212.9	6,865.6	224.4	4,708.4	153.9
Total	69,886.9	72,885.8	75,434.0	2,466.0	79,136.1	2,587.0

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.

	As of December 31,				As of September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
			<i>(in millions)</i>			
Major Debtors⁽¹⁾						
Debtor 1	3,080.1	3,097.5	3,064.8	100.2	3,034.8	99.2
Debtor 2	2,127.4	2,127.4	2,127.4	69.5	586.6	19.2
Debtor 3	893.2	893.6	586.6	19.2	579.0	18.9
Debtor 4	633.0	586.5	579.0	18.9	507.9	16.6
Debtor 5	586.5	507.9	507.9	16.6	388.5	12.7
Debtor 6	468.4	322.9	323.7	10.6	323.8	10.6
Debtor 7	382.3	317.3	317.4	10.4	318.6	10.4
Debtor 8	324.4	308.5	303.8	9.9	303.8	9.9
Debtor 9	308.4	229.8	229.8	7.5	229.8	7.5
Debtor 10	216.8	205.2	216.6	7.1	219.6	7.2
Sub-total	9,020.5	8,596.6	8,257.0	269.9	6,492.4	212.2
Total NPLs	69,886.9	72,885.8	75,434.0	2,466.0	79,136.1	2,587.0

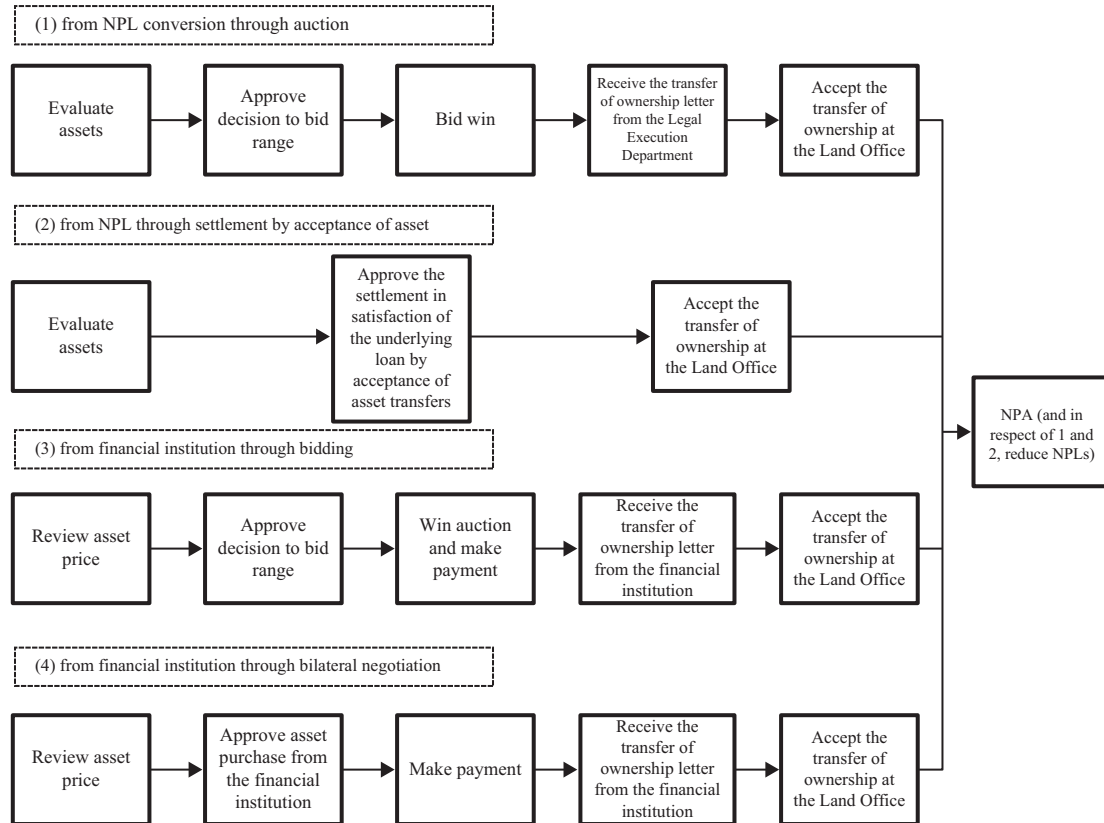
(1) Represents our top 10 debtors by remaining acquisition cost of NPLs as of the dates indicated. Our top 10 debtors may vary from year to year.

Sourcing and Management of NPAs

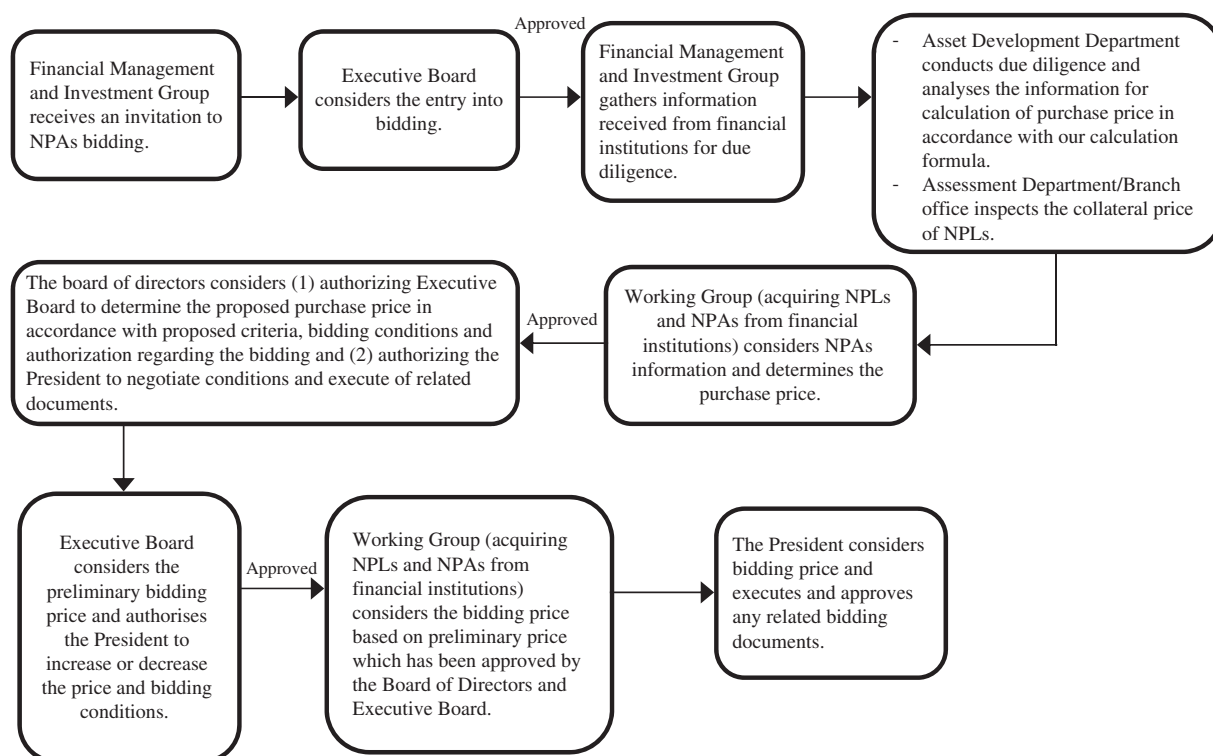
Sourcing, management and sale of NPAs

Sourcing of NPAs

We source our NPAs through a variety of methods, including bidding for collateral underlying NPLs previously managed by us that have subsequently been put on public auction, transferring underlying collateral or assets to repay NPL debtors' debt and through purchases of NPAs from financial institutions either through bidding or bilateral negotiations. The following chart illustrates the process for each method of NPA acquisition:



The diagram below illustrates our process for competitive bidding of NPAs from financial institutions:



- Note: 1. In cases where the date of the bidding differs from the date of the Board of Directors' meeting, the Board of Directors will authorize the Executive Board to determine the purchase price and bidding conditions for the sake of flexibility. Accordingly, the Executive Board will authorize the President to determine the bidding price and execute and approve any bidding documents.
2. The final bidding price presented to the President must have considered by the Working Group (acquiring NPLs and NPAs from financial institutions).

When determining the price of an NPA to be acquired, we consider a combination of various factors, including existing encumbrances (if any) on the NPA, the value described to the NPA by the Legal Execution Department of Thailand and our internal appraisal value.

The following table sets forth our source of NPAs (excluding investment in securities) for the periods indicated:

	As of and for the year ended December 31,				As of and for the nine-month period ended September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
	<i>Book Value (in millions)</i>					
Source of NPAs						
From NPLs ⁽¹⁾	4,259.3	5,258.2	5,967.2	195.1	5,875.0	192.0
From financial institutions	379.5	269.6	1,117.1	36.5	296.0	9.7
From un-operated branch offices	—	—	25.6	0.8	—	—
Total	4,638.8	5,527.8	7,109.9	232.4	6,171.0	201.7

(1) Including assets acquired from bidding of collateral through public auction and transfer of collateral in satisfaction of debt

We have acquired various types of NPAs across Thailand, including vacant land (which includes agricultural property), hotels, commercial properties and residential properties including detached houses, townhouses and condominiums.

Management of NPAs (including maintenance and development)

We inspect all NPAs that we acquire and determine what renovations and improvements are required by using our expertise in managing NPAs. Whether additional investment in renovations is required on any NPAs depends on the asset conditions of the NPAs and their expected returns.

Upon acquisition of an NPA, our team then reappraise the NPAs, as we have the legal right to enter the property and inspect the NPA in greater details during this period.

If the inspection does not reveal any required renovations or improvements, we begin with the sales process immediately after. However, when our inspection determines that renovations and improvements are required to be made to the property, we make the renovations and improvements before beginning the sales process.

In determining whether to renovate and improve an NPA, we analyze the potential of the NPA to generate returns, market conditions and expected cost for renovations or improvements, and may choose to develop the NPA if the expected value enhancement of the NPA is higher than the costs of renovations or improvements or it accelerates the sale process of the NPA. We may also develop incomplete projects (but we do not commence development or start construction of new projects on vacant land as we are prohibited by the AMC Decree). For some NPAs, we may enter into a short-term (less than one year) lease during the period such NPA remains unsold.

In addition, we may provide add-on features relating to the management of NPAs, such as hiring security guards and carrying out other appropriate additions depending on type of properties. Our regional sales and asset development department typically conduct routine inspections of our NPAs every three months to determine if any maintenance or development is necessary and to ensure that we are able to reserve our legal rights to NPAs.

Sales of NPAs

We hold various types of NPAs throughout Thailand such as vacant land (which includes agricultural property), hotels, commercial properties and residential properties including detached houses, townhouses and condominiums. We have teams that specialize in each particular type of properties throughout Thailand. As a result of this segmentation, we believe that we are able to specify the targeted customers, sell each NPA quicker and at an appropriate price and also benefit from specialized expertise in management under each segment.

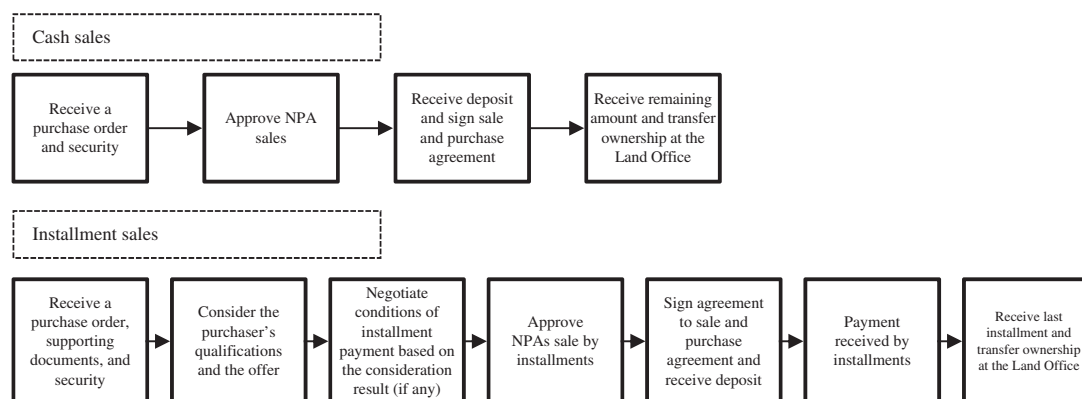
After title of a property is transferred to us, we survey the NPAs and develop advertising strategies for selling such NPAs. We market our NPAs through a variety of methods, including (i) sales promotion, (ii) assets expos, both in Bangkok and in other regions throughout Thailand, and (iii) advertising in local media including billboard advertisements at the location of the NPAs. We also use mobile applications and social media to market our NPAs. We design our marketing strategies every year to ensure we adapt to market conditions. Besides, our headquarters and 25 branch offices provide us with the relevant market knowledge to successfully conduct NPA sales at appropriate prices.

We segment our NPAs and focus on selling NPAs to our target customers for each type of properties, such as real estate developers, investors and other customers. In the event that there is more than one potential buyer, we undertake a bidding process to obtain the best bid and to encourage transparency. We stage roadshows and organize booths at events throughout Thailand over 100 times per year in order to maximize exposure to potential customers.

We primarily sell our NPAs outright by cash purchase. We then enter into a sale and purchase agreement with the buyer and require the buyer to place a deposit. The buyer makes payment of the remaining acquisition price upon the title being transferred to the buyer at the Land Office.

In addition, we have an installment payment campaign that allows retail customers who do not have access to loans from financial institutions where the selling price of assets is not more than Baht 3.0 million to purchase assets through installment payments in an amount not more than Baht 2.0 million, or under other special circumstances where we will allow customers to join this campaign, such as where the NPA has a high value or the debtor of the related NPL enforced by us would like to repurchase the NPA. In such cases, title to the property will only be transferred to the buyer upon receipt of the last installment payment and completion of the required procedures at the Land Office.

The following chart illustrates our sales process for an NPA:



In addition, we regularly monitor the result of operation from our investments via the Assets and Liabilities Management Working Group, and present the result of operation of each portfolio to the Executive Committee and/or the Board of Directors for their acknowledgement and consideration for future portfolio acquisitions.

Types of NPAs

Our NPAs are located throughout Thailand. As of September 30, 2019, 43.5% of net value of our NPAs were located in Bangkok and its vicinity.

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

	As of December 31,				As of September 30,	
	2016	2017	2018		2019	
	Net Value	Net Value	Net Value		Net Value	
	Baht	Baht	Baht	US\$	Baht	US\$
<i>(in millions)</i>						
Value of NPAs by Geography of Real estates						
Bangkok and its vicinity	7,064.3	8,164.8	9,066.4	296.4	10,017.2	327.5
Central and Eastern Thailand	4,321.6	4,939.0	5,389.9	176.2	5,941.6	194.2
Northern Thailand	2,004.6	2,297.8	3,041.7	99.4	3,211.4	105.0
Northeast Thailand	914.5	1,231.3	1,638.3	53.6	2,019.3	66.0
Southern Thailand	705.8	916.2	1,244.9	40.7	1,844.7	60.3
Moveable properties	71.4	186.1	214.6	7.0	210.6	7.1
Total	15,082.2	17,735.2	20,595.8	673.3	23,244.8	760.1

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 September 30,	
	2016	2017	2018		2019	
	Net Value	Net Value	Net Value		Net Value	
	Baht	Baht	Baht	US\$	Baht	US\$
<i>(in millions)</i>						
Value of NPAs by the type of Real estates						
Vacant land	5,605.9	5,599.6	5,510.2	180.1	5,535.6	181.0
Hotels	314.1	343.0	367.3	12.0	351.8	11.5
Commercial properties	3,915.2	4,638.1	5,413.7	177.0	6,269.2	204.9
Residential properties	5,175.6	6,968.4	9,090.0	297.2	10,877.6	355.6
Movable assets	71.4	186.1	214.6	7.0	210.6	7.1
Total	15,082.2	17,735.2	20,595.8	673.3	23,244.8	760.1

Marketing and Competition

We face competition in sourcing for NPLs and NPAs primarily from the other state-owned asset management company in Thailand, SAM (of which FIDF is also a major shareholder), as well as from the asset management arms of commercial banks in Thailand, such as NFS Asset Management, Bank of Ayudhya Asset Management Company, Phethai Asset Management Co. Ltd., Ratchayothin Asset Management Co. Ltd. and Sinnsuptawee Asset Management Co. Ltd. The asset management arms of commercial banks do not typically purchase NPLs or NPAs from other financial institution; instead they source their NPLs and NPAs internally. We

also compete, albeit to a lesser extent, with private asset management companies such as J Asset Management Co. Ltd., Thanaphat Asset Management Company and Alpha Capital Asset Management Co. Ltd., Chayo Asset Management Company Limited, Srisawad Group, Knightclub Capital Asset Management Co., Ltd, among others, but this group of companies tends to focus more on purchasing assets associated with personal loans and credit card receivables, which are not our main areas of focus. However, these companies may compete in acquiring NPLs and NPAs, which are our main areas of focus. We may also face competition from well-capitalized foreign entities which have established asset management companies in Thailand such as Lone Star Funds and Accretive Co., Ltd. The market for NPLs and NPAs is expected to be more competitive in the future (according to the Ipsos Report).

We compete with these other asset management companies based on financial capability and the ability to access to capital, the ability to acquire timely information to pursue opportunities to purchase NPLs and NPAs, the ability to determine the appropriate purchase price of NPLs and NPAs, brand recognition and creditworthiness and operational network and the experience of our working teams (which is an indication of the ability to manage the NPLs and NPAs efficiently). The ability to manage NPLs and NPAs efficiently may affect our operational plans.

As of December 31, 2018, we had total assets of Baht 107.7 billion (US\$3.5 billion), comprising 47.3% of the total assets of asset management companies in Thailand, according to the Ipsos Report. Our network, comprised of our headquarters and 25 branch offices located throughout Thailand, is the largest of any distressed asset management company in Thailand.

We also compete to sell NPAs with other real estate companies, financial institutions selling NPAs, and other real estate market participants.

Target Customers

Our target customers for NPLs are debtors of NPLs to be acquired from financial institutions. See “*Sourcing and Management of NPLs—Sourcing.*”

Our target customers for NPAs include real estate developers, investors and other customers. We stage roadshows and organize booths at events throughout Thailand over 100 times per year to maximize access to potential customers. See “*NPA Management—Acquisition, management and sale of NPAs—Sales of NPAs.*”

Marketing Channels

In 2017, we launched a campaign called “Pleased to have your home back” in an effort to help our residential loan clients to reclaim their housing collateral. To be eligible for this program, clients shall not be under receivership and the principal amount of their debt shall not exceed Baht 10.0 million. Eligible clients may reclaim their housing collateral by repaying 100% of the principal amount of their debt within 90 days or repaying their debt in installments at 80.0% of the appraised value of their housing collateral within 20 years. We have also launched other campaigns in order to help our customers repay their debts. In 2018, the “BAM, Revitalize your Business” scheme was launched to allow individual and corporate debtors who are not under receivership and do not own other assets to resolve debts with a principal amount not exceeding Baht 20.0 million by repaying 100% of the principal amount within 90 days or repaying 80% of the appraised value of their collateral based on our procedure in installments within 10 years. See “*Sourcing and Management of NPLs—Restructuring.*”

In addition, we also launched other campaigns to help our NPA customers, such as “Purchase assets through installments with BAM,” a campaign that helps low-income earners own homes by making installment payment to purchase assets in an amount less than Baht 2.0 million, including condominium units at special, affordable prices for low-income earners. Another campaign launched is “The right condo for your wallet” where customers can borrow money to purchase a condominium unit not exceeding Baht 500,000, through installment payments without paying any down payments. We also launched a campaign called “Land for Saving” by selling vacant lands located in good location in Thailand not exceeding Baht 2.0 million without charging a transfer fee and by allowing customers to pay in installments at a special interest rate under certain conditions.

We employ marketing teams dedicated to each asset class of NPAs to develop marketing strategies appropriate for each asset class and the target customer market. We utilize an array of tools to market our NPAs, including signage at the property location, website advertisements including our social network sites such as Facebook, Line application and mobile applications, advertisement, promotional brochures, booths at public events, public auctions and direct approach of investors/ real estate developers. See “*NPA Sourcing—Sourcing, management and sale of NPAs—Sales of NPAs.*”

Research and Development

We are a distressed asset management company and we do not conduct significant research and development in our ordinary course of business.

Property, Plant & Equipment

Our fixed assets consist of land, buildings, building improvement, equipment and work-in-process. The following table sets forth information regarding the ownership, net book values and encumbrances of each category of our fixed assets as of September 30, 2019:

		As of September 30, 2019		
		Net book value		
	Ownership	Baht	US\$	Encumbrances
		(in millions)		
Land.....	Owner and Lessee	787.2	25.7	—
Buildings	Owner and Lessee	175.1	5.7	—
Building improvement	Owner and Lessee	140.7	4.6	—
Equipment.....	Owner	121.1	4.0	—
Work-in-process	Owner	4.9	0.2	—
Total		1,229.0	40.2	

Intellectual Property

We have registered a trademark and service mark for our logo, “,” in Thailand.

Information Technology

Information technology is a key component to support our operations, internal controls and the growth of our business. We believe our information technology systems are adequate to support our business operations. Our investment in information technology infrastructure supports our business strategies and helps build our capabilities to improve productivity, processes, customer services and risk management. See “—*Risk Management*.” We invest in the development and improvement of our information technology infrastructure in order to take advantage of new technologies and other advances in software and applications.

We have established a data center located at our headquarters in Bangkok to support our operational system. The data center keeps record of data related to our business operations. We have also established a disaster recovery site to preserve mirror backups of data as part of our business continuity management. We conduct trainings at least once a year to help ensure our efficient emergency response and data restoration capabilities.

In addition, we have established a network security system and set up firewalls to prevent and detect data breaches from any external attacks. We have also installed anti-virus software on every computer.

Insurance

We maintain fire insurance coverage for the buildings located on the lands which are collateralized under our NPLs, and on the lands on which our NPAs are located with the sum insured covering the appraised value of the buildings and us being the beneficiary. We also hold all risk insurance covering our offices and motor insurance covering vehicles owned by us. In addition, we maintain other insurance coverage including directors and officers liability insurance.

Employees

As of September 30, 2019, we had 5 employees at the level of vice-president and 1,319 employees in various work divisions, totaling 1,324 employees.

The following table sets forth a breakdown of our senior management and managerial personnel and non-executive personnel as of the dates indicated:

Category	As of December 31, 2018	As of September 30, 2019
Senior management and managerial ⁽¹⁾	285	294
Non-executive	950	1,025
Head Office Loan Restructuring Group	145	158
Regional Loan Restructuring and Sales Group	309	348
Sales Management Group	109	116
Business Supporting Group	187	196
Operational Supporting Group	153	159
Office of the President Department	32	31
Internal Audit Department	15	17
Total	1,235	1,319

(1) Senior management and managerial personnel refer to Assistant Managing Directors, Directors, Managers and Deputy Managers.

The amounts of salaries, provident funds, bonus and others benefits we provided to our employees (except our five vice-presidents) totaled Baht 1,575.4 million (US\$51.5 million) in 2018 (including bonus for work done in the 2018 which has been paid in 2019) and Baht 868.6 million (US\$28.4 million) for the nine-month period ended September 30, 2019 (excluding bonus for work done in the period starting from January 1, 2019 to September 30, 2019 as actual payment has yet to be made).

We maintain a provident fund for employees pursuant to the Provident Fund Act B.E. 2530 (1987) (as amended) since February 1, 2017 into which we contribute an amount between 6.0% and 10.0% of an employee's salary, and into which an employee also contributes a minimum of 3.0% of his or her salary. We recorded Baht 95.1 million (US\$3.1 million) and Baht 73.8 million (US\$2.4 million) of expenses related to our provident fund in 2018 and for the nine-month period ended September 30, 2019, respectively.

Our employees are not unionized. In compliance with the State Enterprise Labor Relations Act B.E. 2543 (2000) (the "**State Enterprise Labor Relations Act**"), our employees are represented by a labor relation committee comprising representatives nominated by the employees and by us, and one of our directors who chairs the committee. We have not had any strikes since incorporation.

Labor disputes

For the years ended December 31, 2016, 2017 and 2018 and the nine-month periods ended September 30, 2018 and 2019, we have not had, nor were we aware of, any labor disputes which, in the opinion of our management, had a material adverse effect on our business, financial condition or results of operations.

Summary of Material Agreements

The following section sets out a summary of agreements to which we are a party and which we consider to be material to us.

Memoranda of understanding for sale and purchase of NPAs entered into between us and 18 financial institutions and asset management companies (18 memoranda of understanding in total)

Parties: We entered into various memoranda of understanding with 18 financial institutions and asset management companies (collectively, the "**Sellers**")

Date of Memoranda of Understandings: October 9, October 17, and October 24, 2006 with 15, 2 and 1 financial institutions and asset management companies, respectively

Nature of Memoranda of Understanding: The memoranda of understanding between us and each of the Sellers sets out the terms and conditions of sales of NPAs between us and each of the Sellers agreed to sell NPAs to us.

Nature of Assets: (i) The Seller is the sole owner of the asset; or

(ii) the Seller acquired such asset from public auction at the Legal Execution Department and is now in the process of registering the transfer of ownership of such assets; or

(iii) the asset has been cleared of all encumbrances and has been put on sale or as agreed amongst the parties.

Appraisal of Assets: The value of the assets to be acquired by us will either be determined by an independent appraiser or the Seller, subject to both the Seller's and our approval in respect of the price and quality of the NPAs. In the event the value of the assets cannot be agreed upon between the parties, a dispute committee will resolve the matter or the assets will be reappraised by the independent appraiser.

Asset Price: The purchase price of the assets calculated shall be discounted based on the quality of the asset.

Payment: Payment shall be made to each Seller in full by way of a non-interest bearing promissory note on the date of execution of the respective sale and purchase agreements to be entered into between each Seller and us. The maturity date of each promissory note depends on the quality of the asset.

Transfer of Assets: The parties will proceed with the registering the transfer of ownership of such assets and such transfer shall become effective upon completion of the registration.

Other issued securities

As of September 30, 2019, we had a total of Baht 48,200.0 million (US\$1,575.7 million) of Debentures outstanding, representing 48.2 million units at an offering price of Baht 1,000.0 per unit. After September 30, 2019, we had a total of Baht 48,200.0 million (US\$1,575.7 million) of Debentures outstanding, representing 48.2 million units at an offering price of Baht 1,000.0 per unit.

Corporate Social Responsibility

Our corporate social responsibility ("CSR") efforts are mainly focused on projects relating to education, healthcare and underprivileged members of society. For example, in relation to education, we have sponsored scholarships for primary school and undergraduate students in Thailand, as well as donated computers and books to schools. In relation to healthcare, from time to time, we make donations for the purchase of medical equipment for hospitals across Thailand in an effort to improve hospital services.

Legal Proceedings

We may be involved in legal and/or regulatory proceedings or disputes from time to time which were mostly civil proceedings relating to revocation of transactions or tort in order to claim for damages arising from our ordinary course of business. As of October 31, 2019, we were the defendant cases with claims in an aggregate amount of Baht 541.1 million.

We may incur liabilities resulting from claims for damages in various lawsuits. Our management will use their judgment to evaluate the possible results of any such claims, and in cases where they believe that the claims will not cause any material costs, we will not record contingent liability from such claims in accordance with our accounting policies. As of September 30, 2019, we have made provision for contingent liabilities from lawsuits in the amount of Baht 25.5 million (US\$0.8 million), which were all from lawsuits arising from our ordinary course of business. See "*Risk Factors—Risks Relating to Us and Our Business—We may be involved in legal and other disputes from time to time, which may expose us to potential liabilities.*" and "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting our Results of Operations—Litigation and our legal provisioning policy.*"

Risk Management

We recognize the importance of risk management which is a key component of good governance. We emphasize risk prevention while preparing for and addressing potential uncertainties that may affect our goals and objectives either at the corporate level or project level. We incorporate risk management into our routine operations.

Our risk management system has been integrated into our operations at the corporate, department and operational levels. Our management information system helps our management follow up with each risk level and synchronizes the risk management system with our database. We also assign directors and third-party professionals to the Risk Oversight Committee to comply with our policies and to promote operational efficiency in risk management. We also continually develop and disseminate knowledge and understanding about risk management to all our personnel in all levels with the aim of limiting risks to acceptable levels. Our risk management function also focuses on business continuity management to help ensure that we continue our operations at all times.

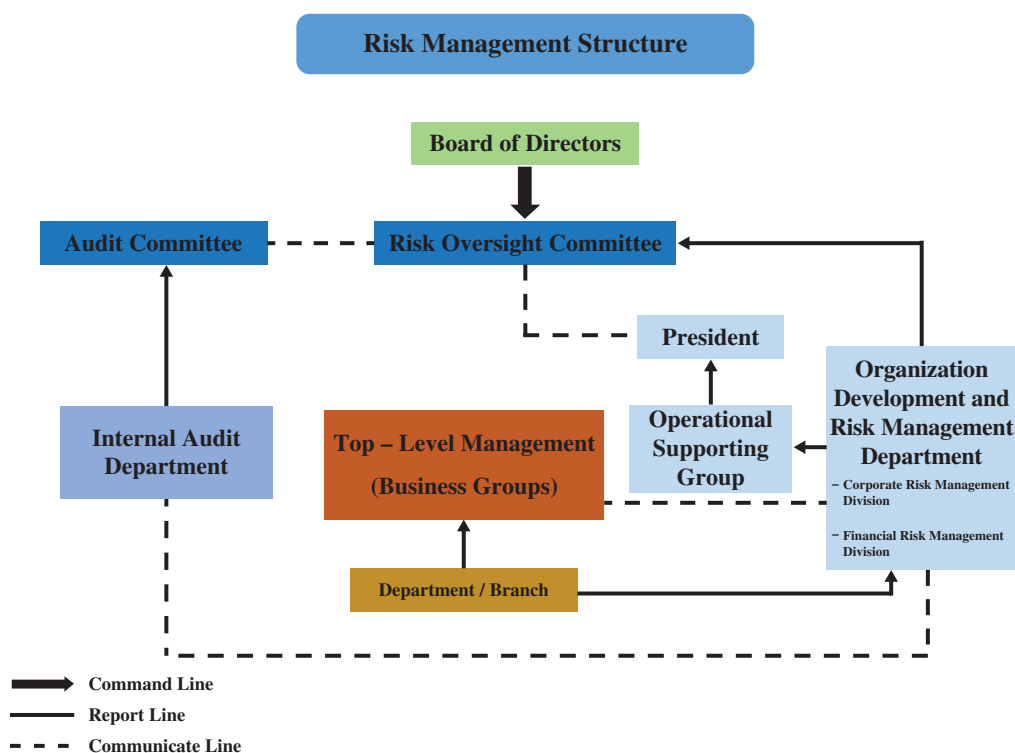
We continually review and refine our risk management system to help ensure that it is in line with the risk management policy/guidelines established by our Board of Directors. Our risk management system plays a pivotal role in establishing and reviewing the appropriateness of risk management policy/guidelines. It also determines risk management strategies and monitor and control corporate risks to be maintained at an acceptable level.

As we recognize the importance of risk management, we have established rules for efficient risk management that we believe are suitable for the nature of our business. We study, assess, monitor, and manage risks systematically and continuously to help ensure that our management members understand the risks involved in our business and are able to manage risks within the scope specified by us.

Our risk management framework

We have implemented continuous enterprise risk management, taking into consideration various risks that may prevent us from achieving our goals. Our Board of Directors assigns all levels of management to manage risks in their own respective risk areas, subject to each business group's senior executives' consideration and our Risk Oversight Committee's supervision. Risk management efforts are audited by our internal auditor, who reports audit results regularly to the Audit Committee.

We have established a corporate risk management division and a financial risk management division under our Organization Development and Risk Management Department to formulate guidelines for risk management, risk analysis, coordination and monitoring, provide advice regarding risks to working teams and prepare reports to our Risk Oversight Committee.



Under the scope of our risk management, we have classified risks into three levels, as follows:

- Corporate risks: corporate risks are risks that may prevent the overall operation of the business from achieving its objectives and goals. Corporate risks are assessed by top-level management of each business group and relevant senior executives, and supervised by the Risk Oversight Committee.
- Business group risks: business group risks are risks that prevent achievement of objectives and goals by each business group, as assessed by top-level management and relevant senior executives, and supervised by the Risk Oversight Committee. Each business group monitors their own business group risks.
- Functional risks: functional risks are risks that arise from the ordinary course of duties. Functional risks are assessed by each department and branch based on key functions, including functions that may prevent achievement of plans and goals of the respective business group.

We conduct annual reviews of internal control and risk management both on a top-down and bottom-up basis in order to ensure that all significant risks affecting our business are monitored and accounted for.

The main roles, duties and responsibilities of our risk management bodies and personnel are set forth below:

Board of Directors

- Determine risk management policy, provide advice, and consider and approve the annual corporate risk management plan.
- Promote and encourage suitable operation for management of corporate risks.

Risk Oversight Committee (Order 32/2562 (2019))

- Consider and approve the rules and guidelines for risk management.
- Determine the guidelines for overseeing of corporate, division/bureaus/office risks, and provide advice and suggestions regarding risk management.
- Monitor development of guidelines for risk management and establish a risk management system that corresponds with the organizational strategies.
- Monitor the process for identification and assessment of significant risks of the organization to ensure suitability.
- Consider and approve risk management plans.
- Report to the Board of Directors regarding development of risk oversight and status of corporate risks.
- Communicate and coordinate with Audit Committee regarding significant risks.
- Monitor and advance the development of employees' capabilities, change of corporate culture, continuous improvement regarding risk management so that employees at all levels are aware of the risks and risk control of all sectors.
- Appoint responsible officers or working teams to ensure appropriate and efficient risk management across the organization.

Audit Committee

- Independently monitor risk management.
- Coordinate with the Risk Oversight Committee regarding significant risks and link the same to internal controls to ensure suitability and efficiency of risk management for organization-wide risk management.

Top-level management

- Ensure implementation of risk management across the organization.
- Promote risk management policies and ensure that the risk management process is implemented across the organization.

- Monitor risks across the organization and establish a suitable management plan is put in place.
- Encourage development of personnel capacity, tools, and work systems.

Corporate risk management division and financial risk management division under the Organization Development and Risk Management Department

- Prepare and review the risk management policy, and determine the guidelines and process for risk management for division and bureaus/offices, to be presented to the Risk Oversight Committee for consideration and approval.
- Communicate, support, and give advice on risk management processes to division and bureaus/offices within the organization.
- Monitor and report the status of risks to top-level management of the Group, senior executives, and the Risk Oversight Committee.

Internal audit department

- Support top-level management and the Audit Committee in the monitoring of internal control systems and risk management.
- Prepare an audit plan for each unit in accordance with the risk-based approach.
- Verify risk management efforts.
- Communicate with the risk management group to learn of the risks and conduct internal audit

All employees shall comply with the prescribed risk management policies and guidelines and manage their respective operational risk. We also communicate and provide training to executives and employees regarding risk management policies and guidelines, including internal controls, risk management, corporate governance, among others.

Our systematic risk management process and steps

Our risk management process consists of the following steps:

- Objective setting: We determine different levels of objectives and goals, including at the corporate, business group and functional levels based on our vision, mission, corporate strategic plans, and operational plans. We also set key performance indicators and goals for each level.

Objective setting is a primary condition which helps us identify, assess and respond to risk events effectively. Objectives must be in line with our level of acceptable risks (Risk Appetite), which determines our boundaries of risk tolerance.

- Event identification: We analyze, find, and identify risk events caused by both internal and external factors that may affect our corporate objectives and goals.
- Risk assessment: We analyze the likelihood and impact criteria of risks, before and after risk management efforts. We use both qualitative and quantitative tools to assess risks. If the risk profile is determined to be higher than our risk appetite, additional risk management efforts may be appropriate in order to reduce risks to acceptable level.
- Risk response: Upon identifying a material risk, the causes for the risk and the level of acceptable risk, we design and implement guidelines, measures and policies to manage such risks, where necessary.

We respond to or manage risks by choosing one or more than one of the following strategies:

- Risk acceptance: accepting the risks which are caused by our operation at an acceptable level.
- Risk reduction: taking additional measures to reduce the likelihood of risks arising or their impact at an acceptable level.
- Risk avoidance: taking actions to abolish or avoid activities which could cause risks.
- Risk transfer: cooperating risk management with another person or entity to transfer risks.
- Monitoring: The monitoring, improvement and review of risk management is conducted by divisions responsible for the particular type of identified risk within a clearly specified time frame. In the event a material risk is identified during our monitoring process, we undertake risk assessments and risk response and processes to manage the risk.

Management of principal risks

We manage risks by dividing risks into four main categories, as follows:

Strategic risks

These are risks arising from unsuitable strategic plans or resulting from insufficient adaptation of strategy to deal with internal and external environment, which may adversely affect the achievement of organizational goals in accordance with our strategic and operational plans and impact our revenue, financial position, competitiveness and the sustainability of our business.

Tools for managing our strategic risks

We review our plans suitable for our internal and external environment on an annual basis. The management of strategic risks starts from the determination of our strategy by our Board of Directors and management. Strategic plans are prepared taking into account our top-level management's annual analysis of risk factors affecting us. We also determine key risk indicators ("KRI") for corporate risks while considering our risk appetite and risk tolerance to monitor the status of key risks.

Operational risks

These are risks of incurring damage arising from insufficient corporate governance and internal controls, which may be related to internal functional processes, personnel, work systems, or external events that affect our revenue and financial position.

Tools for managing operational risks

We implement the following tools for managing operational risks:

- Control self-assessment: each business unit must assess its risks and internal controls every year, and determine a corrective and monitoring plan.
- Determination of KRIs for monitoring business unit risks: each business unit, through its respective working teams, must monitor business unit risk which is considered to be a monitoring risk to prevent it from becoming corporate risk in the future.
- Maintain database of incidents: each business unit must maintain a database of incidents arising from operational risk or other incidents that could potentially lead to operational risk. This helps enhance the development of each unit's functional risk assessment and management systems to optimize internal controls and prevent any similar consequences from recurring in the future. This also enables us to establish a database to be used in the determination of preventive and corrective guidelines.

Financial risks

Liquidity risks: These are risks arising from our inability to pay debts and meet obligations when due, because an inability to monetize our assets or obtain sufficient funds to meet our funding needs or ability to obtain funds for repayment of debt but at the cost higher than the acceptable level. These risks may affect our income and financial position.

Tools for managing liquidity risks

We have established a policy for management of liquidity and related risks, as well as tools for monitoring and controlling liquidity risks by relevant committees, such as the Assets and Liabilities Management Working Group and the Risk Oversight Committee, as follows:

- Estimation of the cash inflows and outflows to assess the liquidity gap at a particular period (for a period of one, three, six and 12 months in advance).
- Analysis of financial ratios using measures as follows:
 - financial ratios specified by FIDF, including debt-to-equity ratio and ratio of operating cash flow to debt payment; and
 - current ratio projection to help forecast our ability to pay debts three months, six months, nine months or 12 months in advance.
- Stress tests for our financial liquidity.

Furthermore, we have established guidelines for the preparation of a contingency funding plan for both in normal and emergency situations to help prepare for obtaining source of funds generating adequate cash flow in a timely manner within appropriate financial cost in the event of a liquidity crisis.

Indicators for our liquidity risk include cash inflow and outflow projection to assess the liquidity position at certain time period (Liquidity Gap), debt to equity ratio and stress test. We monitor and report our liquidity position, and provide this information to the Assets and Liabilities Management Working Group, which allows them to manage our short-term, medium-term and long-term liquidity appropriately. This also improves our top-level management and relevant units awareness of status and risk levels such that they can prepare or source sufficient funds to meet our needs, or reduce risks in situations where we have negative liquidity or potential negative cash flows.

Credit risk: These are mainly asset quality risks for asset management companies whose revenues do not arise from extending loan facilities to clients, but from management and disposal of NPLs and NPAs.

Tools for managing asset quality risk

- We determine prices for acquiring NPLs and NPAs based on factors relating to the NPLs and NPAs, such as debtor historical status, debt burden, quality of security, quality of NPAs, and external environment, such as competition and economic conditions, to estimate revenue from debt collection and property disposal.
- We manage our debtors under debt restructuring agreements. We review the performance of each debtor using an aging system that provides notice in advance of a debtor entering into default. A debtor who is in default may be subject to legal action. This is to reduce risks concerning debtors who cannot perform their obligations under the debt restructuring agreements. See “*Business—Acquisition and Management of NPLs.*”

Market risks: These are risks arising from changes in the market value of our collateral underlying our NPLs or NPAs. Market risks are caused by changes in asset values based on market conditions, and may result in increased or decreased revenues.

Tools for managing market risks

We review our appraised values by applying the BOT’s rules for financial institutions. For collateral underlying our NPLs, appraisal values are reviewed every three years, and for NPAs, every year, or upon significant changes in the market conditions. Adequate reserves and impairments are also determined in order to cover losses that may arise from depreciation and impairment of collateral underlying NPLs and NPAs.

Compliance risks

These are risks arising from a failure to comply with the laws, rules, regulations, standards, orders, and guidelines applicable to our transactions, which may cause financial damage or lead to legal actions and/or reputational and image harm.

Tools for managing compliance risks

We have established practices and operations for management of compliance risks based on the criteria of the relevant authorities, professional standards and laws, as well as suggestions from BOT based on its annual review of activities. This is to ensure continuous improvement of our operations.

We have also established a compliance department whose duty it is to supervise and examine the conduct of other departments to be in accordance with our laws, rules, orders and regulations and the regulations specified by officials or compliance agencies; cooperate with compliance agencies, state officials, external organizations, as well as internal organizations, to establish the measures, regulations, orders and compliance handbook, in accordance with the regulations of the officials or compliance agencies; study the anti-money laundering policies and countering of financing of terrorism proliferation of weapons of mass destruction policies in accordance with the guidelines of the Anti-Money Laundering Office, information technology regulations and Personal Data Protection Act.

Apart from the four types of risks above, we also manage other risks, such as reputational risks. We employ various tools to manage reputational risk, namely customer satisfaction surveys and external and internal complaint systems. Complaints may be registered through various channels, including in-person complaints

submitted through the customer relations division, the management, or directors, in writing, by phone, or through the Company's website, and other channels available through various government agencies. We have also established a department to monitor information published about us regularly to prevent or mitigate the harm on our reputation or image.

We also focus on business continuity management and risks arising from external factors beyond our control, such as natural disasters, flood, fire, sabotage, riot, protest and epidemic, among others. We have established a business continuity management working group to formulate business continuity policies and plans. We have also established a disaster recovery center and alternative operational center. Our business continuity plans are tested at least once a year.

MANAGEMENT AND CORPORATE GOVERNANCE

Management Structure

Our management structure comprises of a board of directors and five sub-committees appointed by the board of directors. The five sub-committees are the Executive Committee, the Corporate Governance and Social Responsibilities Committee, the Nomination and Remuneration Committee, the Audit Committee and the Risk Oversight Committee. These committees work to oversee our governance process and ensure that our business practices are in accordance with good corporate governance standards.

Our Board of Directors

Our board of directors is responsible for the administration of our affairs. Our Articles of Association provide for a board of directors of at least five directors and not less than half of the directors are required to reside in Thailand. Additionally, one-third, or the number of directors closest to one-third, of our board of directors is required to retire at each annual general meeting of shareholders. Directors who have held the office the longest must retire first. Retiring directors are eligible for re-election. As of November 1, 2019 the board of directors consisted of ten members. The business address of all the directors is that of our registered office.

Information on our directors is set out as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date appointed</u>
Mrs. Tongurai Limpiti	63	Director and Chairman	April 17, 2017
Mr. Bunyong Visatemongkolchai	62	Director and Chairman of the Executive Committee	July 6, 2012 and July 6, 2012
Ms. Wilai Tantinantana	58	Director, Chairman of the Corporate Governance and Social Responsibilities Committee and Member of the Nomination and Remuneration Committee	December 7, 2018, May 3, 2019 and January 4, 2019
Ms. Rasa Kanjanasai	60	Director, Chairman of the Risk Oversight Committee and Member of the Nomination and Remuneration Committee	April 27, 2018, May 4, 2018 and May 3, 2019
Mr. Bundit Anantamongkol	57	Director and Member of the Executive Committee	April 5, 2019 and April 5, 2019
Mr. Somporn Moonsrikaew	59	Director, President and Member of the Executive Committee	July 6, 2018, June 1, 2018 and June 1, 2018
Mr. Wasan Tienhom	64	Independent Director, Chairman of the Audit Committee and Chairman of the Nomination and Remuneration Committee	December 1, 2017, December 1, 2017 and December 1, 2017
Mr. Yos Kimsawatde	64	Independent Director, Member of the Audit Committee and Risk Oversight Committee	November 14, 2017, November 14, 2017 and May 3, 2019
Mrs. Maneerat Srisaovajati	61	Independent Director, Member of the Audit Committee and the Corporate Governance and Social Responsibilities Committee	June 27, 2018, July 6, 2018 and May 3, 2019
Mr. Songpol Chevpanyaroj	47	Independent Director, Member of the Audit Committee and Risk Oversight Committee	November 1, 2019

Mrs. Tongurai Limpiti, aged 63, has been our Chairman of the board of directors since April 17, 2017. Mrs. Limpiti was our Vice Chairman of the board of directors from 2016 to 2017 and the Deputy Governor,

Financial Institutions Stability of the BOT from 2014 to 2016, the Deputy Governor, Corporate Support Services and Banknote Management of the same from 2012 to 2014, and the Chairman of AIRA Factoring PCL. and of the Savings and Credit Cooperatives of the BOT from 2016 to 2018. She has also been a Member of the Financial and Property Policy Committee of Srinakharinwirot University, a Member of a Sub-Committee of the Public Governance Development, Public Sector Development Commission, and a consultant to the Electronic Transactions Development Agency of Thailand since 2016. She is also a Qualified Member in the Executive Commission of the Technology and Innovation-Based Enterprise Development. Mrs. Limpiti obtained her Bachelor in Accounting from Chulalongkorn University, Thailand, with a Master of Business Administration (Finance, Investment and Accounting) from the University of Wisconsin, Madison, USA.

Mr. Bunyong Visatemongkolchai, aged 62, has been our Director and Chairman of the Executive Committee since July 6, 2012. Mr. Visatemongkolchai has been involved in our Company's asset management business since 2002. He is also an Independent Director and Audit Committee Member of Latex Systems Co., Ltd. and has been a Director of Able Asset Group Co., Ltd. since 2015. He is also a Director and Chairman of the Thai Credit Guarantee Corporation since 2018 and 2019, respectively. He served as the Managing Director of TFD Real Estate Management Co., Ltd. from 2016 to 2018, a Director, Chairman of the Risk Management Committee, a Member of the Executive Committee, a Member of the Corporate Governance and Social Responsibilities Committee and a Member of the Nomination and Remuneration Committee of the Government Housing Bank of Thailand from 2015 to 2017, and a Director of Thai Factory Development PCL. and Total Industrial Services Co., Ltd. from 2014 to 2016. He was a director of Thai Asset Management Corporation from 2010 to 2011. Mr. Bunyong Visatemongkolchai also served as an Independent Director and Audit Committee Member in RHB OSK Securities (Thailand) PCL. from 2011 to 2016. Mr. Visatemongkolchai holds a Bachelor of Laws from Thammasat University, Thailand, a Master of Laws from Temple University, School of Law, Philadelphia, Pennsylvania, USA, and a mini Master of Business Administration from Chulalongkorn University, Thailand.

Ms. Wilai Tantinantana, aged 58, has been our Director since December 7, 2018, Chairman of Corporate Governance and Social Responsibilities Committee since May 3, 2019 and Member of the Nomination and Remuneration Committee since January 4, 2019. Ms. Tantinantana is the Inspector General of the Ministry of Finance as of the date of this document and is also a Principal Advisor on Excise Tax Strategy since 2015 and Deputy Director-General of the Excise Department since 2014 and Director of Bureau of Bureau of Tax Planning since 2009. Ms. Tantinantana obtained her Bachelor of Science from Srinakharinwirot University, Bachelor of Laws from Thammasat University, and a Master of Arts in Economics from Tufts University, USA.

Ms. Rasa Kanjanasai, aged 60, has been our Director since April 27, 2018, Chairman of the Risk Oversight Committee since May 4, 2018 and Member of the Nomination and Remuneration Committee since May 3, 2019. She is a Director and the Chairman of the Audit and Risk Management Committee of Electricity Generating Authority of Thailand, the Chairman of the Board of Directors of National Broadband Network Co., Ltd., the Director of State Enterprise Development 2 Bureau and Acting Consultant in Enterprise Appraisal of the State Enterprise Policy Office. She previously served as the Director of State Enterprise Development 2 Bureau of the State Enterprise Policy Office in 2014. She obtained a Bachelor of Business Administration (Accounting) from Ramkhamhaeng University, Thailand, and a Master of Science in Finance from Kasetsart University. She is a Certified Public Accountant.

Mr. Bundit Anantamongkol, aged 57, has been our Director and Member of the Executive Committee since April 5, 2019. Mr. Anantamongkol is an Audit Director, Independent Director, and Chairman of Risk Management Committee at Latex Systems PCL since 2017, an Independent Director and Investment Director at Vayupak Fund 1 since 2018, an Independent Director, Risk Management Director, Investment Director, and Nominee Director at Thai Credit Guarantee Corporation since 2017 and Director of Innovation Investment at Bangchak Initiative and Innovation Center since 2017. Mr. Anantamongkol was the Vice Chairman and Investment Administrator at American International Assurance Co., Ltd. from 1996 to 2017. Mr. Anantamongkol obtained his Bachelor of Education in Chemistry from Chulalongkorn University and a Masters in Finance from Stirling University, United Kingdom.

Mr. Somporn Moonsrikaew, aged 59, was appointed as our President, Member of the Executive Committee and Member of the Risk Oversight Committee on June 1, 2018. Prior to his current position, he was our Executive Vice President of Regional Loan Restructuring Group in 2010 where he was promoted to Senior Executive Vice President in 2011 before becoming Senior Executive Vice President, Sale Management Group from 2013 to 2018. Mr. Moonsrikaew holds a Master of Public Administration (Public and Private Administration) from the National Institute of Development Administration, Thailand and a Bachelor of Education (Physical Education) from Kasetsart University, Thailand.

Mr. Wasan Tienhom, aged 64, has been our Independent Director, Chairman of the Audit Committee and Chairman of the Nomination and Remuneration Committee since December 1, 2017. Mr. Tienhom was the Deputy Secretary-General of the SEC from 2011 to 2015 and has been a consultant to the SEC since 2016 and has been a Director of Thai Credit Guarantee Corporation since 2017. He obtained a Bachelor of Laws from Chulalongkorn University, Thailand, and a Master of Laws (International Banking Laws) from Boston University, USA, and is a barrister-at-law and a member of the Institute of Legal Education Thai Bar Association.

Mr. Yos Kimsawatde, aged 64, has been our Independent Director and Member of the Audit Committee since November 14, 2017 and Member of the Risk Oversight Committee since May 3, 2019. He is also the Head of Payment System of Thai Bankers' Association and a Director of National Digital ID Co., Ltd. He currently serves as the Chairman of the Nomination and Remuneration Committee, a Member of the Audit Committee, a Director and Independent Director of I&I Consulting Group Co., Ltd. He obtained a Bachelor of Science (Statistics and Computer Science) from Chulalongkorn University, Thailand, and a Master in Management Information Systems from the University of Louisville, USA.

Mr. Songpol Chevapanyaroj, aged 47, has been appointed our Independent Director since November 1, 2019. He was our Independent Director and Member of the Audit Committee from 2017 to 2019. He is a President and Director of Deposit Protection Agency and Director of Sabuy Technology PCL. He was Director of Dhanarak Asset Development Co., Ltd., from 2017 to 2019 and a Director of Krungthai Asset Management PCL. from 2015-2017. He was also Senior Vice-President of Krungthai Bank PCL from 2014 to 2017 and Executive Vice President of Kasikorn Bank PCL in 2014. He obtained a Bachelor of Science in Finance from the University of Findlay, USA, and a Master of Business Administration (Finance) from Case Western Reserve University, USA.

The Executive Committee

As of September 30, 2019, the Executive Committee consisted of four members, namely Mr. Bunyong Visatamongkolchai, Ms. Kornpranom Wongmongkol, Mr. Vichan Amornrojanavong, Mr. Bundit Anantamongkol and Mr. Somporn Moonsrikaew. Key responsibilities of the Executive Committee are as follows:

- determining primary operational goals and policies;
- considering and approving policies, strategies and guidelines in relation to fundraising, investment, joint venture, risk management, asset development and improvement, and sale and utilization of NPAs, taking into account the economic conditions and competition;
- evaluating the appropriateness of the liquidity management plan and following up on liquidity position, reviewing liquidity management plan, evaluating the level of severity of issue and solving such issue in accordance to the liquidity management plan in the event of a liquidity crisis;
- considering the budget plan and supervising business operation to ensure highest efficiency and optimization of operations;
- engaging external individuals or agencies to perform particular tasks; and
- appointing steering committees and working groups.

Independent Directors

We have four independent directors on our board of directors. Our independent directors are Mr. Wasan Tienhom, Mr. Yos Kimsawatde, Mrs. Maneerat Srisaovajati and Mr. Songpol Chevapanyaroj. Our independent directors are from various industries and have the appropriate qualifications and experience. The qualifications of each of our independent directors accords with the requirements prescribed by the SEC and the SET and are in line with the good corporate governance guidelines.

Audit Committee

Thai SEC and SET regulations require our audit committee to consist of at least three directors, one of whom should have knowledge in accounting and finance. The members of our Audit Committee are Mr. Wasan Tienhom, Mr. Yos Kimsawatde, Mrs. Maneerat Srisaovajati and Mr. Songpol Chevapanyaroj.

The responsibilities of our Audit Committee include the following:

- to review our quarterly and annual financial reports in order to ensure that they are complete, accurate, and in accordance with generally accepted accounting principles;
- to ensure that we have a suitable and efficient internal control system, corporate governance, risk management and internal audit system as well as to ensure that the internal audit group is independent and to consider an appointment, transfer, termination, and evaluation of the head of the internal audit department, and/or engage a third party internal audit or other entity responsible for internal audit;
- to ensure that we comply with laws concerning securities and exchanges, regulations of the SET, and applicable laws, rules and regulations;
- to ensure that we adequately and appropriately comply with anti-corruption policy and procedures;
- to consider, select and nominate an independent person to be appointed as our auditor and the propose appropriate auditing fees, as well as to attend a meeting with an auditor without the management at least once a year;
- to review connected transactions or transaction that may lead to conflicts of interest as required by laws and regulations of the SET to ensure the reasonableness of the transaction and the benefits of the Company;
- to prepare and disclose in the Company's annual report, an Audit Committee's report which must be signed by the Chairman of the Audit Committee and consist of at least the following information:
 - an opinion on the accuracy, completeness and creditability of our Company's financial report;
 - an opinion on the adequacy of the Company's internal control system;
 - an opinion on the compliance with laws concerning securities and exchanges as well as regulations of the SET or applicable laws concerning our business;
 - an opinion on the suitability of an auditor;
 - an opinion on the transactions that may lead to conflicts of interests;
 - the number of the Audit Committee meetings, and the attendance of such meetings by each committee member;
 - an opinion or overview comment received by the Audit Committee from its performance of duties in accordance with the charter of the Audit Committee; and
 - other information which, according to the Audit Committee's opinion, should be known to the shareholders and general investors, subject to the scope of duties and responsibilities assigned by our Board of Directors;
- in its performance of duties, if it is found or suspected that there is a transaction or any of the following acts which may materially affect the Company's financial condition and operating results, the Audit Committee shall report it to the Board of Directors for rectification within the period of time that the Audit Committee deems fit:
 - a transaction which causes a conflict of interest;
 - any fraud, irregularity, or material defect in an internal control system; or
 - an infringement of the laws concerning securities and exchanges as well as regulations of the SET or applicable laws concerning our business.

If the Company's board of directors fails to make a rectification within the period of time under the first paragraph, any Audit Committee member may report on the transaction or act under the first paragraph to the SEC or the SET.

- to approve charter of internal audit department, audit plan, and annual budget of internal audit department;
- to prepare charter of the Audit Committee in accordance with the responsibility of Audit Committee with approval from the Board of Directors and review the charter of the Audit Committee at least once a year to ensure its appropriateness;

- to carry out any task specified in the applicable law, rules and/or regulations or as assigned by the Board of Directors within its scope of duties and responsibilities; and
- in performing their duties under the charter of the Audit Committee, the Audit Committee does not only respond to our Board of Directors but also to any third party in respect of operations of the Company.

Nomination and Remuneration Committee

The members of our Nomination and Remuneration Committee are Mr. Wasan Tienhom, Ms. Wilai Tantinantana, Ms. Rasa Kanjanasai and Mr. Sumate Maneewattana. Our Nomination and Remuneration Committee are responsible for the following:

- setting guidelines and criteria for nomination of qualified persons and propose the Board of Directors to consider appointing them as:
 - directors;
 - directors who will be appointed in replacement of existing directors who retire as required under our Articles of Association;
 - member of a sub-committee who is granted with powers, authorities and responsibilities by the Board of Directors;
 - managements who shall have authorities in operating our business pursuant to the powers and authorities of the Board of Directors;
- setting criteria and method on evaluation of performance of the President as well as evaluating performance of the President and fixing remuneration for the President under terms of relevant engagement agreement and propose it for consideration of the Board of Directors;
- considering and fixing annual remuneration of the directors as well as criteria and payment method which is fair and reasonable and proposing them to the Board of Directors to further approval by the shareholders;
- considering terms and conditions when we offer new securities (including warrants) to our directors and employees; and
- considering and/or implementing any other actions assigned by the Board of Directors.

Corporate Governance and Social Responsibilities Committee

The members of our Corporate Governance and Social Responsibilities Committee are Ms. Wilai Tantinantana, Ms. Siriporn Eamrungraj, Mr. Manus Suksawasdi, Mrs. Maneerat Srisaovajati and Mr. Sumate Maneewattana. The Corporate Governance and Social Responsibilities Committee is primarily responsible for:

- creating policies, plans and criteria on good governance, corporate governance, social responsibility and conflict of interest in accordance with our business and proposing them to the Board of Directors;
- supervising and monitoring our business performance to ensure that it is in compliance with policies and plans on good governance, corporate governance and social responsibility in order to archive their goals;
- proposing codes of conduct applying to our business and codes of conduct for our Board of Directors, senior managements, managements and employees;
- encouraging our Board of Directors, senior managements, managements and employees to participate in continuing social and environmental activities and raising their awareness of corporate governance;
- considering appointment of working committees or sub-committees to support good governance, corporate governance, social responsibility and environmental responsibility;
- encouraging and allowing concerned parties to give feedbacks or comments to us for our improvement of corporate governance; and
- considering and/or implementing any other actions assigned by the Board of Directors.

Risk Oversight Committee

Ms. Rasa Kanjanasai, Mr. Somphan Eamrungraj, Mr. Yos Kimsawatde and Mr. Songpol Chevapanyaroj sit on our Risk Oversight Committee. The Risk Oversight Committee is responsible for the following key roles:

- establishing risk oversight policies in company level, group level, department level, and office level and discuss risk management-related issues;
- considering and approving our risk management strategy and procedures;
- following up the development of risk management strategy and oversight the establishment of risk management system which achieves integration with the Company's strategy;
- monitoring risk indicators and appraise risk level of the Company to ensure its appropriateness and adaptability;
- considering and approving our risk management plans;
- reporting the Board of Directors on development of risk oversight and risk status of the company;
- liaising and coordinating with the Audit Committee on key risks;
- monitoring the encouragement of employees to exceed their potential, adaptability of organization culture, continuing development of risk management, to raise awareness of personnel of every level on risk and risk control in every department;
- appointing officer or working committee to ensure appropriateness and effectiveness of risk oversight; and
- performing any assigned duties.

Senior Management

Information on our key executives as of September 30, 2019, are set out in the table below.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date appointed</u>
Mr. Somporn Moonsrikaew	59	President	June 1, 2018
Mr. Choopong Phokhasawadi	54	Senior Executive Vice President, Head Office Loan Restructuring Group	October 1, 2016
Mr. Somboon Ruangsarakait	59	Senior Executive Vice President, Sale Management Group	October 1, 2018
Mr. Somchai Tanurukpairaj	59	Senior Executive Vice President, Business Supporting Group	October 1, 2016
Mr. Suntis Wattanakul	52	Senior Executive Vice President, Operational Supporting Group and Senior Executive Vice President (CFO)	October 1, 2015 and December 16, 2011
Mr. Phongsathon Maneepim	49	Senior Executive Vice President, Regional Loan Restructuring Group	October 1, 2019
Mr. Chanwit Kaveesoonthornsano	47	Executive Vice President, Financial Management and Investment Group	October 16, 2017
Mrs. Wannee Punkawong	50	Vice President, Accounting Department	October 1, 2018

Mr. Somporn Moonsrikaew, aged 59, was appointed as our President, Member of the Executive Committee and Member of the Risk Oversight Committee on June 1, 2018 and appointed to act as Senior Executive Vice President Regional Loan Restructuring Group on July 19, 2019. Prior to his current position, he was our Executive Vice President of Regional Loan Restructuring Group in 2010 where he was promoted to Senior Executive Vice President in 2011 before becoming Senior Executive Vice President, Sales Group from 2013 to 2018. Mr. Moonsrikaew holds a Master of Public Administration (Public and Private Administration) from the National Institute of Development Administration, Thailand and a Bachelor of Education (Physical Education) from Kasetsart University, Thailand.

Mr. Choopong Phokhasawadi, aged 53, was appointed on October 1, 2016 as Senior Executive Vice President of Head Office Loan Restructuring Group in our Company. He was previously our Executive Vice President, Loan Restructuring Group 2 from 2011 to 2016. Mr. Phokhasawadi obtained a Bachelor of Economics from Ramkhamhaeng University, Thailand.

Mr. Somboon Ruangsarakait, aged 58, was appointed on October 1, 2018 as our Senior Executive Vice President, Sale Management Group in our Company. Mr. Ruangsarakait was our Executive Vice President of our Asset Management Group from 2009 to 2014, Sales Group from 2014 to 2015 and Sales Group 1 from 2015 to 2018. He obtained a Bachelor of Laws from Ramkhamhaeng University, Thailand.

Mr. Somchai Tanurukpairoj, aged 58, has been our Senior Executive Vice President, Business Supporting Group since October 1, 2016 and was our Executive Vice President, Business Supporting Group from 2014 to 2016. He was also a Director of T.S.N. Modern Trade Co., Ltd. from 2013 to 2017. He obtained a Bachelor of Laws from Thammasat University, Thailand, with a Master of Public Administration and a Master of Business Administration from Ramkhamhaeng University, Thailand.

Mr. Suntis Wattanakul, aged 51, was appointed on October 1, 2015 as the Senior Executive Vice President (CFO), oversees the Operational Support Group in our Company and on December 16, 2011 as our Chief Financial Officer. He was previously our Executive Vice President of our Financial Management and Investment Group in 2011 and stayed on until 2015. He has also been a Director of Sahathorn Co., Ltd. since 2013. Mr. Wattanakul holds a Bachelor of Business Administration (Accounting) from Thammasat University, Thailand, a Master of Science (Computer and Engineering Management) from Assumption University, Thailand, and a Master of Science (Applied Statistics) from the National Institute of Development Administration, Thailand.

Mr. Phongsathon Maneepim, aged 49, is our Executive Vice President, Regional Loan Restructuring Group and was appointed on October 1, 2019. He is also our Corporate Secretary and was appointed on June 5, 2015. He has been the Executive Vice President of our Debt Restructuring Group 1 since 2017 and was the Executive Vice President of our Operational Supporting Group from 2014 to 2017. Mr. Phongsathon obtained a Bachelor of Laws from Thammasat University, Thailand, and is a barrister-at-law and a member of the Institute of Legal Education Thai Bar Association.

Mr. Chanwit Kaveesoonthornsano, aged 46, is our Executive Vice President, Financial Management and Investment Group, and was appointed on October 16, 2017. He was our Vice President and the Manager of Financial Management and Investment Department from 2013 to 2017. He obtained a Master of General Management from Derexel University, USA, and a Bachelor of Accounting (Banking and Finance) from Thammasat University, Thailand.

Mrs. Wannee Punkawong, aged 50, was appointed on October 1, 2018 as Vice President of our Accounting Department. She was our Vice President of Organization Development and Risk Management Department from 2013 to 2018. She obtained a Bachelor in Bachelor of Accounting from Bangkok University, Thailand, and a Master in Accounting from University of the Thai Chamber of Commerce, Thailand.

Corporate Secretary

Mr. Phongsathon Maneepim, aged 49, was appointed on June 5, 2015 as our Corporate Secretary. See “*Management and Corporate Governance—Senior Management*” for information on Mr. Phongsathon Maneepim.

PRINCIPAL SHAREHOLDERS

As at the date of this Offering Circular, we have 2,735.0 million Shares in our issued and paid-up capital. The table below sets out information on the beneficial ownership of our Shares, immediately before and after the Combined Offering.

	Immediately before the Combined Offering		Immediately after the Combined Offering (assuming the over- allotment option is not exercised)		Immediately after the Combined Offering (assuming the over- allotment option is exercised in full)	
FIDF	2,734,999,990	>99.99%	1,479,999,990	49.1%	1,479,999,990	45.6%
Phiphop Phupheng	5	<0.01%	5	<0.01%	5	<0.01%
Ms. Santhara Tansiri	5	<0.01%	5	<0.01%	5	<0.01%
Public shareholders	—	—	1,535,000,000	50.9%	1,765,000,000	54.4%
Total	2,735,000,000	100.0%	3,015,000,000	100.0%	3,245,000,000	100.0%

Relationship with the Major Shareholder

FIDF was established on November 27, 1985, pursuant to the Emergency Decree amending the Bank of Thailand Act B.E. 2485 B.E. 2528 (1985) to provide financial assistance to manage and develop Thai financial institutions to maintain public confidence and financial institution system stability under the supervision of the BOT and the Government.

In the wake of the financial crisis in 1997, FIDF established two asset management companies, namely our Company and SAM. FIDF currently holds 99.99% of the total number of shares in SAM. To prevent conflicts of interest which may arise from having a common major shareholder and to ensure our independence in carrying out our business, FIDF approved practice guidelines to prevent conflicts of interest pursuant to its letter No. ForGorTor. 252/2558 dated June 8, 2015 in respect of the following key matters as set out below.

Procedures in respect of our entry into transactions between our Company and FIDF or other businesses or state-owned enterprises the shares in which are held by FIDF

Transactions between FIDF and us, or other businesses or state-owned enterprises in which the FIDF holds shares, must be consistent with competitive commercial terms, and be on terms similar to those of transactions we would enter into with third parties on an arm's length basis. Moreover, the transactions must be necessary, reasonable and in the best interests of our business. In order to prevent the misappropriation of benefits, directors and members of management who may have a direct or indirect interest in the transaction must abstain from the decision-making process. We believe that FIDF has a clear policy regarding the entry into and continuation of these transactions, and will comply with connected transactions rules and the Company's policy on these matters.

Promotion of independent business competition

We can carry out our business independently and our business decisions must be in the best interests of our Company. For example, we can independently determine interest rates, charges, service fees, selling and purchase prices as well as policies on marketing and bidding for NPLs.

Policy in relation to acquisition and disposition of assets necessary for our business operations

We undertake to establish a clear policy of independence when operating our business, and in decision-making which relate to acquisitions, acceptance of transfers, or disposals of NPLs, including other business transactions. In addition, we have clear standards in determining the acquisition price of NPLs and NPAs to ensure that we get fair value for such assets, taking into account our rate of return for such investments.

Transparent management structure and conflicts of interest prevention

We are required to have a transparent management structure with checks and balances in place, in accordance with the regulations of the Thai SEC and the SET, to prevent conflicts of interest.

Mechanism to protect the rights of our shareholders

We have established a mechanism to protect the rights of our shareholders in our Corporate Governance Code. In addition, our management will act in the best interest of our Company and shareholders as a whole.

In order to protect the rights of our shareholders and encourage parity between our shareholders, we will only be able to amend guidelines on the prevention of conflicts of interest through a majority vote at a shareholders' meeting.

In addition, FIDF issued letter No. ForGorTor. 203/2561 Entitled Conflict of Interest Arising from the Listing of our Shares on the SET dated June 28, 2018 to the Company, informing it of FIDF's intentions, policies and measures for necessary and appropriate considerations and proceedings in order to prevent any conflict of interest that may arise in the management and operation of the Company and SAM. FIDF undertakes the aforementioned, as long as FIDF remains the sole major shareholder of the Company and holds the controlling power in the Company (as defined in the Notification of the Thai SEC No. GorJor 17/2551 dated December 15, 2012 (as amended)) and the Company still has to comply with the Notification of the Capital Market Supervisory Board issued under Section 56 of the Securities and Exchange Act:

- FIDF shall not set any guidelines for the operation of the Company which would result in the Company being a tool in any of the government's conduct, except where such conduct has the same terms and conditions as competitive commercial and arm's length transactions and is conducted in the best interest of the Company and the shareholders pursuant to the regulations of the Company.
- as long as FIDF has the controlling power in SAM, FIDF shall proceed with its policy and ensure that SAM conducts its business as the government's asset management company with an aim to resolve, develop and restore economic system of Thailand in time of crisis. However, during the period where Thailand is not facing any economic crisis, SAM may acquire additional assets in order for it to fully utilize employees' potential and maintain its potential in managing NPLs which would allow SAM to be a governmental tool that is ready to manage large NPLs in case of any financial crisis in the future.
- FIDF, as a shareholder of the Company, shall support the Company in structuring its Board of Directors in accordance with the Company's corporate governance and relevant resolutions of the meetings of the Company's Board of Directors, including in the case where the chairman of the Board of Directors is not an independent director, in which case the Company shall arrange to have one independent director participating in the determination of the agenda for the meetings of the Company's Board of Directors.
- FIDF shall not propose and vote as a shareholder of the Company for the same person nominated by it to be a director or an executive of both the Company and SAM.
- FIDF shall not use internal information of the Company in such a way that would result in losses to the Company or is against the Company's best interest.

The Company's Board of Directors and Audit Committee have the duty to monitor the Company's compliance with the policies and measures as specified in the FIDF letters No. ForGorTor. 252/2558 dated June 8, 2015 and No. ForGorTor. 203/2561 dated June 26, 2018.

For the period ended December 31, 2018, and the nine-month period ended September 30, 2019, the Company entered into transactions with companies in which FIDF is a major shareholder, with conditions similar to those that the Company entered into with non-related companies. See *"Related party transactions."*

RELATED PARTY TRANSACTIONS

We are a party to a number of agreements with “related parties” (persons with whom we may have a conflict of interest) as determined under Thai laws and regulations, including our (a) directors and executives, (b) major shareholders, (c) controlling persons (defined to include persons who hold a significant equity interest in our Company), (d) close relatives of any person in (a) through (c), and (e) any person in which any person in (a) through (c) has a significant equity interest, directly or indirectly (each, a “**Related Party**”). The following is a summary of material transactions we have engaged in with the Related Parties for the years ended December 31, 2016, 2017 and 2018 and the nine-month periods ended September 30, 2018 and 2019.

There are differences between requirements on disclosure of related party transactions of the Thai SEC and the Thai Accounting Standards (“**TAS**”). For example, while the Thai SEC regulations require that we disclose information about material transactions we have entered into with the Related Parties, the notes to our financial statements which were prepared in accordance with the applicable TAS and included in this Offering Circular do not disclose details of related party transactions with other entities whose directors also serve as directors nor those with other entities in which the Ministry of Finance holds more than 10% of their outstanding shares. Accordingly, prospective investors are cautioned not to regard a summary of related party transactions in the financial statements as an exhaustive list of related party transactions required to be disclosed under the requirements of the Thai SEC.

The following tables set forth details of the related party transactions for the years ended December 31, 2016, 2017 and 2018 and the nine-month periods ended September 30, 2018 and 2019. See note 9.23 to our audited consolidated financial statements as of and for the years ended December 31, 2016, 2017, and 2018, note 5.20 for our interim reviewed consolidated financial statements for the nine-month periods ended September 30, 2018 and note 5.24 for our interim reviewed consolidated financial statements for the nine-month periods ended September 30, 2019.

	For the year ended December 31,				For the nine-month period ended September 30,		
	2016	2017	2018		2018	2019	
	Baht	Baht	Baht	US\$	Baht	Baht	US\$
	(in millions)						
Interest income—cash at financial institutions	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Dividend income	72.8	47.3	36.8	1.2	1.0	1.0	0.0
Other operating income—rent and utilities	0.9	0.7	0.5	0.0	0.4	0.1	0.0
Gain on sale of properties for sale	—	—	2.5	0.1	2.5	—	—
Interest expenses	12.6	4.7	22.4	0.7	12.2	44.9	1.5

	As of December 31,				As of September 30,	
	2016	2017	2018		2019	
	Baht	Baht	Baht	US\$	Baht	US\$
	(in millions)					
Cash at financial institutions	14.7	11.9	16.7	0.5	85.0	2.8
Investment in securities—net	2.2	2.2	2.2	0.1	2.2	0.1
Other assets						
Accrued dividends	35.8	42.4	35.8	1.2	—	—
Accrued interest receivable	—	—	—	—	0.0	0.0
Debt issued and borrowing						
—Notes payable and borrowing	107.7	88.0	1,098.2	35.9	1,213.4	39.7
—Debentures	—	124.9	1,107.7	36.2	771.0	25.2
Accrued interest payable	—	0.8	2.2	0.1	4.0	0.1
Other liabilities—rent guarantee	0.1	0.1	0.1	0.0	0.0	0.0

Transactions with Our Related Parties

Transactions with Krung Thai Bank Public Company Limited

Krung Thai Bank Public Company Limited is our Related Party as the Financial Institutions Development Fund (the “**FIDF**”) holds 99.9% of our total issued share capital and a 55.1% interest in the shares of Krung Thai Bank Public Company Limited.

Short-term loans

As of September 30, 2019, we have short-term credit facilities with Krung Thai Bank Public Company Limited for Baht 500.0 million with the interest rate at money market rate in order to manage our liquidity. The

following table sets forth details of the loans from Krung Thai Bank Public Company Limited as of and for the year ended December 31, 2018 and the nine-month period ended September 30, 2019:

	As of and for the year ended December 31, 2018	As of and for the nine-month period ended September 30, 2019
	Baht	Baht
	<i>(in millions)</i>	
Short-term loan at the beginning of the year / period	—	—
Change in the value		
—Increase	—	5,000.0
—Decrease	—	(5,000.0)
Short-term loan at the end of the year / period	—	—
Interest paid	—	4.2
Accrued interest payable	—	0.0

Debentures

As of September 30, 2019, we have offered name-registered unsubordinated and unsecured debentures with no bondholder representative to institutional investors and/or high net worth investors in order to manage our liquidity. We have the right to redeem the debentures before the redemption date (depending on the debentures). We have issued 590,600 units of debentures at Baht 1,000 per unit to Krung Thai Bank Public Company Limited, comprising (i) 22,400 units of debentures with a fixed coupon rate of 2.38% per annum maturing in June 2020, (ii) 15,000 units of debentures with a fixed coupon rate of 3.41% per annum maturing in June 2022, (iii) 50,000 units of debentures with a fixed coupon rate of 3.64% per annum maturing in June 2024 (iv) 7,000 units of debentures with a fixed coupon rate of 2.53% per annum maturing in September 2021, (v) 135,000 units of debentures with a fixed coupon rate of 3.44 % per annum maturing in September 2023 and (vi) 361,000 units of debentures with a fixed coupon rate of 2.18% per annum maturing in December 2019.

The following table sets out details of the debentures we had issued to Krung Thai Bank Public Company Limited as of and for the year ended December 31, 2018 and the nine-month period ended September 30, 2019.

	As of and for the year ended December 31, 2018	As of and for the nine-month period ended September 30, 2019
	Baht	Baht
	<i>(in millions)</i>	
Debentures at the beginning of the year / period	120.0	546.0
Change in the value		
—Increase	620.1	244.6
—Decrease	(194.1)	(200.0)
Debentures at the end of the year / period	546.0	590.6
Interest paid	6.6	7.6
Accrued interest payable	1.5	3.3

Sale of properties for sale

As of September 30, 2019, we had issued promissory notes as payment for the purchase of NPAs from Krung Thai Bank Public Company Limited. The promissory notes do not bear any interest in accordance to the agreement for the sale and purchase of properties for sale dated October 9, 2006 entered among 18 financial institutions and certain asset management companies (including us). The following table sets out details of the promissory notes we had issued to Krung Thai Bank Public Company Limited as of and for the year ended December 31, 2018 and the nine-month period ended September 30, 2019.

	As of and for the year ended December 31, 2018	As of and for the nine-month period ended September 30, 2019
	Baht	Baht
	<i>(in millions)</i>	
Promissory notes at the beginning of the year / period	88.0	1,098.2
Change in the value		
—Increase	1,011.1	115.8
—Decrease	(0.9)	(0.7)
Promissory notes at the end of the year / period	1,098.2	1,213.3
Interest paid	3.9	21.5
Less Deferred interest expense	108.1	95.6

Deposits

We have a savings and current account with Krung Thai Bank Public Company Limited which we opened to manage our cash. The following table sets forth details of the deposits we had with Krung Thai Bank Public Company Limited as of and for the year ended December 31, 2018 and the nine-month period ended September 30, 2019.

	As of and for the year ended December 31, 2018	As of and for the nine-month period ended September 30, 2019
	Baht	Baht
	(in millions)	
Deposits	16.7	85.0
Interest received	0.0	0.0
Accrued interest	—	0.0

Rental Income

We entered into a lease agreement dated April 28, 2017 pursuant to which we agreed to lease part of the ground floor of our headquarters building to Krung Thai Bank Public Company Limited for the installation of its automated teller machine, and entered into an extension of the lease period for one year on April 25, 2018 and April 12, 2019. We also entered into a lease agreement dated January 4, 2018 and December 28, 2018, pursuant to which we agreed to lease part of our branch office in the Yala province to Krung Thai Bank Public Company Limited for the installation of its automated teller machine.

	As of and for the year ended December 31, 2018	As of and for the nine-month period ended September 30, 2019
	Baht	Baht
	(in millions)	
Rental income	0.1	0.1
Rent guarantee	0.0	0.0

Transactions with KT ZMICO Securities Company Limited

KT ZMICO Securities Company Limited was a Related Party as we and Krung Thai Bank Public Company Limited both have FIDF as the major shareholder, holding 99.9% of our total shares and indirectly holding 27.5% of the total shares in KT ZMICO Securities Company Limited. FIDF holds 55.1% of the total shares in Krung Thai Bank Public Company Limited and Krung Thai Bank Public Company Limited holds 50% of the total shares in KT ZMICO Securities Company Limited.

We entered into a three-year lease agreement dated January 1, 2013 pursuant to which we agreed to lease part of the ground floor of our branch office in the Phitsanulok province to KT ZMICO Securities Company Limited which uses the premises as its sub-branch. We then entered into an amendment of the agreement to extend the lease for another three years, ended on December 31, 2018. Presently, there is no extension of the lease agreement, and the agreement has expired.

	As of and for the year ended December 31, 2018	As of and for the nine-month period ended September 30, 2019
	Baht	Baht
	(in millions)	
Rental Income	0.4	—
Rent guarantee	0.1	—

Transactions with Krungthai-AXA Life Assurance Public Company Limited

Krungthai-AXA Life Assurance Public Company Limited was a Related Party as we and Krung Thai Bank Public Company Limited both have FIDF as the major shareholder, holding 99.9% of our total shares and indirectly holding 27.5% of the total shares in Krungthai-AXA Life Assurance Public Company Limited. FIDF holds 55.1% of the total shares in Krung Thai Bank Public Company Limited and Krung Thai Bank Public Company Limited holds 50% of the total shares in Krungthai-AXA Life Assurance Public Company Limited.

We have offered name-registered unsubordinated and unsecured debentures with no bondholder representative to institutional investors and/or high net worth investors in order to manage our liquidity on June 30, 2019. Depending on the debenture, some debenture issuer have the right to redeem prior to the redemption date. We have issued 150,400 units of debentures at Baht 1,000 per unit to Krungthai-AXA Life

Assurance Public Company Limited, comprising (i) 1,300 units of debentures with a fixed coupon rate of 2.38% per annum maturing in June 23, 2020, (ii) 2,100 units of debentures with a fixed coupon rate of 2.53% per annum maturing in September 8, 2021, (iii) 120,000 units of debentures with a fixed coupon rate of 3.91% per annum maturing in September 2027, (iv) 1,200 units of debentures with a fixed coupon rate of 2.18% per annum maturing in December 21, 2019 and (v) 25,800 units of debentures with a fixed coupon rate of 2.50% per annum maturing in June 21, 2021.

The following table sets forth details of the debentures we had issued to Krungthai-AXA Life Assurance Public Company Limited as of and for the year ended December 31, 2018 and the nine-month period ended September 30, 2019.

	As of and for the year ended December 31, 2018	As of and for the nine-month period ended September 30, 2019
	Baht	Baht
	<i>(in millions)</i>	
Debentures at the beginning of the year / period	4.9	531.7
Change in the value		
—Increase	527.0	120.0
—Decrease	(0.2)	(501.3)
Debentures at the end of the year / period	531.7	150.4
Interest paid	11.9	10.9
Accrued interest payable	0.7	0.5

Transactions with Krungthai Panich Insurance Public Company Limited

Krungthai Panich Insurance Public Company Limited was a Related Party as we and Krung Thai Bank Public Company Limited both have FIDF as the major shareholder, holding 99.9% of our total shares and indirectly holding 24.8% of the total shares in Krungthai Panich Insurance Public Company Limited. FIDF holds 55.1% of the total shares in Krung Thai Bank Public Company Limited and Krung Thai Bank Public Company Limited holds 45.0% of the total shares in Krungthai Panich Insurance Public Company Limited.

On September 30, 2019, we have offered name-registered unsubordinated and unsecured debentures with no bondholder representative to institutional investors and/or high net worth investors in order to manage our liquidity. We have issued 30,000 units of debentures at Baht 1,000 per unit to Krungthai Panich Insurance Public Company Limited with a fixed coupon rate of 2.50% per annum maturing in June, 21 2021.

The following table sets forth details of the debentures we had issued to Krungthai-AXA Life Assurance Public Company Limited as of and for the year ended December 31, 2018 and the nine-month period ended September 30, 2019.

	As of and for the year ended December 31, 2018	As of and for the nine-month period ended September 30, 2019
	Baht	Baht
	<i>(in millions)</i>	
Debentures at the beginning of the year / period	—	30.0
Change in the value		
—Increase	30.0	—
—Decrease	—	—
Debentures at the end of the year / period	30.0	30.0
Interest paid	0.0	0.6
Accrued interest payable	0.0	0.2

Transaction with Ms. Piya Limpiti

Ms. Piya Limpiti was a related person as she is the daughter of our director, Mrs. Tongurai Limpiti.

We sold the empty plot of land in the Mountain View Khao Yhai Project in Pak Chong District Nakhon Ratchasima Province with the area of 0-2-51 Rai at the price of Baht 2,761,000 to Ms. Piya Limpiti. Such land was a part of the campaign “BAM Into the 20th year” as approved by the board. The board also set out the purchase price and conditions of payment of the properties within the campaign. Ms. Piya Limpiti placed a deposit of Baht 0.8 million on June 8, 2018 and paid the remaining amount of Baht 1.9 million on July 17, 2018.

	As of and for the year ended December 31, 2018	As of and for the nine-month period ended September 30, 2019
	Baht	Baht
	(in millions)	
Gain on sale of properties for sale.....	2.5	—

Transaction related to the Combined Offering

In addition, under the mandate letter appointing financial advisor and underwriters for the Combined Offering and the listing of our Shares on the SET entered into by us and the Joint Bookrunners dated July 4, 2013, we undertake to be responsible for fees incurred to be paid to the SEC for FIDF's application for approval for the Combined Offering in the amount of Baht 14,067,825.0 which shall be paid on November 22, 2019. Given that such transaction is considered related party transaction between us and a person who may have a conflict of interest, we shall further proceed to comply with the necessary measures and procedures for approval of related party transactions.

Necessity and Reasonableness of the Related Party Transactions

In our Audit Committee Meeting No. 3/2019, held on March 1, 2019 and No. 17/2019 held on November 12, 2019, our Audit Committee considered our related party transactions for the year ended December 31, 2018 and for the nine-month period ended September 30, 2019, respectively, as well as information obtained from our Company's management and the information in the notes to financial statements reviewed and audited by our Company's auditor, and was of the view that these related party transactions for the year ended December 31, 2018 and the nine-month period ended September 30, 2019 were conducted in the ordinary course of our business operations and were entered into on an arm's length basis.

Procedures for Approval of Related Party Transaction

At our Board of Directors' Meeting No. 11/2018, held on June 19, 2018, our board of directors considered and approved the approval policy and process for related party transactions in order to ensure that related transactions between our Company and persons who may have conflicts of interest are transparent and in the interest of our Company. A summary of the policy and process is set out below.

BAM's related or connected transactions must be in accordance with the rules under the Securities and Exchange Act, notification of the Capital Market Supervisory Board regarding *Rules on Connected Transactions*, and notification of the Board of Governors of the Exchange regarding *Disclosure of Information and other Acts of a Listed Company Concerning Connected Transactions*, including the relevant rules of the Office of the SEC and/or the SET. These transactions are also subject to compulsory disclosure in the notes to financial statements audited by BAM's auditor and the annual registration statement (form 56-1).

In principle, our management may approve these transactions if they are on an arm's length basis and free of influence in their capacity as directors, executives or related persons, provided that we must prepare a summary report on these transactions for the next board meeting.

If the law requires us to obtain approval from our directors at a board meeting or from shareholders at a shareholders meeting before entering a related transaction, we must ensure that our Audit Committee reviews and gives an opinion on such transaction. The Audit Committee's opinion will be submitted at the board meeting or shareholders meeting, as the case may be, in order to ensure that the proposed transaction is in our Company's best interest.

If there are any related transactions between our Company and persons who may have existing or potential interests or conflicts of interest, the Audit Committee will provide an opinion on the necessity of the transaction and the reasonableness of the value of the transaction, based on various factors in accordance with usual business operations in the industry and a comparison with third-party or market prices. If the Audit Committee has no expertise on any related transaction proposed, our Company may ask an independent specialist or our auditor to provide an opinion on such related transaction to support the decision-making by the board of directors, the Audit Committee, or shareholders, as the case may be. Directors who have an interest in such transactions will abstain from voting on these transactions. Related transactions must also be disclosed in the notes to financial statements audited or reviewed by our auditor.

Our Policies for Future Related Party Transactions

After the Combined Offering, entry into related party transactions or transactions between our group company and persons who may have existing or potential interests or conflicts of interest must be in accordance with the applicable rules of the SET or the SEC.

If we wish to enter into any connected or related transactions with persons who may have existing or potential interest or conflict of interest, we must adhere strictly to the foregoing policy and processes. The Audit Committee will provide guidelines for the consideration of these transactions, based on their necessity for our Company's operations, the prices of comparable transactions entered into with third parties (if any), and the significance of the size of the transaction.

If we enter into a related party transaction, we will obtain an opinion from our Audit Committee on the reasonableness of such transaction. If the Audit Committee has no expertise on the transaction, we will seek an opinion from a person with the relevant expertise or a specialist, such as an independent auditor or valuer. The opinion of the Audit Committee or person with the relevant expertise or specialist will be used to support the decision of the board of directors or shareholders, as the case may be, so as to ensure that such transaction is not a manipulation or transfer of benefits by our Company or our shareholders, and is entered into in the best interest of all shareholders.

DESCRIPTION OF OUR ORDINARY SHARES

Set forth below is certain general information relating to our Shares including brief summaries of certain provisions of our Memorandum and Articles of Association, the PLCA and the Securities and Exchange Act, all as currently in effect.

General

We are governed by our Articles of Association and the provisions of the PLCA. We were registered as a private limited company in January, 7 1999 and converted to a public limited company on December, 25 2015.

Share Capital

As of September 30, 2019, our paid-up share capital prior to the Combined Offering is Baht 13,675,000,000, consisting of 2,735,000,000 Shares of Baht 5.0 par value each, while our registered share capital is Baht 16,225,000,000, consisting of 3,245,000,000 Shares of Baht 5.0 par value each.

All our issued Shares are fully paid and in registered form, and are recorded in our share register maintained by the TSD. We have submitted an application for the listing on the SET of our Shares, and the SET granted an approval in principle of our listing application on November 5, 2019.

Transfer of Shares

Under the PLCA, which applies to shares listed on the SET, a transfer of listed shares in scrip form is valid between the transferor and the transferee upon the transferor's endorsement on the back of the share certificate representing the shares transferred and upon the delivery of the endorsed certificate to the transferee or his broker. For a transfer to be valid against the issuer company, a request for an entry of the transfer into a share register book must be received by the company (through the TSD as its share registrar). To be valid against a third party, the entry of the transfer must actually be made into the share register book.

For a description of Thai stamp duty on transfers, see "*Taxation — Thai Taxation*" and for a description of transfer procedures for trades on the SET, see the section of this Offering Circular entitled "*The Thai Securities Market*."

Limitation on Foreign Ownership of Shares

Our Articles of Association limit "non-Thai" ownership of our Shares to no more than 49.0% of our paid-up share capital. Our Articles of Association do not provide for sanctions for the transfer of Shares in violation of the limitations, nor a method for requiring the divestiture of such Shares. Nonetheless, if a non-Thai person acquires Shares which results in the aggregate percentage of our Shares being owned by non-Thai persons to exceed the permitted foreign ownership limit, there can be no assurance that the non-Thai person will not lose the benefit of such investment (e.g., such person will not be entitled to attend and vote at any shareholders' meeting and/or receive any dividends) as our registrar may refuse to register ownership of such Shares or because divestment may be required by applicable Thai law and regulations. It is not always possible for a non-Thai person acquiring Shares to know in advance whether the Shares acquired will fall within the limits and be eligible to be registered in the person's name.

Our Articles of Association do not have a definition of a "non-Thai" person. However, we generally use the definition of a "foreigner" as specified in the Foreign Business Act B.E. 2542 (1999) which is:

- (i) any natural person who is not a citizen of Thailand;
- (ii) any corporate entity which is not registered in Thailand;
- (iii) corporate entities registered in Thailand having the following characteristics:
 - (a) Having half or more of the corporate entity's capital shares held by persons under (i) or (ii) or a corporate entity having the person under (i) and (ii) investing with a value of half or more of the total capital of the corporate entity; or
 - (b) Limited partnership or registered ordinary partnership having the person under (i) as the managing partner or manager; or

- (iv) any corporate entity registered in Thailand having half or more of its capital shares held by the person under (i), (ii) or (iii) or a corporate entity having the persons under (i), (ii) or (iii) investing with the value of half or more of its total capital.

Dividends

Annual dividends on the shares may be declared by the board of directors and may be paid upon approval by the shareholders at the annual general meeting of shareholders. In addition, the board of directors may resolve at any board of directors' meeting to pay such interim dividends as appear to be justified by our profits and other considerations. Distribution of interim dividend must be reported to the shareholders at the next meeting of shareholders following the meeting of our Board of Directors that approved the interim dividend. Payment of dividends shall be made to entitled shareholders within one month of the date on which dividends are declared by our Board of Directors or the shareholders (as the case may be).

Dividends may be distributed either in cash or, subject to the PLCA and, if approved by the shareholders' meeting, in the form of shares, to the extent authorized, but previously unissued shares are then available.

Under our Articles of Association, we may not make any distribution of dividends other than out of our profits and we are required, both under the PLCA and our Articles of Association, to set aside as reserve an amount not less than 5.0% of our annual net profit less any accumulated losses carried forward until the total reserve is not less than 10.0% of our registered share capital, unless our Articles of Association or other applicable laws provide for a larger reserve or any other reserve. See "*Dividend Policy*." In determining profit, the Guidelines on Accounting of Financial Institutions issued by BOT specify that dividends should not be paid out from transactions which result in an unrealized gain or where there is no real cash inflow. Dividends should also not be paid from profits arising from the sale of an asset without actual sale e.g. sale of NPA which may be repurchased by us, or where we would have an option to repurchase the asset, as such profit may be subject to changes.

General Meetings of the Shareholders

Our board of directors must convene an annual general meeting of shareholders within four months from the last day of our fiscal year (i.e., by April 30). Our board of directors may call an extraordinary general meeting whenever the board of directors deems it appropriate, and must call such a meeting upon the written request of the shareholders of 10.0% or more of our total issued outstanding shares. Notice of any general meeting must be given to all shareholders and the registrar of the Department of Business Development, the MOC at least seven days in advance unless other applicable laws provide for longer period than seven days. Each notice must include an opinion from our Board of Directors with respect to the matters to be considered at such meeting. Publication of the notice must be made for three consecutive days in a local newspaper not less than three days prior to the meeting.

A quorum for any shareholders' meeting is constituted by the presence, either in person or by proxy, of not less than the lesser of 25 shareholders or one half of the total number of shareholders, in either case holding in aggregate not less than one-third of the total number of issued and outstanding shares. If a quorum is not present within an hour after the appointed time, a general meeting must be dissolved in the case where the meeting was requested by the shareholders and in every other case must be adjourned to another date prior to which notice must be sent to shareholders at least seven days in advance. A quorum is not required for such an adjourned meeting to be properly constituted.

Following the listing of our shares on the SET, if our Board of Directors passes a resolution fixing the date and agenda of an annual or extraordinary general meeting and the date of determining a list of shareholders who are entitled to attend the annual or extraordinary general meeting (the "**Record Date**"), we must notify the SET accordingly. Such notification must be made without delay on the date on which such meeting is convened.

Our Articles of Association provide that at the annual general meetings of shareholders, the shareholders must:

- consider the board of directors' report presented to the meeting concerning the activities carried out in the past year;
- consider and approve the balance sheet and profit and loss statement;

- consider and approve of profit allocation, dividend payment and set aside legal reserved under the law;
- consider and elect directors in place of those retiring by rotation and fix their remuneration;
- consider, appoint an auditor and fix the auditing fee; and
- deal with other business.

One-third of the number of our directors shall vacate their office at each annual general meeting, whereby the directors who have been in office for the longest term shall retire, but may be re-elected.

Voting Rights

A shareholder is entitled to one vote per share. A resolution can be adopted at a general meeting of shareholders by a simple majority of the votes of the shareholders who attend the meeting and have the right to vote, except in the following matters which require at least three-fourths of all votes represented and entitled to vote:

- sale or transfer of all or a substantial part of our business to other persons;
- purchase or acceptance of transfer of businesses of other companies to ours;
- entry into, amendment or termination of contracts relating to the leasing out of all or a substantial part of our business, assignment of any other persons to manage our business or consolidation of such business with other persons with an objective towards profit- and loss-sharing;
- appointment of other persons to manage our business;
- amendment our Memorandum of Association or Articles of Association;
- an increase or reduction of registered capital or issuance of bonds in a public offering; or
- amalgamation with another company or dissolution of our Company.

Shareholders may amend our Articles of Association to require a higher percentage of votes than that required by the PLCA on any matter upon which shareholders must vote. The election of directors requires a resolution of a general meeting of shareholders. The persons who receive the highest number of votes ranked in descending order that corresponds to the number of directors to be elected during the meeting will be elected as directors. The removal of a director before the end of his or her term requires a resolution of a general meeting of shareholders of not less than three-fourths of all shareholders present and entitled to vote, holding shares in aggregate of not less than one half of the total number of shares present and entitled to vote. In addition, to fix the remuneration of directors requires a resolution of a general meeting of shareholders, not less than two-thirds of all votes present.

Preemptive Rights and Issuance of Additional Shares

The PLCA provides that all or some of any new shares issued may, by a resolution of shareholders adopted at a general meeting, be offered to existing shareholders in proportion to their respective shareholding or offered to the public or other persons. Every increase of the registered and paid-up share capital must be registered with the registrar of the Department of Business Development, MOC and no share certificate can be issued without such prior registration of the related capital increase and unless the subscribed shares are paid in full.

Financial Statements

The PLCA provides that board of directors must prepare a balance sheet and income statement annually, at the end of each fiscal year. The balance sheet and income statement must be audited by the auditors and approved by the shareholders at the annual general meeting of shareholders. A copy of the audited balance sheet and income statement, together with the notice of the annual general meeting of shareholders, are required to be sent to all shareholders at their respective addresses as listed in the share register book.

In addition to the PLCA requirements set out above, as a SET-listed company and in compliance with the regulations of the SEC, we will be required to prepare and submit to the SET and the SEC annual audited financial statements within three months, as the case may be, from the end of each fiscal year and quarterly reviewed financial statements within 45 days from the end of each quarter.

Liquidation Rights

The PLCA provides that, in the event of liquidation, the assets remaining after payment of all debts, liquidation expenses and taxes will be distributed among the shareholders in proportion to the number of shares held.

Acquisition of Our Own Shares

Pursuant to our Articles of Association and the PLCA, we may buy back shares (i) from minority shareholders who have voted against a shareholders' resolution to amend voting or dividend rights in a public limited company's articles of association, where the shareholders consider that they have been unfairly treated, or (ii) for financial management purposes, when a public limited company has accumulated profits and excess liquidity, provided that the buying back of shares does not cause the public limited company financial difficulty.

In addition, our Articles of Association allow us to buy back shares when our shares are listed on the SET upon a resolution of our board of directors if the shares to be bought back constitute not more than 10.0% of all paid-up capital or, if otherwise, upon a resolution of a general meeting of shareholders. In the latter case, the shares shall be bought back within one year after the resolution of a general meeting of shareholders. The shares bought back and held by us are not counted towards forming a quorum for meetings of shareholders and right to receive any dividend, and do not carry any voting rights, and must be sold within a period specified in relevant ministerial regulation issued under the PLCA, otherwise we will have to reduce our paid-up share capital by cancelling the unsold shares.

Under the PLCA, our shareholders generally do not have rights to require us to redeem their shares in our Company.

THE THAI SECURITIES MARKET

The SET

The first organized stock exchange in Thailand was formed as a limited partnership in 1962, which later became a limited liability company and changed its name to Bangkok Stock Exchange Co., Ltd. in 1963. Approximately 35 securities were listed on the Bangkok Stock Exchange, but trading remained low by comparison with present volumes. Following a Government initiative in 1969, plans were drawn up for an official stock exchange, and in May 1974 the Securities Exchange of Thailand Act B.E. 2517 (1974) (the “**SET Act**”) was enacted, leading to the replacement of the Bangkok Stock Exchange with the Securities Exchange of Thailand. In January 1991, the Securities Exchange of Thailand was renamed the “Stock Exchange of Thailand” or the “SET.” The SET Act provided the basis for regulation of the primary and secondary securities markets in quoted securities in Thailand and placed responsibility for control of the SET with the Ministry of Finance. The SET is the principal stock exchange in Thailand and is organized as a non-profit entity, comprised of members which are securities companies. The SET is responsible for, among other things, processing all listing applications, ensuring that disclosure requirements for listed companies are met and monitoring all trading activities in respect of listed securities. The TSD acts as the securities depository, dividend paying agent, transfer agent and registrar for the majority of all listed Thai companies, and Thailand Clearing House Co., Ltd (“**TCH**”) acts as a clearing house.

Dealings at the SET commenced in April 1975, with a total of 16 quoted securities. The SET Index was also established on this date to show the market price movement of the traded securities. The SET Index includes all listed ordinary shares. It was set at 100 on the SET’s opening day. The SET Index uses the most recent transacted price for a security when no transaction in that security occurs on a particular day, and is adjusted for new listings, de-listings and capitalization changes, but excludes those suspended for more than one year.

Public limited companies, state-owned enterprises, corporate entities established under special purpose legislation, foreign companies or mutual funds, including infrastructure funds and real estate investment trusts (REITs) having the appropriate qualifications may file applications with the SET to have their securities listed. There were four separate boards on the SET on which securities trading took place on computerized systems: (i) the main board for regular trading of ordinary shares, preference shares, warrants, non-voting depository receipts and investment units; (ii) the odd-lot board for dealings in odd lots; (iii) the big lot board for dealings in large lots of securities; and (iv) the foreign board for trading in foreign registered shares that were available to be registered in the name of non-Thai nationals.

On July 16, 2012, the SET promulgated a new regulation regarding the trading, clearing, and settlement of securities on the SET, which revokes the trading boards. This new regulation came into effect on September 3, 2012. Subsequently, the trading of securities depends on the type of securities and the trading methods performed, which include the Automated Order Matching and Trade Report (previously known as Put-Through) methods. The Automated Order Matching is for trading of securities, both Thai and foreign registered securities, in board lots and odd lots. The Trade Report is for trading of securities in big lots, foreign registered securities, off-hour trading and buy-ins where brokerage firms negotiate and agree on the price and prior to sending the results through the trading system of the SET.

Trading days are Monday through Friday, and exclude Saturdays, Sundays and holidays as prescribed by the SET each year. Trading hours are divided into two sessions. In the first session, trading commences between 9.55 a.m. and 10.00 a.m. and ceases at 12.30 p.m., and in the second session trading commences between 2:25 p.m. and 2.30 p.m. and ceases between 4.35 p.m. and 4.40 p.m., save for trading on the odd-lot board which ceases at 4.30 p.m. In addition to regular trading sessions, off-hour trading commences from closing time and ceases at 5.00 p.m. on trading days.

In February 1992, the National Legislative Assembly passed the Securities and Exchange Act, B.E. 2535 (1992) (the “**Securities and Exchange Act**”) which replaced the SET Act and came into force in May 1992. The Securities and Exchange Act provides for the establishment of the Thai SEC and empowers it to introduce policies for the development and supervision of the securities markets and related activities in Thailand. The Public Limited Companies Act B.E. 2535 (1992) (the “**PLCA**”), which came into force in June 1992, repealing the Public Limited Companies Act B.E. 2521 (1978), provides that only companies incorporated as, or which have converted their incorporation status to, public limited companies under the PLCA are permitted to issue shares or other equity-linked securities to the public. A public offering of newly issued securities is permitted only where the issuer of such securities has received approval from the Thai SEC to offer such securities, and where a registration statement in the prescribed form together with a draft prospectus submitted to the Thai SEC by the issuer of such securities have become effective.

Oversight

While primary responsibility for the regulation of the issuance of new securities has shifted to the Thai SEC, the SET continues to operate the stock exchange and is responsible for approving listing applications once the Thai SEC registration, prospectus and related requirements have been met for Thai offering.

In July 1992, the SET expanded its Securities Depository Center, by allowing, (in addition to brokers) local custodians, sub-brokers and corporate entities who are eligible depositors as stipulated by the SET to become members of the settlement system. At the same time, the SET introduced regulations to facilitate the establishment of the scripless trading system.

The SET requires that bid and offer quotations for shares be within prescribed spreads, depending on the market price per share and in accordance with a table of values. Subject to certain exceptions, the SET also limits price movements for shares during a trading session to a maximum of 30% of the previous business day's closing price. However, the limit for the price movement will be at 60% of the previous business day's closing price if the shares are held by non-Thai nationals (as recorded in a register of the shareholders). Brokers shall charge brokerage or agent's fees for buying or selling of listed securities from their customers at rates in accordance with the agreements on fees entered into with their customers, effective since January 1, 2012.

Under the disclosure regulations of the SET, listed companies are required to report the following, among others, to the Thai SEC and the SET for public disclosure:

- (i) any corporate resolution or other event which will have a material effect on the rights of a company's shareholders or that might materially affect the value of the shares or be important for making investment decisions or affect the benefits of shareholders. In principle, such events are required to be reported on the day such an event occurs or on the next trading day at least one hour before the commencement of trading;
- (ii) audited annual financial statements (including consolidated financial statements) for each accounting period, conforming to prescribed disclosure standards, which must be filed within three months of the end of the year if the fourth-quarter financials are submitted, or within two months if fourth-quarter financials are not submitted;
- (iii) annual registration form (Form 56-1) which must be filed within three months from the end of the relevant accounting period;
- (iv) an annual report, which must be filed no later than the date on which it is sent to the shareholder but in any event no later than four months after the end of the relevant accounting period; and
- (v) quarterly unaudited financial statements reviewed by a licensed auditor, to be filed within 45 days of the end of each quarter.

The SET has experienced significant volatility in the past years due to the global economic situation. Between May 20, 2008 and October 29, 2008, the SET Index fell from 873.82 to 384.15, a decline of 56.0%. Between December 29, 2008 and May 17, 2013, the SET Index increased 264.4% from 446.70 to 1,627.96. See *"Risk Factors — Risks Relating to Ownership of our Shares — There are risks associated with the trading and delivery of our shares on the SET"*; and *"— The Thai securities market is relatively small and may cause the market price of our Shares to be more volatile."*

Thailand Securities Depository Company Limited ("TSD")

In November 1994, the SET established a private limited company, the TSD, providing two types of post-trade securities services: securities depository services and securities registration services. Since the commencement of its operations in January 1995, the TSD had operated a clearing and settlement system for scripless shares of Thai public companies, until 2010, when it transferred this function to TCH, a subsidiary of the SET. The TSD is 99.9% owned by the SET and has a registered paid-up capital of Baht 200 million. TCH is also 99.9% owned by the SET and has a registered capital of Baht 600 million. Under the Securities and Exchange Act, the TSD may operate without a license from the Thai SEC as long as the SET owns a minimum of 75% of its total issued shares. The following persons may become members of the TSD: (i) securities companies; (ii) commercial banks; (iii) finance companies; (iv) life or non-life insurance companies; (v) financial institutions established by specified legislation; and (vi) other persons as prescribed by the SET.

Market for Alternative Investment (“MAI”)

In June 1999, the SET established, with Thai SEC approval, the MAI, to facilitate small and medium-sized enterprises (the “SMEs”) access to capital markets. The MAI’s principal objectives include providing alternative financing for, and encouraging venture capital investment in, SMEs, facilitating debt restructuring by enabling creditors to sell securities received in debt-equity conversions, and providing additional investment alternatives to public investors. We are not listed, and do not intend to list, on the MAI.

Thai Non-Voting Depositary Receipts

Investment by “non-Thai persons” in certain Thai securities may be limited by the Foreign Business Act B.E. 2542 (1999) and/or by restrictions from the Board of Investment certificate or articles of association of a company. In August 2000, the Thai SEC passed a regulation creating non-voting depositary receipts (“NVDRs”) to permit increased holdings in Thai-listed companies by non-Thais. The NVDR is a type of security listed on the SET issued by the Thai NVDR Company Limited, a wholly owned subsidiary of the SET. The Thai NVDR Company Limited may issue additional NVDRs from time to time upon receipt of purchase orders from investors. The main purpose of the NVDR is to enable non-Thais to indirectly hold shares that may only be held by Thais and to receive the underlying economic benefits from holding those shares. The consequence of investing in an NVDR as opposed to in an ordinary share is that the holders of NVDRs are not considered shareholders of the company and cannot be involved in any decision-making of the company. Thai NVDR Company Limited, as the shareholder of the company, may not attend or vote in shareholders meetings of the company, other than meetings to approve delisting of the company.

Securities Lending

In January 2008, the Ministry of Finance issued ministerial regulations allowing any person who wishes to conduct the business of securities lending and borrowing to apply for a license from the Minister of Finance through the Thai SEC.

In the borrowing or lending of securities, a licensed securities lender and borrower are required to, among others, prescribe procedures for accepting customers, arrange for the risk management system and execute a securities lending agreement. Pursuant to Thai regulations, such an agreement must, at a minimum, specify certain provisions as prescribed by the SEC. For example, the securities borrower is required to provide unencumbered collateral to the lender. The collateral may be given in the form of cash, listed securities, investment units of an open-ended fund that is a daily redemption fund, treasury bills, Thai Government bonds, bonds of the Bank of Thailand, bonds or debt instruments guaranteed by the Ministry of Finance or issued or guaranteed by the FIDF, Letters of Credit, Letters of Guarantee, certificates of deposit, or debt instruments with the rating of BBB or its equivalent. Collateral in the form of foreign currency must be calculated by using either: (i) the closing price at the end of the previous business day prior to the valuation date announced by the SET or the referenced price at the end of the previous business day prior to the valuation date announced by the Thai Bond Market Association, Reuters, Bloomberg, or a service provider on information concerning trading of securities certified by the Thai SEC; or (ii) the price reflecting the current market price of such collateral.

Audit Committee Requirements

In 2008, the Thai Capital Markets Supervisory Board, a regulatory body established under the Securities and Exchange Act, issued regulations that provided that companies applying for a public offering with the Office of the Thai SEC are required to have an audit committee. The regulations of the SET regarding the listing of shares on the SET also contain similar requirements. In 2008, the SET issued another regulation setting out the requirements and scope of work of the audit committee. The audit committee must include no less than three independent directors appointed by the shareholders or by the board of directors in accordance with the rules of the SET and the Thai Capital Markets Supervisory Board. The Thai Capital Markets Supervisory Board requires, among other things, that each member of the audit committee be an independent director, and that at least one member of the audit committee should have knowledge of accounting and finance matters. In 2017, the Thai SEC issued the Corporate Governance Code for listed companies 2017 recommending Thai listed companies to have independent directors comprising over 50% of the members of the board of directors in cases where: (i) the Chairman of the Board and the chief executive officer (or equivalent) are the same person; (ii) the Chairman and the CEO are immediate family members; (iii) the Chairman is part of the management team; or (iv) the Chairman is not an independent director.

The SET and the Thai Capital Markets Supervisory Board specifically require that the audit committee carry out the following duties:

- to review the company's financial reporting process to ensure accuracy and adequacy;
- to review the company's internal control system and internal audit system to ensure that they are suitable and efficient, to determine an internal audit unit's independence, as well as to approve the appointment, transfer and dismissal of the chief of an internal audit unit or any other unit in charge of an internal audit;
- to review the performance of the company to ensure its compliance with the securities and exchange laws, the regulations of the SET or the laws relating to the business of the company;
- to consider, select and nominate an independent person to be the company's auditor, and to propose such person's remuneration, as well as to attend a non-management meeting with an auditor at least once a year;
- to review connected transactions, or transactions that may lead to conflicts of interest, to ensure that they are in compliance with the laws and the SET's regulations, are reasonable and primarily benefit the company;
- to prepare a report of the audit committee, which consists of at least the particulars prescribed in the relevant regulations of the SET, and have such report signed by the chairman of the audit committee and disclosed in the annual report of the company; and
- to perform any other act assigned to it by the board of directors with the approval of the audit committee.

Short Selling

In August 2009, the Capital Market Supervisory Board issued notifications (effective from September 2009) allowing a securities company to conduct short selling activities, either for its own account or for and on behalf of the accounts of its clients. A securities company is permitted to make short sales under its own name or on behalf of a client's order only where (1) the securities in question are either (i) equity instruments listed on the SET pursuant to the applicable SET rules or (ii) debt instruments pursuant to the relevant notifications of the Thai SEC, or (2) the short sale transaction is made to satisfy obligations in such categories or characteristics as prescribed by the Thai SEC. Before undertaking a short sale for its own proprietary portfolio, a securities company is required to procure a source to borrow the relevant securities so that it is able to deliver the securities sold short within the time prescribed by the TCH or as agreed between the parties to the short sale transaction, as the case may be. A securities company is not allowed to short sell securities in its own possession where the short sale is being transacted under such securities company's own name or on the order of a client as per the client's requirements.

In case of short selling on the instructions of a client, a securities company will be required to procure the securities available, either from the securities in its own possession or by borrowing the relevant securities from another source, for lending to such client, so as to ensure the client's delivery of the securities sold short within the time prescribed by the TCH or as agreed between the parties to the short sale transaction, as the case may be.

Under the SET notification issued in January 2001 and amended in 2012, a securities company which is a member of the SET may carry out short selling only with respect to securities specified by the SET, except where a securities company is short selling securities for which it is allowed to be a market maker.

Market Making

In July 2012, the SET issued a notification allowing a member of the SET to be registered as a market maker for certain specified securities listed on the SET. A non-SET member certified by a SET member can also be registered as a market maker if it qualifies under the notification. Market makers are responsible for creating liquidity in securities listed on the SET and other duties and functions as prescribed under the notification.

Internet Trading

In January 2000, the SET introduced securities trading through the internet. A member broker wishing to offer internet trading services is required to apply for prior permission from the SET. The broker's computer

and security systems must meet the regulations prescribed by the SET. The current standard for internet trading was issued in June 2012 with the purpose of facilitating and safeguarding internet trading by non-member brokers.

Cryptocurrency

Cryptocurrencies, such as Bitcoin, Litecoin and Namecoin are not currently recognized under Thai law. Whilst the Thai SEC has recently considered to regulate Initial Coin Offerings (ICOs), a means of fund raising through offerings of digital tokens which includes cryptocurrencies, no legislation or regulations specifically relating to cryptocurrencies has been enacted. Given its high volatility, cyber security risks, and illegitimacy, we currently have no plan to utilize ICOs.

Thai SEC Reporting and Tender Offer Requirements

Under the Securities and Exchange Act and notifications of the Thai Capital Markets Supervisory Board issued thereunder, an acquisition or disposition of shares or convertible securities of a listed public company such that the holder acting alone, acting together with any related persons under Section 258 of the Securities and Exchange Act or acting in concert with others (a “**Related Person**”), subsequently holding not less than any multiple of 5% of the total number of voting rights of such company must be reported to the Thai SEC within three business days from the date of such acquisition or disposition. Notwithstanding the above, a disposition of convertible securities in a listed or public company is not required to be reported to the Thai SEC.

A mandatory tender offer must be made when a person acting alone, acting together with any Related Persons, acquires shares in a listed company resulting in such person holding shares which are equal to or in excess of the following threshold amounts:

- (a) 25% of the total voting rights of such company;
- (b) 50% of the total voting rights of such company; or
- (c) 75% of the total voting rights of such company.

In the case where a listed company buys back its own shares, a mandatory tender offer is also required if a person acquires any additional shares in the company resulting in such person’s shareholding stake becoming equal to or in excess of the foregoing thresholds.

In addition, a mandatory tender offer is required to be made if a person, whether directly or indirectly, together with any Related Persons, acquires significant controlling power in a corporate entity that is an existing shareholder of a listed company, regardless of whether or not such controlling power is direct or indirect through shareholding or control in any corporate entity in the holding chain. However, a mandatory tender offer is not required in any of the following circumstances:

- (a) where shares are acquired by inheritance or from the exercise of rights to purchase shares or of conversion rights attaching to convertible securities acquired by inheritance;
- (b) where the acquisition of shares takes place following a share dividend or the exercise of pre-emptive rights to purchase new shares in proportion to the number of existing shares already held;
- (c) where shares are acquired in the course of a separate tender offer for all of the securities of the company or from the exercise of rights to purchase shares or conversion rights attaching to convertible securities acquired in the course of a separate tender offer for all of the securities of the company, in accordance with the relevant Thai SEC notifications, notwithstanding whether or not such tender is made voluntarily or mandatorily in accordance with the requirements set out in the relevant notifications;
- (d) the acquisition of shares by the following persons who normally, according to relevant regulations, do not exercise voting rights at a shareholders’ meeting of a listed company: (A) the Thai Trust Fund (which is a passive open-ended mutual fund established and managed by Thai Trust Fund Management Co., Ltd., 99.0% of whose shares are owned by the SET); and (B) Thai NVDR Company Limited, as a result of its sale of NVDRs;

- (e) where the acquirer reduces its shareholding or controlling power in a manner prescribed by the notifications of the Thai SEC;
- (f) where the Thai SEC has granted approval for a partial tender offer; and
- (g) where a waiver is obtained from the Thai SEC or from the Takeover Panel in one of the following circumstances:
 - A. a waiver of the mandatory tender offer may be obtained from the Thai SEC in the following cases:
 - (i) the acquisition of shares triggering the mandatory tender offer obligation causes no change in the control of the company;
 - (ii) the acquisition was made by person intending to assist or rehabilitate the company;
 - (iii) the acquisition of new shares in connection with a capital increase or as a result of the exercise of rights to purchase newly issued shares under warrants or of conversion rights pursuant to other securities which may be converted into shares where: (A) the number of shares to be acquired will not cause such person to hold 50% or more of the total issued share capital of the company (unless the shares acquired from the rights issue are waived by shareholders); (B) a resolution approving such acquisition was passed by not less than 75% of votes cast by shareholders present in person and entitled to vote at a meeting of the company's shareholders; and (C) such person does not acquire any securities of the company during the period between the date of the respective meetings of the board of directors and the shareholders of the company adopting resolutions to issue new shares to such person except by inheritance;
 - (iv) the acquisition in a circumstance where the Takeover Panel has established a precedent; and
 - (v) in any other circumstances in which the Thai SEC deems a waiver to be justified and appropriate; and
 - (B) a waiver of the mandatory tender offer may be obtained from the Takeover Panel in the following cases:
 - (i) the acquisition of significant controlling power over a corporate entity which is a shareholder of a listed company without an intention to take over such listed company; and
 - (ii) in any other circumstances where the Thai SEC deems a waiver should be considered by the Takeover Panel.

Foreign Ownership

We understand that the Government has generally allowed foreign investment, but on a controlled basis in certain sectors of the economy. In general, investment in Thai companies or in certain Thai securities by “non-Thai persons” (as defined in relevant laws or in a company’s articles of association) may be limited by the Foreign Business Act B.E. 2542 (1999), by a Board of Investment Promotion certificate issued under the Investment Promotion Act B.E. 2520 (1977), as amended, by the Land Code of Thailand, and/or by restrictions contained in a company’s articles of association. The articles of association of many Thai companies, including our articles of association, contain such restrictions. The TSD, as our share registrar, may refuse to register transfers of shares to a “non-Thai person.” Divestment may otherwise be required if, as a result of such transfer, the percentage of issued and outstanding shares registered in the name of non-Thai persons would exceed the limitation on foreign ownership applicable at the time. Ownership of shares by non-Thai persons is not otherwise restricted by Thai law. For further information on foreign ownership see, “*Description of Our Ordinary Shares – Limitation on Foreign Ownership of Shares*” and “*Risk Factors – Risks Relating to Ownership of our Shares – Thai law and our Articles of Association impose restrictions on foreign shareholding, which may affect the liquidity and market price of our Shares.*”

Where a non-Thai person acquires shares which would exceed the applicable limit, the investor is exposed to the risk of losing the benefit of such investment because ownership may never be registered or because divestment may be required. For the risks associated with holding of our Shares as a non-Thai person, see *“Risk Factors—Risks Relating to Ownership of our Shares—Thai law and our Articles of Association impose restrictions on foreign shareholding, which may affect the liquidity and market price of our Shares.”*

It is not always possible for a non-Thai purchaser of Thai shares (that are subject to such limits) to know in advance whether shares purchased will fall within the limits and eligible to be registered in such a non-Thai person’s name, or whether the company or the TSD, as share registrar, will have to decline to effect registration of the transfer. It is also a criminal offence in Thailand for a Thai national to hold shares as a nominee for a non-Thai person if it is done to avoid any applicable maximum limit on foreign ownership imposed by Thai law.

Settlement

General

From March 2, 2018, all settlement and clearance of transactions effected on the SET handled by the TCH shall be processed within two business days following the transaction date. The TCH offsets sales and purchases of each member and only the net balance of securities and cash delivered or received by the member through the TCH is credited.

Shares in Certificated Form

To effect the sale of shares in certificated form, sellers must deliver the relevant share certificates duly endorsed to their broker by no later than midday on the next business day following the date of the transaction subject to the internal regulation of the brokers. The respective brokers for the seller and buyer receive the payment or, as the case may be, the securities certificates on or before the third business day after the transaction date. On or before the fourth business day after the transaction date, the broker for the seller must deliver the duly endorsed securities certificates to, or for the order of, the buyer.

Delivery is made in the form of certificate(s) and/or certificate receipt(s). The latter is an acknowledgment by the registrar for the shares in question that the shares are in the process of registration and must be exchanged for share certificates before the new owner can have them registered in his name.

Shares in Scripless Form

In July 1992, the SET introduced regulations to facilitate the establishment of a scripless trading system. Under this scripless system, a member broker, sub-broker or local custodian may deposit certificates in respect of securities with the TSD. Any person becoming a TSD participant is required to open at least one account with the TSD for the deposit, withdrawal or transfer of securities. After the TSD has accepted a deposit of securities, it will hold such securities on behalf of its participants or its participants’ clients. In addition, each TSD participant is obliged to maintain a list of owners of the securities deposited with it for establishing ownership rights to the securities and any other shareholder rights. Sales and purchases of securities are settled by off-setting the relevant securities deposit accounts via computers, and at the end of each trading day the TSD delivers a statement showing the balance of securities held for each participant.

Transfer of Shares

Transfers of listed shares, whether effected on or off the SET are governed by the PLCA and the Securities and Exchange Act. Under the PLCA, a transfer of listed shares in certificated form is valid as between the transferor and the transferee by an endorsement by both parties on the back of a share certificate representing the shares transferred and the delivery of the endorsed certificate to the transferee. To be valid as against the company, a request for an entry of the transfer into its share register must be received by the company, and to be valid against a third party, the entry of the transfer must actually be made into the share register.

Under the Securities and Exchange Act, transfers of scripless shares are made by way of appropriate instruction to the relevant brokers, sub-brokers or custodians with whom the transferor and the transferee involved maintain securities accounts in accordance with individual arrangements with such brokers, sub-brokers or custodians. Upon receipt of such instructions, the relevant brokers, sub-brokers or custodians will, in accordance with such arrangements, effect the relevant changes in the register they are required to maintain for rights and entitlement purposes.

Share Transfer Registration

A public listed company (or the TSD if acting as its registrar) must acknowledge the transfer of its shares by recording in the share register within 14 days of receipt of a written request for an entry of the transfer. The registration of the change of ownership is effected at the same time as the registration by the company (or the TSD if acting as its registrar) is made. If the transferee requires a new share certificate, the company (or the TSD if acting as its registrar) must issue a new share certificate to the transferee, duly signed by the transferee (with at least one witness signing in attestation to the transferee's signature), within one month from the date the transferee delivers the request, and the old share certificate or other relevant evidence must be properly endorsed and returned by the transferee to the company (or, as the case may be, the TSD). The company must then record the transfer in the share register within seven days of a receipt of a written request for an entry of transfer.

Listing of Newly Issued Shares

Although a company whose shares are listed on the SET is required to maintain a listing on the SET for all its issued shares of that class, it must make a separate application for the listing of new shares of that class when they are issued. The SET is entitled to consider a listing application for up to seven days from the date it receives the completed listing application and all relevant documents. Unless and until listing approval is given and listing has become effective, the shares may not be dealt in on the SET but buyers and sellers may be matched through brokers in off-exchange transactions.

THAI FOREIGN EXCHANGE REGULATIONS

Thai foreign exchange controls are administered by the Bank of Thailand (the “**BOT**”) on behalf of the Ministry of Finance, pursuant to the Exchange Control Act B.E. 2485 (1942), as amended. The BOT has granted commercial banks and certain other entities the authority to conduct foreign exchange transactions as authorized agents of the BOT.

The inward remittance of money into Thailand for investment in securities does not require registration with the exchange control authorities. If however the amount remitted into Thailand exceeds US\$50,000 (or its equivalent), a specified form must be submitted to an authorized bank which is an authorized agent of the BOT to declare the purpose of the inward remittance.

The outward remittance from Thailand of dividends or the proceeds of sale (including capital gain) from the transfer of shares after payment of the applicable Thai taxes, if any, may be made without the requirement to file a specified form together with relevant supporting documents to the relevant authorized agent if the amount is less than US\$50,000 or the equivalent amount in relevant currency per remittance. As the BOT has a policy of restricting outward remittance of Baht currency, dividends paid to non-resident must be converted into foreign currency prior to the outward remittance.

Export of share certificates or other securities certificates from Thailand does not require prior approval from an exchange control officer appointed by the BOT. The exporter may either dispatch the certificates by mail or carry them when traveling abroad.

TAXATION

The discussion below is not intended to constitute a complete analysis of all tax consequences relating to ownership of our Shares. You should consult your own tax advisors concerning the tax consequences of your particular situations. This description is based on laws, regulations and interpretations as now in effect and available as at the date of this Offering Circular. The laws, regulations and interpretations, however, may change at any time, and any change could be retroactive to the date of issuance of the new shares. These laws and regulations are also subject to various interpretations and the relevant tax authorities or the courts could later disagree with the explanations or conclusions set out below.

Certain United States Federal Income Tax Considerations for U.S. Holders

The following discussion describes certain U.S. federal income tax consequences to U.S. Holders (as defined below) under present law of an investment in the Offering Shares. This summary applies only to U.S. Holders that acquire Offering Shares in exchange for cash, hold Offering Shares as capital assets within the meaning of Section 1221 of the US Internal Revenue Code (as defined below) and have the U.S. dollar as their functional currency.

This discussion is based on the tax laws of the United States as in effect on the date of this Offering Circular, including the Internal Revenue Code of 1986, as amended (the “**US Internal Revenue Code**”), and U.S. Treasury regulations in effect or, in some cases, proposed, as of the date of this Offering Circular, as well as judicial and administrative interpretations thereof available on or before such date. All of the foregoing authorities are subject to change, and any such change could apply retroactively and could affect the U.S. federal income tax consequences described below. The statements in this Offering Circular are not binding on the U.S. Internal Revenue Service (the “**IRS**”) or any court, and thus we can provide no assurance that the U.S. federal income tax consequences discussed below will not be challenged by the IRS or will be sustained by a court if challenged by the IRS. Furthermore, this summary does not address any estate or gift tax consequences, alternative minimum tax or the Medicare contribution tax on net investment income considerations, any state, local or non-U.S. tax consequences or any other tax consequences other than U.S. federal income tax consequences.

The following discussion does not describe all the tax consequences that may be relevant to any particular investor or to persons in special tax situations such as:

- banks and certain other financial institutions;
- regulated investment companies;
- real estate investment trusts;
- insurance companies;
- broker-dealers;
- traders that elect to mark to market;
- tax-exempt entities;
- individual retirement accounts or other tax deferred accounts;
- U.S. expatriates;
- persons holding Offering Shares as part of a straddle, hedging, constructive sale, conversion or integrated transaction;
- persons that actually or constructively own 10% or more of our Company’s stock by vote or value;
- persons that are subject to special tax accounting rules as a result of any item of gross income with respect to the Offering Shares being taken into account;
- persons that are resident or ordinarily resident in or have a permanent establishment in a jurisdiction outside the United States;

- persons who acquired Offering Shares pursuant to the exercise of any employee share option or otherwise as compensation; or
- persons holding Offering Shares through partnerships or other pass-through entities.

PROSPECTIVE PURCHASERS ARE URGED TO CONSULT THEIR TAX ADVISORS ABOUT THE APPLICATION OF THE U.S. FEDERAL TAX RULES TO THEIR PARTICULAR CIRCUMSTANCES AS WELL AS THE STATE, LOCAL AND NON-U.S. TAX CONSEQUENCES TO THEM OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF EQUITY SHARES.

As used herein, the term “**U.S. Holder**” means a beneficial owner of Offering Shares that, for U.S. federal income tax purposes, is or is treated as:

- an individual who is a citizen or resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Offering Shares generally will depend on such partner’s status and the activities of the partnership. A U.S. Holder that is a partner in such partnership should consult its tax advisor.

Dividends and Other Distributions on Offering Shares

Subject to the passive foreign investment company considerations discussed below, the gross amount of distributions made by our Company with respect to Offering Shares (including the amount of any non-U.S. taxes withheld therefrom, if any) generally will be includible as dividend income in a U.S. Holder’s gross income in the year received, to the extent such distributions are paid out of our Company’s current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Because our Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, a U.S. Holder should expect all cash distributions will be reported as dividends for U.S. federal income tax purposes. Such dividends will not be eligible for the dividends-received deduction allowed to U.S. corporations with respect to dividends received from other U.S. corporations. Subject to certain holding period requirements and other limitations, dividends received from a “qualified foreign corporation” by a non-corporate U.S. Holder, including an individual, may be eligible for preferential rates of taxation if the dividends are “qualified dividend income” for U.S. federal income tax purposes. A non-U.S. corporation generally will be a qualified foreign corporation if (1) it is eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program and (2) the corporation is not a PFIC (as discussed below) for either the taxable year in which the dividend was paid or the preceding taxable year. The Company generally should be eligible for the benefits of the U.S.-Thailand income tax treaty (the “Treaty”) if its Offering Shares are substantially and regularly traded for purposes of the Treaty. Prospective investors should consult their tax advisors regarding the potential treatment of dividends received with respect to Offering Shares as qualified dividend income.

The amount of any distribution paid in foreign currency will be equal to the U.S. dollar value of such currency, translated at the spot rate of exchange on the date such distribution is received, regardless of whether the payment is in fact converted into U.S. dollars at that time. If dividends received in foreign currency are converted into U.S. dollars on the day they are received, the U.S. Holder generally will not be required to recognize foreign currency gain or loss in respect of the dividend income. If it is not converted into U.S. dollars on the date of receipt, such U.S. Holder will have a basis in such foreign currency equal to the U.S. dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of such foreign currency generally will be treated as ordinary income or loss to such U.S. Holder and generally will be income or loss from sources within the United States for U.S. foreign tax credit purposes.

Dividends on the Offering Shares generally will constitute foreign source income for foreign tax credit limitation purposes. Subject to certain complex conditions and limitations, Thai taxes withheld on any distributions on the Offering Shares may be eligible for credit against a U.S. Holder’s federal income tax liability. If a refund of the tax withheld is available under the laws of Thailand, the amount of tax withheld that is refundable will not be eligible for such credit against a U.S. Holder’s U.S. federal income tax liability (and will

not be eligible for the deduction against U.S. federal taxable income). The limitation on foreign taxes eligible for credit is calculated separately with respect to specific classes of income. For this purpose, dividends with respect to Offering Shares will generally constitute “passive category income.” The rules relating to the determination of the U.S. foreign tax credit are complex, and U.S. Holders should consult their tax advisors regarding the availability of a foreign tax credit in their particular circumstances and the possibility of claiming a deduction (in lieu of the foreign tax credit) for any foreign taxes paid or withheld.

Sale or Other Taxable Disposition of Offering Shares

Subject to the passive foreign investment company considerations discussed below, upon a sale or other taxable disposition of Offering Shares, a U.S. Holder will recognize capital gain or loss in an amount equal to the difference between the amount realized and the U.S. Holder’s adjusted tax basis in such Offering Shares. Any such gain or loss generally will be treated as long-term capital gain or loss if the U.S. Holder’s holding period in the Offering Shares exceeds one year. Non-corporate U.S. Holders (including individuals) generally will be subject to U.S. federal income tax on long-term capital gain at preferential rates. The deductibility of capital losses is subject to significant limitations. Gain or loss, if any, realized by a U.S. Holder on the sale or other disposition of Offering Shares generally will be treated as U.S. source gain or loss for U.S. foreign tax credit limitation purposes.

U.S. Holders should consult their tax advisors regarding the application of Thai taxes to a disposition of ordinary shares and whether any such withholding or income tax could be eligible for the U.S. federal tax credit. In addition, even if such tax is eligible for the U.S. federal tax credit, because capital gains on a disposition of Offering Shares generally will be treated as U.S. source, the use of such U.S. foreign tax credits relating to the Thai withholding tax imposed with respect to such disposition of the Offering Shares, if any, may be limited. U.S. Holders should consult their tax advisors regarding the tax consequences of the imposition of Thai taxes on a disposition of Offering Shares.

If the consideration received upon the sale or other disposition of Offering Shares is paid in foreign currency, the amount realized will be the U.S. dollar value of the payment received, translated at the spot rate of exchange on the date of the taxable disposition. If the Offering Shares are treated as traded on an established securities market for U.S. federal income tax purposes, a cash basis U.S. Holder or an accrual basis U.S. Holder who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS) will determine the U.S. dollar value of the amount realized in foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. An accrual basis U.S. Holder that does not make the special election will recognize foreign currency gain or loss to the extent attributable to the difference between the exchange rates on the trade date and the settlement date. Such exchange gain or loss generally will constitute U.S. source ordinary income or loss.

A U.S. Holder’s initial tax basis in Offering Shares generally will equal the cost of such Offering Shares. If a U.S. Holder used foreign currency to purchase the Offering Shares, the cost of the Offering Shares will be the U.S. dollar value of the foreign currency purchase price on the date of purchase, translated at the spot rate of exchange on that date. If the Offering Shares are treated as traded on an established securities market for U.S. federal income tax purposes and the relevant U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer who has made the special election described above, the U.S. Holder will determine the U.S. dollar value of the cost of such Offering Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

Passive Foreign Investment Company Considerations

Our Company will be a passive foreign investment company (a “**PFIC**”) for any taxable year if either: (a) at least 75% of its gross income is “passive income” for purposes of the PFIC rules or (b) at least 50% of the value of its assets (determined on the basis of a quarterly average) is attributable to assets that produce or are held for the production of passive income. For this purpose, our Company will be treated as owning its proportionate share of the assets and earning its proportionate share of the income of any other corporation in which it owns, directly or indirectly, 25% or more (by value) of the stock. Passive income generally includes interest, dividends, royalties and gains from transactions in commodities, and rents. Over 75% of the Company’s income would be treated as passive income for these purposes unless both (i) an exception for active financing companies under separate U.S. federal income tax rules applies for purposes of the PFIC rules and (ii) the Company qualifies for that exception. Recently proposed U.S. Treasury regulations clarify that the exception for active financing companies referred to above applies for purposes of the PFIC rules. Although these proposed U.S. Treasury regulations have not been finalized, taxpayers may rely on them as long as those taxpayers apply the rules of the

proposed regulations consistently. Whether the Company would qualify for the exception for active financing companies depends on whether, for purposes of the exception, the entities from which the Company purchases its loan portfolios are considered the Company's "customers" and whether its income is treated as derived from transactions with them. There are a number of reasons supporting the conclusion that the entities from which it purchases its loan portfolios are its "customers" and its income is derived from transactions with them, but neither of those conclusions is free from doubt. As such, the application of the PFIC rules in the Company's circumstances is not clear and raises complex questions of both law and fact. The discussion immediately below describes certain consequences to a U.S. Holder if the Company were a PFIC for any taxable year in which the U.S. Holder owned Offering Shares.

If the Company is treated as a PFIC with respect to a U.S. Holder for any taxable year, certain of the Company's subsidiaries may also be treated as PFICs, the U.S. Holder would be deemed to own such lower-tier PFIC indirectly and the U.S. Holder may be subject to the tax consequences described below with respect to the shares of such lower-tier PFIC.

If the Company is a PFIC, a U.S. Holder who owns Offering Shares will generally be subject to adverse tax treatment. Except to the extent the U.S. Holder makes a timely and effective "mark-to-market" election as discussed below, gain recognized on a disposition (including, under certain circumstances, a pledge) of Offering Shares, by the U.S. Holder will be allocated ratably over the U.S. Holder's holding period for the Offering Shares. The amounts allocated to the taxable year of disposition will be taxed as ordinary income. The amounts allocated to each other taxable year will generally be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as applicable, and an interest charge will be imposed on the resulting tax liability. The total amount of gain or loss will equal the difference between the U.S. Holder's tax basis in the Offering Shares disposed of and the amount realized on disposition, in each case as determined in U.S. dollars. Any loss recognized upon disposition of Offering Shares will be capital loss and will be long-term capital loss if the U.S. Holder held the Offering Shares for more than one year. The deductibility of capital losses is subject to limitations. Gain or loss on disposition of Offering Shares will generally be U.S.-source gain or loss for foreign tax credit purposes.

To the extent that any distribution received by a U.S. Holder on its Offering Shares exceeds 125% of the average of the annual distributions on the Offering Shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter ("excess distributions"), the distribution will be subject to taxation in the same manner as gain as described in the preceding paragraph (except that distributions will be treated as foreign source income as described under "*—Dividends and Other Distributions on Offering Shares*" above).

If the Company were a PFIC for any year during which a U.S. Holder holds Offering Shares, the Company will generally continue to be treated as a PFIC with respect to the U.S. Holder for all succeeding years during which the U.S. Holder holds Offering Shares, even if the Company ceases to meet the threshold requirements for PFIC status.

If the Offering Shares are "regularly traded" on a "qualified exchange," a U.S. Holder may make a mark-to-market election that would result in tax treatment different from the general tax treatment for PFICs described above. The Offering Shares will be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the Offering Shares are traded on a qualified exchange on at least 15 days during each calendar quarter. A foreign exchange is a "qualified exchange" if it is regulated by a governmental authority in the jurisdiction in which the exchange is located and with respect to which certain other requirements are met. The IRS has not identified specific foreign exchanges that are "qualified" for this purpose. U.S. Holders should consult their tax advisers as to whether the SET is a qualified exchange for this purpose. If a U.S. Holder makes the mark-to-market election, the U.S. Holder generally will recognize as ordinary income any excess of the fair market value of the Offering Shares at the end of each taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the Offering Shares over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes the election, the U.S. Holder's tax basis in the Offering Shares will be adjusted to reflect the income or loss amounts recognized. Any gain recognized on the sale or other disposition of Offering Shares in a year when the Company is a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If a U.S. Holder makes the mark-to-market election, distributions paid on Offering Shares will be treated as discussed under "*—Dividends and Other Distributions on Offering Shares*" above. However, because a mark-to-market election cannot be made for any lower-tier PFICs that the Company may own, the U.S. Holder will generally continue to be subject to the PFIC rules discussed above with respect to its indirect interest in any of the Company's subsidiaries that

are treated as PFICs for United States federal income tax purposes. As a result, it is possible that any mark-to-market election will be of limited benefit. If a U.S. Holder makes a mark-to-market election, it will be effective for the taxable year for which the election is made and all subsequent taxable years unless the Offering Shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. U.S. Holders should consult their tax advisers regarding the availability and advisability of making a mark-to-market election in their particular circumstances.

In certain circumstances, a U.S. equity holder in a PFIC may avoid the adverse tax and interest-charge regime described above by making a “qualified electing fund” (“QEF”) election to include in income its share of the corporation’s income on a current basis. However, U.S. Holder may make a QEF election with respect to the Offering Shares only if the Company agrees to furnish such holder annually with a PFIC annual information statement as specified in the applicable Treasury regulations. The Company does not intend to provide information necessary for U.S. Holders to make qualified electing fund elections. Therefore, U.S. Holders should assume that they will not receive such information from the Company and would therefore be unable to make a QEF election with respect to any of the Offering Shares.

If a U.S. Holder owns Offering Shares during any year in which the Company is a PFIC, the U.S. Holder generally must file annual reports on an IRS form 8621, generally with the U.S. Holder’s federal income tax return for that year. A failure to comply with such filing requirements could result in the imposition of penalties and the extension of the statute of limitations with respect to U.S. federal income tax.

As discussed above, the Company may be a PFIC for the current taxable year or for any future taxable year. Prospective purchasers should consult their tax advisers regarding our PFIC status and the potential application of the PFIC rules to an investment in the Offering Shares.

Information Reporting and Backup Withholding

Dividend payments with respect to Offering Shares and proceeds from the sale, exchange or redemption of Offering Shares may be subject to information reporting to the IRS and U.S. backup withholding. A U.S. Holder may be eligible for an exemption from backup withholding if the U.S. Holder furnishes a correct taxpayer identification number and makes any other required certification or is otherwise exempt from backup withholding. U.S. Holders who are required to establish their exempt status may be required to provide such certification on IRS Form W-9. U.S. Holders should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder’s U.S. federal income tax liability, and such U.S. Holder may obtain a refund of any excess amounts withheld under the backup withholding rules by timely filing an appropriate claim for refund with the IRS and furnishing any required information.

Additional Information Reporting Requirements

Certain U.S. Holders who are individuals (and certain entities) that hold an interest in “specified foreign financial assets” (which may include the Offering Shares) are required to report information relating to such assets, subject to certain exceptions (including an exception for Offering Shares held in accounts maintained by certain financial institutions). Penalties can apply if U.S. Holders fail to satisfy such reporting requirements. U.S. Holders should consult their tax advisors regarding the applicability of these requirements to their acquisition and ownership of Offering Shares.

THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO YOU. EACH PROSPECTIVE PURCHASER SHOULD CONSULT ITS OWN TAX ADVISOR ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE OFFERING SHARES UNDER THE INVESTOR’S OWN CIRCUMSTANCES.

Foreign Account Tax Compliance Act (“FATCA”) Status and Certification

BAM is a Thai entity subject to Thai domestic legislation and regulations and as such will be impacted by finalization of the Thai – U.S. Intergovernmental Agreement (“IGA”) addressing FATCA and any subsequent legislation enacted by the Thai government for the domestic implementation of FATCA. Given that such legislation has not yet been enacted, we are not able to make any representation as to our status under FATCA provisions for Thai legal purposes. However, we can provide that once any such legislation is enacted BAM can provide any self-certification or documentation as may be required pursuant thereto.

BAM also reserves the right to request and require the delivery of any information from any party and the subsequent disclosure thereof as may be required pursuant to any legislation or regulations enacted by the Thai government related to FATCA or any similar program of information collection and disclosure as may be appropriate. BAM also reserves the right to withhold any taxes as may be required by law on any payments made to any counterparty or investor as may be appropriate, except as otherwise provided for in other provisions herein.

Thai Taxation

This summary contains a description of the principal Thai income tax consequences of the purchase, ownership and disposition of ordinary shares by individual or corporate investors who are not resident in Thailand for tax purposes (referred to herein as “nonresident individual holders” and “nonresident corporate holders,” respectively, and together as “nonresident holders”). It does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase ordinary shares. The summary is based upon the tax laws of Thailand in effect on the date of this Offering Circular.

PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR OWN PROFESSIONAL ADVISORS CONCERNING THE ACQUISITION, OWNERSHIP AND DISPOSITION OF ORDINARY SHARES, INCLUDING THE CONSEQUENCES UNDER THAI LAW, THE LAWS OF THE JURISDICTION OF WHICH THEY ARE RESIDENT AND ANY TAX TREATY BETWEEN THAILAND AND THEIR COUNTRY OF RESIDENCE FOR TAX PURPOSES.

In general, the registered owner of ordinary shares will be treated as the owner of such ordinary shares for Thai tax purposes. In the case of ordinary shares that settle through the TSD’s scripless system, the holder whose name appears on the list of owners with respect to the ordinary shares maintained by each TSD-member broker, sub-broker, or custodian will be treated as the owner for Thai tax purposes. See “*The Thai Securities Market—Settlement*.”

Taxation of Dividends

Dividends in respect of ordinary shares are subject to Thai withholding tax at a rate of 10%, whether paid to nonresident corporate holders or to nonresident individual holders.

Taxation of Capital Gains

Gains realized by a nonresident corporate holder from the sale or other disposition of ordinary shares outside Thailand in connection with which payment is made neither from nor within Thailand and where neither the purchaser nor the seller resides or does business in Thailand, are not subject to Thai withholding tax. A nonresident corporate holder will be subject to a Thai withholding tax of 15% on gains realized on any sale or other disposition of ordinary shares in Thailand (including a sale through the SET) in connection with which payment is made from or within Thailand, unless such holder is entitled to an exemption under an applicable tax treaty.

Gains realized by a nonresident individual holder from the sale or other disposition of ordinary shares outside Thailand in connection with which payment is made neither from nor within Thailand and where neither the purchaser nor the seller resides or does business in Thailand, are not subject to Thai withholding tax. Gains realized by a nonresident individual holder on a sale of ordinary shares through the SET are exempt from Thai personal income tax and withholding tax. Unless exempt under an applicable tax treaty, gains realized by a nonresident individual holder from a sale or other disposition of ordinary shares made other than through the SET and in which payment is made from or within Thailand are subject to Thai withholding tax at a rate of 15%. Any such withholding tax is creditable against the Thai personal income tax if the nonresident individual files a personal income tax return in Thailand reporting the gain realized from the sales of ordinary shares.

For Thai withholding tax purposes, the amount of gain realized is equal to the difference between the sale price of a share and the shareholder’s cost for the share (as justifiably established by the shareholder). This determination is made on a share-by-share basis. In the foregoing cases, where withholding tax applies, the purchaser of such ordinary shares (or in the case of a sale through the SET, the broker executing such sale on behalf of the purchaser) is required under Thai law to withhold the applicable amount of Thai withholding tax from the sales price and make payment thereof to the relevant Thai tax authority.

Personal Income Tax

Nonresident individual holders may be required to file a Thai personal income tax return if they receive income derived from Thailand. Under Thai personal income tax rules, income that is derived from assets situated

in Thailand is considered taxable income and is subject to personal income tax regardless of whether or not the income recipient is a resident of Thailand

Non-resident individual holders may be subject to Thai personal income tax at progressive rates ranging from 5% to 35% (temporarily reduced from the maximum rate of 37% for income derived in the calendar years 2013-2015, unless extended by applicable law) on income derived from Thailand, including any cash dividends and other distributions paid by us and any gains on sale or other dispositions of the ordinary shares realized during any calendar year. However, gains realized by an individual holder on a sale of ordinary shares through the SET are exempt from Thai personal income tax and withholding tax. Net income not exceeding Baht 150,000 is granted a personal income tax exemption. Tax withheld by us in respect of such dividends and other distributions, and by purchasers in respect of any such gains, may be credited against any Thai personal income tax payable at year end when filing a tax return by such nonresident individual holders, who may be entitled to a refund with respect to such taxes withheld.

Nonresident individual holders should consult their own professional advisors regarding the circumstances under which they may be required to file a return.

Tax Treaties

Each nonresident holder should inquire for himself or herself whether he or she is entitled to the benefit of a tax treaty between Thailand and his or her country of residence. Where an applicable tax treaty so provides, any otherwise taxable gain on the sale or other disposition of ordinary shares may be exempt from or subject to reduced Thai income and withholding tax. Under the tax treaty between Thailand and the United States, there is no applicable exemption or reduction for Thai withholding tax on gains on the sale or other disposition of ordinary shares. Thailand currently has no treaty in effect that reduces or exempts nonresident holders from Thai withholding taxes on payments of dividends and other distributions, except for a treaty between Taiwan and Thailand where the withholding tax rate is reduced to 5%, provided that the recipient is the beneficial owner of the dividends and directly holds at least 25% of the capital of the company paying the dividends. Thailand currently has tax treaties for the avoidance of double taxation with 58 countries, including: Armenia, Australia, Austria, Bahrain, Bangladesh, Belarus, Belgium, Republic of Bulgaria, Canada, Chile, China, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Hong Kong, Hungary, India, Indonesia, Israel, Italy, Japan, Kuwait, Laos, Luxembourg, Malaysia, Mauritius, Myanmar, Nepal, The Netherlands, New Zealand, Norway, Oman, Pakistan, the Philippines, Poland, Romania, Russia, Seychelles, Singapore, Slovenia, South Africa, South Korea, Spain, Sri Lanka, Sweden, Switzerland, Taiwan, the Republic of Turkey, Ukraine, the United Arab Emirates, the United Kingdom, the United States of America, Uzbekistan and Vietnam.

Stamp Duty

Generally, a stamp duty of Baht 1 per every Baht 1,000 (0.1%) or fraction thereof, of the greater of the paid-up value of shares and the selling price of the shares is payable within 15 days from the date of execution of a share transfer instrument in Thailand, or within 30 days from the date the share transfer instrument is brought into Thailand if executed outside Thailand. No stamp duty is payable on a transfer of listed securities or where TSD, as a person appointed by the SET, acts as a registrar of such securities, as is expected to be the case with our shares.

The above description is not intended to constitute a complete analysis of all tax consequences relating to acquisition, ownership and disposition of our Shares. You should consult your own tax advisor concerning the tax consequences of your particular situation.

PLAN OF DISTRIBUTION

We, the Selling Shareholder and the International Bookrunner have entered into an international placement agreement dated December 2, 2019 (the “**International Placement Agreement**”) pursuant to which we and the Selling Shareholder have agreed to sell up to 207,250,000 International Shares to purchasers procured on a best efforts basis by the International Bookrunner, subject to certain conditions.

The International Offering consists of a private placement (i) to persons within the United States or to U.S. Persons, in each case, who are both Qualified Institutional Buyers and Qualified Purchasers, acting for their own account or for the account of another Qualified Institutional Buyer that is also a Qualified Purchaser, in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; and (ii) outside the United States to persons that are not, and are not acting for the account or benefit of, U.S. Persons in offshore transactions in reliance on Regulation S, not pre-arranged with a U.S. person.

In addition, each initial purchaser of Offering Shares in the International Offering that is located within the United States or that is a U.S. Person, prior to any such transaction, will be required to deliver to the Company and the Joint Bookrunners an executed U.S. Purchaser Representation Letter in the form attached to this Offering Circular as Annex B: “U.S. Investor Representation Letter and Offshore Transaction Letter.” The U.S. Purchaser Representation Letter will require such initial purchaser to give certain representations, warranties and undertakings.

Each initial investor of Offering Shares in the International Offering that is not a U.S. Person, prior to any such transaction, will also be required to deliver to the Company and the Joint Bookrunners and executed Offshore Transaction Letter in the form attached to this Offering Circular as Annex B: “U.S. Investor Representation Letter and Offshore Transaction Letter.” The Offshore Transaction Letter will require such initial purchaser to give certain representations, warranties and undertakings.

The Company has not been and will not be registered under the Investment Company Act in reliance on the exclusion provided by Section 3(c)(7) of the Investment Company Act. The Offering Shares have not been, and will not, be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to U.S. Persons except pursuant to an exemption from, or in transactions not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. The Offering Shares are subject to the resale and transfer restrictions described in the “*Transfer Restrictions*” section of this Offering Circular.

We and the Selling Shareholder have also entered into an underwriting agreement in connection with the Thai Offering (the “**Thai Underwriting Agreement**”) with the Thai Bookrunners for the offer and sale of Domestic Shares in Thailand on a best efforts basis. The Offering Shares offered in the Combined Offering may be reallocated between the International Offering and the Thai Offering.

The International Bookrunner has agreed to procure purchasers on a best efforts basis to purchase from us and the Selling Shareholder the International Shares set forth in the table above, subject to approval of legal matters by its counsel, including the validity of the International Shares, and other conditions contained in the International Placement Agreement. The International Bookrunner reserves the right to withdraw, cancel or modify any offers made pursuant to the International Offering and to reject orders in whole or in part.

See “*Risk Factors—Risks Relating to Reduction of Shareholding and Our Loss of SOE Status—The number of Shares sold in the Offering could be less than the total number of Shares offered as they will be sold on a best efforts basis.*”

We and the Selling Shareholder have also agreed to indemnify the International Bookrunner and the Thai Bookrunners against certain liabilities.

The International Placement Agreement may be terminated upon the occurrence of certain events, including if the number of Shares sold to investors pursuant to the best efforts underwriting arrangements above would result in the Company continuing to be an SOE.

The closing of the International Offering is conditional upon the closing of the Thai Offering and vice versa.

Fees

We and the Selling Shareholder will pay or allow to be paid to the International Bookrunner, the Thai Bookrunners aggregate fees equal to 1.75% of the Offering Shares sold and paid for during the Combined Offering.

Brokerage fee and other charges

Purchasers of Shares may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase. Investors in the International Offering will be required to pay to the International Bookrunner, in addition to the offering price, a brokerage fee equal to 1.0% of the aggregate purchase price of Shares at the time of settlement.

Over-allotment Option

We have granted Trinity Securities Co., Ltd., as over-allotment agent for the benefit and on behalf of the International Bookrunner and the Thai Bookrunners, an option, exercisable for 30 days from and including the first date our shares commence trading on the SET, to purchase a maximum of 230,000,000 Shares (representing up to approximately 15.0% of the Offering Shares) solely to return shares borrowed from FIDF to cover over-allotments in connection with the Combined Offering, if any.

Price Stabilization

In connection with the Combined Offering, the over-allotment agent may engage in transactions that have the effect of maintaining the market price of our shares traded on the SET.

Securities Borrowing and Lending Arrangement

The over-allotment agent has entered into a securities lending and borrowing agreement with FIDF to borrow up to 230,000,000 ordinary shares, which will be borrowed before the registration of the increase in our paid-up capital with the MOC, to cover over-allotments, if any. Any shares that may be borrowed by the over-allotment agent under the securities lending and borrowing agreement will be returned by the over-allotment agent to FIDF either through the purchase of shares in the open market by the over-allotment agent in the conduct of stabilization activities or through exercise of the Over-allotment Option by the over-allotment agent on behalf of the International Bookrunner and the Thai Bookrunners, or a combination of both.

Lock-up

We and the Selling Shareholder have agreed that, during the period commencing on December 2, 2019 and ending on, and including, the date that is 18 months after December 12, 2019, we and the Selling Shareholder will not, without prior written consent from the Joint Bookrunners, (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Ordinary Shares or other securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Ordinary Shares or any interest in any of the foregoing, or deposit any Ordinary Shares or other securities of the Company, with a depositary in connection with the issue of depositary receipts, (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Ordinary Shares or other securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Ordinary Shares or any interest in any of the foregoing, (iii) enter into any transaction with the same economic effect as any transaction specified in clause (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in clause (i), (ii) or (iii) above, whether, in each case, any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of the Company, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the lock-up period).

Delivery and listing of Shares

We expect the International Bookrunner to cause payment for the Offering Shares offered in the International Offering and the Thai Bookrunners to cause payment for the Offering Shares offered in the Thai

Offering into an escrow account on or about December 11, 2019, which will be prior to the date on which delivery of the Offering Shares will be made. We expect that delivery of the Offering Shares will be made through the SET's depository facilities with the TSD no later than seven business days after payment to us and that our Offering Shares will be approved for listing on the SET no later than seven days from the date on which the SET receives our completed listing application and all other relevant documentation.

Other relationships

Certain of the International Bookrunner and the Thai Bookrunners and their respective affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions.

In addition, in the ordinary course of their business activities, the International Bookrunner and the Thai Bookrunners and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of us or our affiliates. The International Bookrunner and the Thai Bookrunners and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

We do not have any plans to use the proceeds from the Combined Offering for the prepayment of the outstanding loans prior to their maturity date.

Selling restrictions

Thailand

The International Bookrunner will not offer or sell any Offering Shares to persons in Thailand, other than under circumstances which do not constitute an offer for sale of the Offering Shares to the public for the purposes of the Securities and Exchange Act of 1992 of Thailand, or require approval from the Office of the Securities and Exchange Commission of Thailand.

The Shares may not be offered or sold to persons in Thailand other than under circumstances which do not constitute an offer for sale of the shares to the public for the purposes of the Securities and Exchange Act of 1992 of Thailand, or require approval from the Office of the Securities and Exchange Commission of Thailand.

United States

The Offering Shares have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold in the United States or U.S. Persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws. The Company has not been and will not be registered under the Investment Company Act in reliance on the exclusion provided by Section 3(c)(7) thereof. The International Bookrunner proposes to only offer and sell the Offering Shares: (i) outside the United States to persons that are not, and are not acting for the account or benefit of, U.S. Persons in offshore transactions in reliance on Regulation S, not pre-arranged with any U.S. person; and (ii) in the United States or to U.S. Persons by broker-dealers registered as such under the Exchange Act to Qualified Institutional Buyers that are also Qualified Purchasers who have each executed and delivered to the Company and the Joint Bookrunners a U.S. Purchaser Representation Letter in the form attached to this Offering Circular as Annex B: "U.S. Investor Representation Letter and Offshore Transaction Letter," in reliance on Rule 144A or another available exemption from registration requirements under the Securities Act. The Offering Shares are subject to restrictions on transferability and resale and may not be transferred or resold in the United States or to U.S. Persons except as permitted under applicable U.S. federal securities laws and as permitted under "*Transfer Restrictions*" starting on page 182 of this Offering Circular and as set forth in Annex B: "U.S. Investor Representation Letter and Offshore Transaction Letter."

In addition, until 40 days after the commencement of the Combined Offering, an offer or sale of the Offering Shares within the United States by a dealer (whether or not participating in the Combined Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in compliance with Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Australia

This Offering Circular and the International Offering are only made available in Australia to persons to whom a disclosure document is not required to be given under Chapter 6D of the Australian Corporations Act 2001 (Cth) (“**Australian Corporations Act**”). This Offering Circular is not a prospectus, product disclosure statement or any other form of formal “disclosure document” for the purposes of the Australian Corporations Act, and is not required to, and does not, contain all the information which would be required in a disclosure document under the Australian Corporations Act. If you are in Australia, this Offering Circular is made available to you, provided you are a person to whom an offer of the International Shares can be made without a disclosure document, such as a “professional investor” or “sophisticated investor” for the purposes of Chapter 6D of the Australian Corporations Act.

This Offering Circular has not been and will not be lodged or registered with the Australian Securities and Investments Commission or ASX or any other regulatory body or agency in Australia. Accordingly, the International Shares may not be offered, issued, sold or distributed in Australia to any person other than by way of, or pursuant to, an offer or invitation that does not require disclosure to investors under Chapter 6D of the Australian Corporations Act.

The persons referred to in this Offering Circular may not hold Australian financial services licenses and may not be licensed to provide financial product advice in relation to the International Shares.

This Offering Circular does not take into account the investment objectives, financial situation or needs of any particular person. Accordingly, before making any investment decision in relation to the International Offering, you should assess whether the acquisition of International Shares is appropriate in light of your own financial circumstances or seek professional advice.

Any International Shares issued or sold upon acceptance of offers made in the International Offering may not be offered for sale or transferred to any person located in, or a resident of, Australia for a period of at least 12 months after the issue, except in circumstances where the person is a person to whom a disclosure document is not required to be given under Chapter 6D of the Australian Corporations Act. Each investor acknowledges these restrictions and, by applying for the International Shares under this Offering Circular, gives an undertaking not to sell these securities (except in the circumstances referred to above) for 12 months after their issue or sale.

European Economic Area

In relation to each Member State (each a “**Member State**”) of the European Economic Area (“**EEA**”) no Shares have been offered or will be offered pursuant to the International Offering to the public in that Member State prior to the publication of a prospectus in relation to the Offer Shares which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation), except that offers of the Offer Shares may be made to the public in that Member State at any time under the following exemptions under the Prospectus Regulation:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the International Bookrunners for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company or any International Bookrunner of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation and each person who initially acquires Offer Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the International Bookrunners and the Company that it is a “qualified investor” within the meaning of Article 2(e) of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to any Offer Shares in any Member State means the communication to persons in any form and by any means, presenting sufficient information on the terms of the offer and the securities to be offered, so as to enable an investor to decide to purchase or subscribe to these securities, and the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

In the case of any Shares being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Shares subscribed for or acquired by it in the International Offering have not been subscribed for or acquired on a non-discretionary basis on behalf of, nor have they been subscribed for or acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Member State to qualified investors (as so defined) or in circumstances in which the prior consent of the International Bookrunners has been obtained to each such proposed offer or resale. The Company, the International Bookrunners and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the International Bookrunners of such fact in writing may, with the consent of the International Bookrunners, be permitted to subscribe for or purchase Shares in the International Offering.

Hong Kong

This Offering Circular has not been approved by the Securities and Futures Commission in Hong Kong and, accordingly, (i) the International Shares may not be offered or sold in Hong Kong by means of this Offering Circular or any other document other than to “professional investors” as defined in the Securities and Futures Ordinance of Hong Kong (Cap. 571) and any rules made thereunder, or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance, and (ii) no person shall issue or possess for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the International Shares which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the International Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as set out above).

Singapore

The Offering Circular has not been and will not be registered as a prospectus with the Monetary Authority of Singapore, and the Shares will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, the Shares have not been offered or sold, or caused to be made the subject of an invitation for subscription or purchase, and will not be offered or sold or caused to be made the subject of an invitation for subscription or purchase, and this Offering Circular or any document or material in connection with the International Offering or sale, or invitation for subscription or purchase, of any Shares, whether directly or indirectly, has not been and will not be circulated or distributed to any person in Singapore other than (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA and in accordance with the conditions specified in Section 275 of the SFA and (in the case of an accredited investor) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Shares are subscribed or purchased in reliance of an exemption under Section 274 or 275 of the SFA, the Shares shall not be sold within the period of 6 months from the date of the initial acquisition of the Shares, except to any of the following persons:

- (a) an institutional investor;
- (b) a relevant person (as defined in Section 275(2) of the SFA); or
- (c) any person pursuant to an offer referred to in Section 275(1A) of the SFA,

unless expressly specified otherwise in Section 276(7) of the SFA or Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Each of the following persons specified in Section 275 of the SFA which has subscribed or purchased Shares, namely a person who is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

- (b) a trust (where the trustee is not an accredited investor (as defined in Section 4A of the SFA)) whose sole purpose is to hold investments and each beneficiary is an individual who is an accredited investor,

should note that securities or securities-based derivatives contracts of that corporation or the beneficiaries' rights and interest in that trust shall not be transferred within six months after that corporation or that trust has acquired the Shares pursuant to an offer made in reliance on an exemption under Section 275 of the SFA except:

- (i) to institutional investors or to relevant persons defined in Section 275(2) of the SFA, or (in the case of such corporation) where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA; or
- (ii) where no consideration is or will be given for the transfer; or
- (iii) where the transfer is by operation of law; or
- (iv) pursuant to Section 276(7) of the SFA; or
- (v) pursuant to Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Notification under Section 309B of the SFA: The shares are prescribed capital markets products (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

United Kingdom

Each of the International Bookrunner has represented, warranted and undertaken that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”) in connection with the issue or sale of any International Shares in circumstances in which section 21(1) of FSMA does not apply to the Company; and
- (ii) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the International Shares in, from or otherwise involving the United Kingdom.

Any investment or investment activity to which this document relates is directed only at, available only to, and will be engaged in only with (i) persons who are outside the United Kingdom; (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the “**Order**”); (iii) persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations, etc.”) of the Order; or (iv) or persons to whom it can otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). Persons who are not relevant persons should not take any action on the basis of this document and should not act or rely on it or any of its contents.

General

Buyers of International Shares may be required to pay stamp taxes and or other charges in accordance with the laws and practice of the country of purchase.

No action has been or will be taken in any jurisdiction outside of Thailand that would permit a public offering of the International Shares being offered, or the possession, circulation or distribution of this Offering Circular or any other material relating to us or the International Shares, in any jurisdiction where action for the purpose is required. Accordingly, the International Shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisements in connection with the

International Shares may be distributed or published, in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable rules and regulations of any such country or jurisdiction.

If a person purchases any Offering Shares in the Combined Offering, it will be deemed to have made the representations and agreements described in the sections entitled “*Transfer Restrictions*” starting on page 182 with respect to that purchase.

TRANSFER RESTRICTIONS

The distribution of this Offering Circular and the offer of Shares in certain jurisdictions may be restricted by law and persons into whose possession this Offering Circular comes should therefore inform themselves about and observe any such restrictions, including those in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been taken or will be taken in any jurisdiction that would permit a public offering or sale of the Shares, or possession or distribution of this Offering Circular (or any other offering or publicity material relating to the Shares other than a separate prospectus to be issued by the Company in Thailand in connection with the Thai Offering) in any country or jurisdiction where action for that purpose is required or doing so may be restricted by law.

None of the Shares may be offered for subscription, sale or purchase or be delivered, and this Offering Circular and any other offering material in relation to the Shares may not be circulated, in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission or to make any application, filing or registration.

Persons into whose possession this Offering Circular comes should inform themselves about and observe any restrictions on the distribution of this Offering Circular and any offering of the Shares. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Offering Circular does not constitute an offer to subscribe for or purchase any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

No Shares have been marketed to, nor are available for purchase in whole or in part by, the public outside of Thailand in conjunction with the International Offering.

Offering restrictions relating to the U.S. and U.S. Persons

As described more fully below, there are certain selling and transfer restrictions regarding the Shares with respect to U.S. shareholders.

These restrictions include, among others, (i) prohibitions on participation in the Offering by persons in circumstances which might cause the Company to be required to be registered as an investment company under the U.S. Investment Company Act, and (ii) restrictions on the ownership and transfer of Shares by such persons following the Offering.

The Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the U.S. and, therefore, the Shares may not be directly or indirectly offered for subscription or purchase, sold, delivered or transferred to (or for the account or benefit of) any U.S. Person, or in or into the U.S. except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the U.S. There will be no public offering of the Shares in the United States.

The Joint Bookrunners may arrange for the offer of Shares only (a) outside the United States who are not U.S. Persons or persons acquiring Shares for the account or benefit of a U.S. Person, in accordance with Rule 903 of Regulation S, not pre-arranged with any U.S. person, and (b) to U.S. Persons or within the United States by U.S. broker-dealer affiliates of an Joint Bookrunner, in reliance on the exemption from registration provided by Rule 144A under the U.S. Securities Act, to or for the account or benefit of, U.S. Persons reasonably believed to be both QIBs and QPs. Any U.S. Person subscribing for or purchasing Shares will be required to execute the U.S. Investor Representation Letter substantially similar to the form provided for in Annex B: "U.S. Investor Representation Letter and Offshore Transaction Letter."

In addition, each U.S. Person to whom the Shares are offered or who accesses this Offering Circular will be deemed to have represented and agreed, on its own behalf and on behalf of any investor account for which it is acting in connection with the Shares on behalf of its customer as fiduciary or agent, that, whether or not it purchases any Shares in the Offering, if it purchases Shares during the 40-day period after the Shares are first admitted to trading on the Stock Exchange of Thailand, then: (i) at the time of such purchase it either (x) will not be a U.S. Person and will be located outside the United States (within the meaning of Regulation S), or (y) will be both a QIB and a QP; and (ii) such Shares so purchased will be offered, resold, pledged or otherwise transferred only outside the United States to a purchaser not known by it to be a U.S. Person (by pre-arrangement or otherwise) and in an offshore transaction complying with the provisions of Rule 904 of Regulation S (including, for the avoidance of doubt, a bona fide sale on the Stock Exchange of Thailand).

Each subscriber and purchaser that is within the U.S. or that is a U.S. Person (or is subscribing or purchasing for the account or benefit of a U.S. Person) is notified that the offer and sale of Shares to it is being made in reliance upon an exemption from the registration requirements of the U.S. Securities Act, and that the Company will not be registered under the U.S. Investment Company Act pursuant to the exclusion provided by Section 3(c)(7) thereof. Each subscriber and purchaser that is within the U.S., or that is a U.S. Person (or is subscribing or purchasing Shares for the account or benefit of a U.S. Person), must be both a QIB and a QP.

In addition, each subscriber and purchaser that is located within the U.S. or that is a U.S. Person (or is subscribing or purchasing Shares for the account or benefit of a U.S. Person), prior to any such transaction, will be required to execute a U.S. Investor Representation Letter substantially similar to the form set out in Annex B: “U.S. Investor Representation Letter and Offshore Transaction Letter,” and deliver the letter to the Joint Bookrunners and the Company. The U.S. Investor Representation Letter will require each such subscriber and purchaser to represent and agree that, among other things, (i) it is both a QIB and a QP and (ii) it will only offer, sell, transfer, assign, pledge or otherwise dispose of the Shares in an offshore transaction complying with the provisions of Rule 904 of Regulation S (including, for the avoidance of doubt, a bona fide sale on the Stock Exchange of Thailand) to a person not known by it to be a U.S. Person (by pre-arrangement or otherwise), and in compliance with applicable securities laws, upon delivery of an Exit Letter in the form set out in Annex B: “U.S. Investor Representation Letter and Offshore Transaction Letter.” The transferor will notify any subsequent transferee or executing broker, as applicable, of the restrictions that are applicable to the Shares being sold. The U.S. Investor Representation Letter and the Offshore Transaction Letter contain additional written representations, agreements and acknowledgements relating to the transfer restrictions applicable to the Shares.

The Company has not been and does not intend to become registered as an investment company under the U.S. Investment Company Act and related rules. The Company may request that any holder of Shares or a beneficial interest therein to deliver such additional documents and certifications as the Company may in its sole discretion deem necessary in order to verify that such holder’s purchase or ownership of Shares or such beneficial interest therein would not require the Company to register under the U.S. Investment Company Act. The Company may require (i) any holder who does not deliver the additional documents and certifications so requested or (ii) any U.S. Person or any person within the U.S. that was required to be both a QIB and a QP but was not a QIB and a QP at the time it acquired the Shares or a beneficial interest therein, to transfer its Shares or such beneficial interest immediately in a manner consistent with the restrictions set forth in the U.S. Investor Representation Letter, and if the obligation to transfer is not met, the Company is irrevocably authorized, without any obligation, to transfer the Shares, as applicable, in a manner consistent with the restrictions set forth in the U.S. Investor Representation Letter and, if such Shares are sold, the Company shall be obliged to distribute the net proceeds to the entitled party.

If any subscriber or purchaser of Shares that was required to execute a U.S. Investor Representation Letter in connection with the acquisition of such Investment Units receives them in certificated form, the certificate for the Shares will bear an appropriate legend reflecting the transfer restrictions described in the U.S. Investor Representation Letter.

Restrictions on Offering to U.S. Persons or Persons in the United States

Each U.S. Person to whom the Shares are distributed, offered, transferred or sold will be required to execute the U.S. Investor Representation Letter in the form provided for in Annex B: “U.S. Investor Representation Letter and Offshore Transaction Letter” containing the representations and agreements below:

1. It confirms that:
 - a. it has received a copy of the preliminary offering circular and understand and agree that the preliminary offering circular speaks only as of its date and that the information contained therein may not be correct or complete as of any time subsequent to its date and it will review all terms and conditions contained in the preliminary offering circular and agrees to perform any obligations contained in the preliminary offering circular, including any matter to be further determined or modified by the Company in the future in all respects;
 - b. it is a QIB as defined in Rule 144A, and a QP as defined in Section 2(a)(51) and related rules of the Investment Company Act;
 - c. it is not a broker-dealer which owns and invests on a discretionary basis less than US\$25 million in securities of unaffiliated issuers;

- d. it is not a participant-directed employee plan, such as a plan described in subsections (a)(1)(i)(D), (E) or (F) of Rule 144A; and
 - e. either (a) it is not and is not using the assets of any (i) “employee benefit plan” which is subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), “plan” which is subject to Section 4975 of the U.S. Internal Revenue Code or entity whose underlying assets are treated as assets of any such employee benefit plan or plan within the meaning of ERISA or the U.S. Internal Revenue Code or (ii) governmental, church or non-U.S. plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the U.S. Internal Revenue Code (“**Similar Law**”), or entity whose assets are treated as assets of any such plan, or (b) its purchase and holding of any Shares will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the U.S. Internal Revenue Code, or violation of applicable Similar Law.
2. It confirms that: (i) it was not formed for the purpose of investing in the Company (unless each beneficial owner of its securities is a QP); (ii) if it is a private investment company relying upon Sections 3(c)(1) and 3(c)(7) of the Investment Company Act or a foreign investment company relying upon Sections 3(c)(1) or 3(c)(7) of the Investment Company Act with respect to its U.S. holders and was formed on or before April 30, 1996, it has received the necessary consent from its beneficial owners pursuant to the Investment Company Act; (iii) it does not and will not invest more than 40% of its total assets in the Company; (iv) it is not managed as a device for facilitating individual investment decisions of its beneficial owners, but rather are managed as a collective investment vehicle; and (v) it is acquiring an interest in the Shares for its own account as principal, or for the account of one or more other persons who are able to and who shall be deemed to make all of the representations and agreements in the U.S. Investor Representation Letter and for whom it exercises sole investment discretion.
 3. It understands and acknowledges that the Shares have not been and will not be registered under the Securities Act and accordingly may not be offered or sold as part of their initial distribution within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
 4. It understands and acknowledges that the Company has not registered, and does not intend to register, as an “investment company” (as such term is defined under the Investment Company Act and related rules) and that the Company has imposed the transfer and offering restrictions with respect to persons in the United States and U.S. Persons described in the U.S. Investor Representation Letter so that the Company will qualify for the exclusion provided under Section 3(c)(7) of the Investment Company Act and will have no obligation to register as an investment company. It understands and acknowledges that the proposed sale of the Shares is not part of a plan or scheme to evade the registration requirements of the Securities Act or the Investment Company Act.
 5. It understands and agrees that if in the future it decides to offer, resell, pledge or otherwise transfer any Shares, such Shares will be offered, resold, pledged or otherwise transferred (i) to a known U.S. person (through the Stock Exchange of Thailand or elsewhere), provided that (A) the offeree, purchaser, pledgee or transferee, as the case may be, delivered a representation letter substantially similar to the U.S. Investor Representation Letter, (B) the transferred Shares continue to be held by the Company or its registrar, who records the transfer on its book, and (C) the minimum sale amount shall be US\$250,000 per account; (ii) to a non-U.S. person or “unknown person,” provided that (A) the sale must be an offshore transaction under Regulation S, not pre-arranged with a U.S. person in a regular way sale through the Stock Exchange of Thailand and not involving underwritten offerings or block trades, (B) it delivers an exit letter in the form attached to the U.S. Investor Representation Letter to the Company or its registrar that states that it is selling in an offshore transaction; or (C) through the Thailand Securities Depository.
 6. It understands that, subject to certain exceptions, to be a QP, entities must have US\$25 million in “investments” as defined in Rule 2a51-1 under the Investment Company Act.
 7. It agrees, upon a proposed transfer of its Shares, to notify any purchaser of such Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Shares being sold.

8. It agrees that neither it, nor any of its affiliates, nor any person acting on its or their behalf, will make, and represent and warrant that any purchase of Shares is not the result of, and that it has not at any time initiated any process in relation to any purchase of Shares as a result of nor considered any purchase of Shares as a result of:
 - a. any “directed selling efforts” as defined in Regulation S, or any “general solicitation or “general advertising” as defined in Regulation D, in connection with any offer or sales of the Shares;
 - b. any statement or information found on any website of the Company, or any of its affiliates or the Stock Exchange of Thailand; and
 - c. any statement or information found in any announcement, press release or press-related materials released by the Company, any of its affiliates or any person acting on its or their behalf, including the Underwriters, their affiliates or any person acting on its or their behalf and including any such announcement, press release or materials released by or through the Stock Exchange of Thailand.
9. It understands that the Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for re-sales of any Shares.
10. It will make its own independent investigation and appraisal of the business, results, financial condition, prospects, creditworthiness, status and affairs of the Company and it will make its own investment decision to acquire the Shares.
11. It acknowledges that the financial information in the preliminary offering circular, Thai Prospectus and the final offering circular has been prepared and presented in accordance with Thai Financial Reporting Standards and Thai disclosure standards, which are different from U.S. GAAP, IFRS and other U.S. and international disclosure standards.
12. It is a sophisticated investor and has such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of the investment in the Shares. It is experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions. It and any accounts for which it is subscribing to the Shares (i) is each able to bear the economic risk of the investment in the Shares, (ii) will not look to the Company, the Selling Shareholder or any of the Joint Bookrunners (or their respective affiliates, as applicable) for all or part of any such loss or losses that may be suffered, (iii) is able to sustain a complete loss on the investment in the Shares, (iv) has no need for liquidity with respect to the investment in the Shares, and (v) has no reason to anticipate any change in its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by it or them of all or any part of the Shares. It acknowledges that an investment in the Shares involves a high degree of risk and that the Shares is, therefore, a speculative investment. It is seeking to subscribe to the Shares in the Combined Offering for its own investment and not with a view to distribution.
13. (i) Neither the Company nor the Selling Shareholder will be required to accept for registration of transfer any Shares acquired by it if such transfer is made in violation of the transfer restrictions set out in paragraph 5 above; (ii) the Company may require any U.S. Person or any person within the United States who was required to be both a QIB and a QP but was not both a QIB and a QP at the time it acquired any Shares or any beneficial interest therein to transfer the Shares or any such beneficial interest immediately in a manner consistent with the restrictions set forth in the U.S. Investor Representation Letter; and (iii) if the obligation to transfer is not met, the Company is irrevocably authorized, without any obligation, to transfer the Shares, as applicable, in a manner consistent with the restrictions set forth in the U.S. Investor Representation Letter and, if such Shares are sold, the Company shall be obliged to distribute the net proceeds to the entitled party.
14. (i) None of the Joint Bookrunners or their affiliates (as applicable) have made or will make any representation or warranty as to the accuracy or completeness of the information in the preliminary offering circular or the final offering circular; (ii) it has not relied and will not rely on any investigation by any of the Joint Bookrunners, their respective affiliates or any person acting on its or their behalf with respect to the Company, or the Shares; and (iii) none of the Joint Bookrunners (or their respective affiliates, as applicable) or the Company makes any representation as to the availability of an exemption from the Securities Act for the transfer of the Shares.

15. It agrees that it will satisfy itself concerning any effects of United States federal, state and local income tax laws and foreign tax laws on its investment in the Shares and understand that based on the projected composition of the Company's income and valuation of assets, the Company believes it will be PFIC, for 2019 and in the future, and such characterization would result in adverse U.S. federal income tax consequences if it is a U.S. investor.
16. It understands and acknowledges that the Shares will be deemed to bear a legend substantially to the following effect:

“THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OR ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHO THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS BOTH (I) A “**QUALIFIED INSTITUTIONAL BUYER**” (AS DEFINED IN RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT) AND (II) A “**QUALIFIED PURCHASER**” (AS DEFINED WITHIN THE MEANING OF SECTION 2(A)(51)(A) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE “**INVESTMENT COMPANY ACT**”) AND **THE RULES AND REGULATIONS PROMULGATED THEREUNDER**”), (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO ANY OTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. EACH PURCHASER OF THE SHARES IS HEREBY NOTIFIED THAT THE COMPANY HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN “INVESTMENT COMPANY” UNDER THE INVESTMENT COMPANY ACT, IN RELIANCE UPON THE EXCEPTION PROVIDED BY SECTION 3(C)(7) THEREOF. THE PURCHASER BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS BOTH A “**QUALIFIED INSTITUTIONAL BUYER**” AND A “**QUALIFIED PURCHASER**,” AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH ACCOUNT, AND THAT (B) THE SHARES MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN MINIMUM AMOUNTS OF US\$250,000 PER ACCOUNT (A) TO A U.S. PERSON OR A PERSON IN THE UNITED STATES WHOM THE SELLER REASONABLY BELIEVES IS BOTH A “**QUALIFIED INSTITUTIONAL BUYER**” AND A “**QUALIFIED PURCHASER**” (X) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (Y) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND THAT DELIVERS TO THE COMPANY A CERTIFICATION TO THAT EFFECT IN WRITING IN A U.S. INVESTOR REPRESENTATION LETTER OR ANOTHER FORM ACCEPTABLE TO THE COMPANY, OR (3) IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S UNDER THE SECURITIES ACT (“**REGULATION S**”) TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN TO BE A U.S. PERSON, IF EITHER (X) AT THE TIME THE BUY ORDER ORIGINATED THE PURCHASER WAS OUTSIDE THE UNITED STATES, OR THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVED THE PURCHASER WAS OUTSIDE THE UNITED STATES OR (Y) THE SALE IS MADE IN A TRANSACTION EXECUTED IN A DESIGNATED OFFSHORE SECURITIES MARKET, AND TO A PERSON NOT KNOWN TO THE SELLER TO BE A U.S. PERSON BY PRE-ARRANGEMENT OR OTHERWISE, AND UPON CERTIFICATION TO THAT EFFECT BY THE SELLER IN WRITING IN AN OFFSHORE TRANSACTION LETTER OR ANOTHER FORM ACCEPTABLE TO THE COMPANY. THE TERMS “**U.S. PERSON**,” “**OFFSHORE TRANSACTION**” AND “**DESIGNATED OFFSHORE SECURITIES MARKET**” HAVE THE MEANINGS SET FORTH IN REGULATION S. THE HOLDER AND EACH SUBSEQUENT HOLDER IS REQUIRED TO NOTIFY ANY PURCHASER OF THE SHARES FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (B) ABOVE. NONE OF THE COMPANY OR THEIR AGENTS SHALL BE OBLIGATED TO RECOGNIZE ANY RESALE OR OTHER TRANSFER OF THE SHARES MADE OTHER THAN IN COMPLIANCE WITH THE TRANSFER RESTRICTIONS REFERRED TO IN (B) ABOVE. THE COMPANY AND ITS AGENTS MAY REQUIRE ANY PERSON WHO IS REQUIRED TO BE BOTH A “**QUALIFIED PURCHASER**” AND A “**QUALIFIED INSTITUTIONAL BUYER**” BUT WHO IS NOT BOTH A “**QUALIFIED PURCHASER**” AND A “**QUALIFIED INSTITUTIONAL BUYER**” AT THE TIME IT ACQUIRES

THE SHARES TO TRANSFER THE SHARES TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S.

THE HOLDER OF THE SHARES, BY ITS ACCEPTANCE HEREOF, REPRESENTS THAT EITHER (I) SUCH PERSON IS NOT AND IS NOT USING THE ASSETS OF ANY (A) “**EMPLOYEE BENEFIT PLAN**” AS DEFINED IN AND SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“**ERISA**”), “**PLAN**” SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “**CODE**”) OR ENTITY WHOSE UNDERLYING ASSETS ARE TREATED AS ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN WITHIN THE MEANING OF ERISA OR THE CODE, OR (B) GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“**SIMILAR LAW**”), OR ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF ANY SUCH PLAN, OR (II) SUCH PERSON’S PURCHASE AND HOLDING OF THE SHARES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF APPLICABLE SIMILAR LAW.

THE SHARES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. EACH SELLER OF THE SHARES AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN TO THE PURCHASER AND TO ANY EXECUTING BROKER.”

17. It will not deposit or cause to be deposited such Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act.
18. It acknowledges that if at any time its representations in the U.S. Investor Representation Letter cease to be true, it agrees to immediately resell the Shares at the Company’s request and it agrees that pending such required sale, the Company shall not consider it to be a beneficial or legal owner of the Shares.
19. It agrees, on its own behalf and on behalf of any investor account for which it is acting in connection with the Shares on behalf of its customer as fiduciary or agent, that, whether or not it acquires any Shares in the Combined Offering, if it purchases Shares during the 40-day period after the Shares are first admitted to trading on the Stock Exchange of Thailand, then: (i) at the time of such purchase it either (x) will not be a U.S. Person and will be located outside the United States (within the meaning of the U.S. Securities Act), or (y) will be both a QIB and a QP; and (ii) such Shares so purchased will be offered, resold, pledged or otherwise transferred only outside the United States to a purchaser not known by it to be a U.S. Person (by pre-arrangement or otherwise) and in an offshore transaction complying with the provisions of Rule 904 of Regulation S (including, for the avoidance of doubt, a bona fide sale on the Stock Exchange of Thailand).
20. It agrees to indemnify and hold the Company, the Selling Shareholder and the Joint Bookrunners (or their respective affiliates, as applicable) harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach or alleged breach of these representations and warranties. It agrees that it will not hold any of the Company, the Selling Shareholder or the Joint Bookrunners (or their respective affiliates, as applicable) liable with respect to its investment in the Shares.
21. Where it is subscribing to the Shares for one or more managed accounts, it represents and warrants that it is authorized in writing, by each such managed account to subscribe to the Shares for each managed account and to make (and it makes) the acknowledgements and agreements in the U.S. Investor Representation Letter for and on behalf of each such account.
22. It understands that the Company may receive a list of participants holding positions in the Company’s securities from one or more book-entry depositaries.
23. It acknowledges that its purchase of the Shares is subject to and based upon all the terms, conditions, representations, warranties, agreements, undertakings and acknowledgements provided in the U.S. Investor Representation Letter and other information summarized or contained in the preliminary offering circular and the final offering circular.

24. It acknowledges that the Company, the Selling Shareholder and the Joint Bookrunners, and its respective affiliates, directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements is no longer accurate or have not been complied with, it will promptly notify the Company, the Selling Shareholder and the Joint Bookrunners.
25. No agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the Shares.

Restrictions on Offering in Reliance on Regulation S

Each subscriber and purchaser to whom the Shares are distributed, offered or sold outside the U.S. (other than U.S. Persons) will be required to execute the Offshore Transaction Letter in the form provided for in Annex B: “U.S. Investor Representation Letter and Offshore Transaction Letter” containing, among others, the representations and agreements below:

1. It confirms that:
 - a. it has received a copy of the preliminary offering circular and understand and agree that the preliminary offering circular speaks only as of its date and that the information contained therein may not be correct or complete as of any time subsequent to its date and it will review all terms and conditions contained in the preliminary offering circular and agrees to perform any obligations contained in the preliminary offering circular, including any matter to be further determined or modified by the Company in the future in all respects;
 - b. it acknowledges (or if it is a broker-dealer acting on behalf of a customer, its customer has confirmed to it that such customer acknowledges) that the Shares are being issued in reliance upon Regulation S;
 - c. it certifies that either (A) it is, or at the time the Shares are purchased will be, the beneficial owner of the Shares and it is not a U.S. person and is located outside the United States (within the meaning of Regulation S), or (B) it is a broker-dealer acting on behalf of its customer and its customer has confirmed to it that (i) such customer is, or at the time the Shares are purchased will be, the beneficial owner of the Shares, and (ii) its customer is not a U.S. person and is located outside the United States (within the meaning of Regulation S); and
 - d. it is aware of the restrictions of the offer, sale and resale of the Shares pursuant to Regulation S.
2. It confirms that it is acquiring an interest in the Shares for its own account as principal, or for the account of one or more other persons who are able to and who shall be deemed to make all of the representations and agreements in the Offshore Transaction Letter and for whom it exercises sole investment discretion.
3. It understands and acknowledges that the Shares have not been and will not be registered under the Securities Act and accordingly may not be offered or sold as part of their initial distribution within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
4. It understands and acknowledges that the Company has not registered, and does not intend to register, as an “investment company” (as such term is defined under the Investment Company Act and related rules) and that the Company has imposed the transfer and offering restrictions with respect to persons in the United States and U.S. Persons described in the U.S. Investor Representation Letter so that the Company will qualify for the exclusion provided under Section 3(c)(7) of the Investment Company Act and will have no obligation to register as an investment company. It understands and acknowledges that the proposed sale of the Shares is not part of a plan or scheme to evade the registration requirements of the Securities Act or the Investment Company Act.
5. It agrees that if in the future it decides to offer, resell, pledge or otherwise transfer any of the Shares in a transaction other than a non-prearranged transaction executed on the Stock Exchange of Thailand, such Shares may only be offered, resold, pledged or otherwise transferred to a non-U.S. person or “unknown

person,” provided that (A) the sale must be an offshore transaction under Regulation S, not pre-arranged with a U.S. person in a regular way sale through the Stock Exchange of Thailand and not involving underwritten offerings or block trades, (B) it delivers an exit letter in the form attached to the Offshore Transaction Letter to the Company or the Company’s registrar that states that it is selling in an offshore transaction; or (C) through the Thai Securities Depository.

6. It agrees, upon a proposed transfer of its Shares, to notify any purchaser of such Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Shares being sold.
7. It agrees that neither it, nor any of its affiliates, nor any person acting on its or their behalf, will make, and represent and warrant that any purchase of Shares is not the result of, and that it has not at any time initiated any process in relation to any purchase of Shares as a result of nor considered any purchase of Shares as a result of:
 - a. any “directed selling efforts” as defined in Regulation S in connection with any offer or sales of the Shares;
 - b. any statement or information found on any website of the Company, or any of its affiliates or the Stock Exchange of Thailand; and
 - c. any statement or information found in any announcement, press release or press-related materials released by the Company, any of its affiliates or any person acting on its or their behalf, including the Underwriters, their affiliates or any person acting on its or their behalf and including any such announcement, press release or materials released by or through the Stock Exchange of Thailand.
8. It will make its own independent investigation and appraisal of the business, results, financial condition, prospects, creditworthiness, status and affairs of the Company and it will make its own investment decision to acquire the Shares.
9. It acknowledges that the financial information in the preliminary offering circular, Thai Prospectus and the final offering circular has been prepared and presented in accordance with Thai Financial Reporting Standards and Thai disclosure standards, which are different from U.S. GAAP, IFRS and other U.S. and international disclosure standards.
10. It is a sophisticated investor and has such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of the investment in the Shares. It is experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions. It and any accounts for which it is subscribing to the Shares (i) is each able to bear the economic risk of the investment in the Shares, (ii) will not look to the Company, the Selling Shareholder or any of the Joint Bookrunners (or their respective affiliates, as applicable) for all or part of any such loss or losses that may be suffered, (iii) is able to sustain a complete loss on the investment in the Shares, (iv) has no need for liquidity with respect to the investment in the Shares, and (v) has no reason to anticipate any change in its or their circumstances, financial or otherwise, which may cause or require any sale or distribution by it or them of all or any part of the Shares. It acknowledges that an investment in the Shares involves a high degree of risk and that the Shares is, therefore, a speculative investment. It is seeking to subscribe to the Shares in the Combined Offering for its own investment and not with a view to distribution.
11. (i) None of the Joint Bookrunners or their affiliates (as applicable) have made or will make any representation or warranty as to the accuracy or completeness of the information in the preliminary offering circular or the final offering circular; (ii) it has not relied and will not rely on any investigation by any of the Joint Bookrunners, their respective affiliates or any person acting on its or their behalf with respect to the Company, or the Shares; and (iii) none of the Joint Bookrunners (or their respective affiliates, as applicable) or the Company makes any representation as to the availability of an exemption from the Securities Act for the transfer of the Shares.
12. It understands and acknowledges that the Shares will be deemed to bear a legend substantially to the following effect:

“THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”) OR WITH ANY

SECURITIES REGULATORY AUTHORITY OR ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHO THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS BOTH (I) A **“QUALIFIED INSTITUTIONAL BUYER”** (AS DEFINED IN RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT) AND (II) A **“QUALIFIED PURCHASER”** (AS DEFINED WITHIN THE MEANING OF SECTION 2(A)(51)(A) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE **“INVESTMENT COMPANY ACT”**)) AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER”), (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO ANY OTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. EACH PURCHASER OF THE SHARES IS HEREBY NOTIFIED THAT THE COMPANY HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN **“INVESTMENT COMPANY”** UNDER THE INVESTMENT COMPANY ACT, IN RELIANCE UPON THE EXCEPTION PROVIDED BY SECTION 3(C)(7) THEREOF. THE PURCHASER BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS BOTH A **“QUALIFIED INSTITUTIONAL BUYER”** AND A **“QUALIFIED PURCHASER,”** AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH ACCOUNT, AND THAT (B) THE SHARES MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN MINIMUM AMOUNTS OF US\$250,000 PER ACCOUNT (A) TO A U.S. PERSON OR A PERSON IN THE UNITED STATES WHOM THE SELLER REASONABLY BELIEVES IS BOTH A **“QUALIFIED INSTITUTIONAL BUYER”** AND A **“QUALIFIED PURCHASER”** (X) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (Y) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND THAT DELIVERS TO THE COMPANY A CERTIFICATION TO THAT EFFECT IN WRITING IN A U.S. INVESTOR REPRESENTATION LETTER OR ANOTHER FORM ACCEPTABLE TO THE COMPANY, OR (3) IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S UNDER THE SECURITIES ACT (**“REGULATION S”**) TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN TO BE A U.S. PERSON, IF EITHER (X) AT THE TIME THE BUY ORDER ORIGINATED THE PURCHASER WAS OUTSIDE THE UNITED STATES, OR THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVED THE PURCHASER WAS OUTSIDE THE UNITED STATES OR (Y) THE SALE IS MADE IN A TRANSACTION EXECUTED IN A DESIGNATED OFFSHORE SECURITIES MARKET, AND TO A PERSON NOT KNOWN TO THE SELLER TO BE A U.S. PERSON BY PRE-ARRANGEMENT OR OTHERWISE, AND UPON CERTIFICATION TO THAT EFFECT BY THE SELLER IN WRITING IN AN OFFSHORE TRANSACTION LETTER OR ANOTHER FORM ACCEPTABLE TO THE COMPANY. THE TERMS **“U.S. PERSON,”** **“OFFSHORE TRANSACTION”** AND **“DESIGNATED OFFSHORE SECURITIES MARKET”** HAVE THE MEANINGS SET FORTH IN REGULATION S. THE HOLDER AND EACH SUBSEQUENT HOLDER IS REQUIRED TO NOTIFY ANY PURCHASER OF THE SHARES FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (B) ABOVE. NONE OF THE COMPANY OR THEIR AGENTS SHALL BE OBLIGATED TO RECOGNIZE ANY RESALE OR OTHER TRANSFER OF THE SHARES MADE OTHER THAN IN COMPLIANCE WITH THE TRANSFER RESTRICTIONS REFERRED TO IN (B) ABOVE. THE COMPANY AND ITS AGENTS MAY REQUIRE ANY PERSON WHO IS REQUIRED TO BE BOTH A **“QUALIFIED PURCHASER”** AND A **“QUALIFIED INSTITUTIONAL BUYER”** BUT WHO IS NOT BOTH A **“QUALIFIED PURCHASER”** AND A **“QUALIFIED INSTITUTIONAL BUYER”** AT THE TIME IT ACQUIRES THE SHARES TO TRANSFER THE SHARES TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S.

THE HOLDER OF THE SHARES, BY ITS ACCEPTANCE HEREOF, REPRESENTS THAT EITHER (I) SUCH PERSON IS NOT AND IS NOT USING THE ASSETS OF ANY (A) **“EMPLOYEE BENEFIT PLAN”** AS DEFINED IN AND SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**“ERISA”**), **“PLAN”** SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **“CODE”**) OR ENTITY WHOSE UNDERLYING ASSETS ARE TREATED AS ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN WITHIN THE MEANING OF ERISA OR THE CODE, OR (B) GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS

SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”), OR ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF ANY SUCH PLAN, OR (II) SUCH PERSON’S PURCHASE AND HOLDING OF THE SHARES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF APPLICABLE SIMILAR LAW.

THE SHARES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. EACH SELLER OF THE SHARES AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN TO THE PURCHASER AND TO ANY EXECUTING BROKER.”

13. It acknowledges that if at any time its representations in the Offshore Transaction Letter cease to be true, it agrees to immediately resell the Shares at the Company’s request and it agrees that pending such required sale, the Company shall not consider it to be a beneficial or legal owner of the Shares.
14. It agrees, on its own behalf and on behalf of any investor account for which it is acting in connection with the Shares on behalf of its customer as fiduciary or agent, that, whether or not it acquires any Shares in the Combined Offering, if it purchases Shares during the 40-day period after the Shares are first admitted to trading on the Stock Exchange of Thailand, then: (i) at the time of such purchase it will not be a U.S. Person and will be located outside the United States (within the meaning of the U.S. Securities Act); and (ii) such Shares so purchased will be offered, resold, pledged or otherwise transferred only outside the United States to a purchaser not known by it to be a U.S. Person (by pre-arrangement or otherwise) and in an offshore transaction complying with the provisions of Rule 904 of Regulation S (including, for the avoidance of doubt, a bona fide sale on the Stock Exchange of Thailand).
15. It agrees to indemnify and hold the Company, the Selling Shareholder and the Joint Bookrunners (or their respective affiliates, as applicable) harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach or alleged breach of these representations and warranties. It agrees that it will not hold any of the Company, the Selling Shareholder or the Joint Bookrunners (or their respective affiliates, as applicable) liable with respect to its investment in the Shares.
16. Where it is subscribing to the Shares for one or more managed accounts, it represents and warrants that it is authorized in writing, by each such managed account to subscribe to the Shares for each managed account and to make (and it makes) the acknowledgements and agreements in the Offshore Transaction Letter for and on behalf of each such account.
17. It understands that the Company may receive a list of participants holding positions in the Company’s securities from one or more book-entry depositaries.
18. It acknowledges that its purchase of the Shares is subject to and based upon all the terms, conditions, representations, warranties, agreements, undertakings and acknowledgements provided in the Offshore Transaction Letter and other information summarized or contained in the preliminary offering circular and the final offering circular.
19. It acknowledges that the Company, the Selling Shareholder and the Joint Bookrunners, and its respective affiliates, directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements is no longer accurate or have not been complied with, it will promptly notify the Company, the Selling Shareholder and the Joint Bookrunners.

Rule 144A Restrictions

Each purchaser of Shares in reliance on Rule 144A, by its acceptance of this Offering Circular and of Shares, will be deemed to have acknowledged, represented to and agreed with our Company, the Selling Shareholder and the International Bookrunner as follows:

- It (A) is a qualified institutional buyer within the meaning of Rule 144A, (B) is aware that the sale of Shares to it is being made in reliance on Rule 144A and (C) is acquiring such Shares for its own account or for the account of a qualified institutional buyer, as the case may be.

- It understands and agrees that such Shares have not been and will not be registered under the U.S. Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person who the seller reasonably believes is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or 904 of Regulation S under the U.S. Securities Act or (iii) pursuant to any other exemption from registration under the U.S. Securities Act and (B) in accordance with all applicable securities laws of the states of the United States.
- It understands that such Shares (to the extent they are in certificated form), unless otherwise determined by our Company in accordance with applicable law, will bear a legend substantially to the following effect:

THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “U.S. SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OR ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHO THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE U.S. SECURITIES ACT, (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, OR (3) PURSUANT TO ANY OTHER EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

Prospective purchasers are hereby notified that the Company may be relying on the exemption from the provisions of Section 5 of the U.S. Securities Act provided by Rule 144A.

Regulation S Restrictions

Each person who purchases shares in offshore transactions in reliance on Regulation S under the U.S. Securities Act, and each purchaser of such Shares in subsequent resale, by its acceptance of this Offering Circular and of Shares, will be deemed to have acknowledged, represented to and agreed with our Company, the Selling Shareholder and the International Bookrunner as follows:

- It acknowledges (or if it is a broker-dealer, its customer has confirmed to it that such customer acknowledges) that such Shares have not been and will not be registered under the U.S. Securities Act; and
- It certifies that either (A) it is, or at the time such Shares are purchased will be, the beneficial owner of such shares, and (i) it is a purchaser located outside the United States and (ii) it is not an affiliate of our Company or a person acting on behalf of such an affiliate, or (B) it is a broker-dealer acting on behalf of its customer, and its customer has confirmed to it that (i) such customer is, or at the time such shares are purchased will be, the beneficial owner of such shares, (ii) such customer is located outside the United States and (iii) such customer is not an affiliate of our Company or a person acting on behalf of such an affiliate.

Any resale or other transfer, or attempted resale or other transfer, made other than in compliance with the above-stated restrictions shall not be recognized by our Company.

Each purchaser of Shares offered in reliance on Regulation S will also be deemed to have represented that it is aware that the SET is not a “designated offshore securities market” within the meaning of Regulation S.

In addition, each prospective purchaser of shares, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with our Company, the Selling Shareholder and the International Bookrunner as follows:

- It acknowledges that none of our Company, the Selling Shareholder, the International Bookrunner or any person representing our Company, the Selling Shareholder or the International Bookrunner has made any representation to it with respect to our Company, the Selling Shareholder, the Combined Offering or sale of the shares, other than the information contained in this Offering Circular and the Thai Prospectus, which Offering Circular and Thai Prospectus have been delivered

to it and upon which it is relying in making its investment decision with respect to the Shares; and it has had access to such financial and other information concerning our Company and the Shares as it has deemed necessary in connection with its decision to purchase the Shares.

- It acknowledges that our Company, the Selling Shareholder and the International Bookrunner and others will rely upon the truth and accuracy of the acknowledgments, representations and agreements contained under this section of the Offering Circular entitled “*Transfer Restrictions*” and agrees that, if any of the acknowledgments, representations or agreements deemed to have been made by it through its purchase of the Shares are no longer accurate, it shall promptly notify our Company, the Selling Shareholder and the International Bookrunner; and if it is acquiring any Shares as fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations and agreements on behalf of each such account.

LEGAL MATTERS

Certain matters in connection with the Combined Offering will be passed upon for us by Latham & Watkins LLP with respect to matters of U.S. federal law. The validity of the Shares and certain matters in connection with the Combined Offering will be passed upon for us by Thanathip & Partners Legal Counsellors Limited with respect to matters of Thai law.

Certain legal matters in connection with the Combined Offering will be passed upon for the International Bookrunner by Allen & Overy LLP with respect to matters of U.S. federal law and by Allen & Overy (Thailand) Co., Ltd. with respect to matters of Thai law.

INDEPENDENT ACCOUNTANTS

Our financial statements as of and for the years ended December 31, 2016, 2017 and 2018 and as of and for the nine months ended September 30, 2018 and 2019 prepared in accordance with TFRS and included in this Offering Circular have been audited by The State Audit Office of the Kingdom of Thailand, as stated in their report appearing in this Offering Circular.

EXPERTS

Ipsos was responsible for preparing the industry report included in this Offering Circular in the section “*Industry Overview*.” Ipsos has given, and has not withdrawn, its written consent to the issue of this Offering Circular with the inclusion of its name and such section in the form and context in which they are included.

SUMMARY OF SIGNIFICANT DIFFERENCES BETWEEN THAI FINANCIAL REPORTING STANDARDS AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

The following is a general summary of certain differences between TFRS and IFRS as the Company deemed applicable.

The audited financial statements of the Company as of and for the years ended December 31, 2016, 2017 and 2018 and the unaudited interim financial information as of and for the nine months ended September 30, 2019 have been prepared in accordance with TFRS enunciated under the Accounting Profession Act B.E. 2547. In addition, such financial statements of the Company were also prepared and disclosed in accordance with the notification of the Bank of Thailand.

TFRS are issued by the Thai Federation of Accounting Professions (“TFAC”) and published in the Government Gazette of Thailand. An accounting framework comprising Thai Financial Reporting Standards, Thai Accounting Standards (“TAS”), accounting interpretation, accounting guidance and the notification of the Bank of Thailand, effective as of the date of the accompanying financial statements, are collectively referred to as “TFRS”.

The Company’s audited financial statements as of and for the years ended December 31, 2016, 2017 and 2018 were prepared in accordance with TFRS, which were based on IFRS consolidated without early application, Bound Volume 2017. During 2018, the TFAC has revised several accounting standards and issued new accounting standards and accounting interpretations based on IFRS consolidated without early application, Bound Volume 2018, most of which became effective for financial periods beginning on or after January 1, 2019. The unaudited interim financial statements for the nine months ended September 30, 2019 were prepared in accordance with TFRS, which were based on IFRS consolidated without early application, Bound Volume 2018.

TFRS differs in certain material respect from IFRS. For the purposes of this Offering Circular, the narrative summary of certain significant differences identified below are limited to those significant differences between TFRS and IFRS as applied by us in the preparation of our financial statements. However, the list should not be construed as being exhaustive. The International Accounting Standards Board and the TFAC have issued new pronouncements that may impact subsequent periods and have significant impact on on-going projects that could affect the differences between TFRS and IFRS described below and the impact of these differences relative to the financial statements in the future. Therefore, this summary is not intended to provide a comprehensive discussion of all existing or future differences between TFRS and IFRS related to the Company or the industry in which it operates.

Accordingly, no attempt has been made to identify future differences between TFRS and IFRS that may result from prescribed changes in accounting standards and no attempt has been made to identify all future differences that might affect the financial statement as a result of transactions or events that might occur in the future. No attempt has been made to quantify the differences discussed below. Furthermore, no attempt has been made in this summary to identify disclosure, presentation or classification differences that would affect the manner in which transactions and events are reflected in the financial statements or the respective notes thereto.

In making an investment decision, investors must rely upon their own examination of the Company, the terms of the offering and the financial information contained in this Offering Circular. Prospective investors should consult their own professional advisors for an understanding of the differences between TFRS and IFRS, and also how these differences might affect the financial information in this Offering Circular.

Differences between TFRS and IFRS applicable to the Company’s financial statements as of and for the years ended December 31, 2016 and 2017

Financial Instruments

There is no single TFRS capturing the accounting standard for recognition and measurement of all types of financial instruments under TFRS. A number of TFRS provide guidance on accounting for financial instruments such as TAS 105, “Accounting for Investment in Debt and Equity Securities” (“TAS 105”), TAS 101, “Doubtful Accounts and Bad Debts” (“TAS 101”), and Thai Accounting Guidance relevant to “Derecognition of Financial Assets and Financial Liabilities.”

Under IFRS, IAS 39, “Financial Instruments: Recognition and Measurement” (“IAS 39”) provides extensive guidance on the recognition and measurement of financial instruments, including the categorization of

financial assets and liabilities, accounting for derivatives and accounting for hedging activities and impairment. Significant differences between TFRS and IAS 39 as applicable to the Company are as follows:

Financial instrument: Classification of Financial Assets

Under TAS 105, investments are classified into the following four categories:

- (1) held-for-trade investments are carried at fair value and unrealized gains and losses from changes in fair value are recognized in profit or loss;
- (2) available-for-sale investments are carried at fair value and unrealized gains and losses from changes in fair value are recognized in other comprehensive income;
- (3) held-to-maturity investments are carried at amortized cost, using the effective interest rate, less impairment loss (if any); and
- (4) general investments are carried at cost less impairment loss (if any).

The classification is dependent on the purpose for which the investments were acquired and held. Investment in a marketable equity security is classified as an available-for-sale investment if it is not held for trading purposes. An investment in a non-marketable equity security is classified as general investment.

Under IAS 39, investments are classified into the following four categories:

- (1) financial assets at fair value through profit and loss (FVTPL) are carried at fair value and gains and losses from changes in fair value are recognized in profit or loss;
- (2) held-to-maturity (HTM) investments are carried at amortized cost, using the effective interest rate, less impairment loss (if any);
- (3) available-for-sale (AFS) investments are carried at fair value and unrealized gains and losses from changes in fair value are recognized in other comprehensive income; and
- (4) loans and receivables (L&R) are carried at amortized cost, using the effective interest rate, less impairment loss (if any).

The classification is also dependent on the purpose for which the investments were acquired and held. Investments in both marketable and non-marketable equity securities can be classified as an available-for-sale investment if they are not held for trading purposes. All financial assets are measured at fair value except for loans and receivables, held-to-maturity assets and, in rare circumstances, unquoted equity instruments whose fair values cannot be measured reliably are measured at cost.

Financial instrument: Recognition of interest income

TFRS does not clearly prescribe the accounting treatment for income recognition from loans purchased. In our practice, at the date of receipt of the debt repayment from the debtor, interest income from loans purchased with debt restructuring or compromising agreements is recognized based on the effective interest rate which is calculated from the expected cash received from the debtor, to the extent that this is not greater than the amount received from such debtor. If cash received from debtors is higher than the acquisition cost and the recognized interest, the difference is recognized as a gain on loans purchased. For loans purchased without debt restructuring or compromising agreements, cash received from debtors is deducted from acquisition cost and the remainder is recognized as a gain on loans purchased.

Under IAS 39, interest income is recognized based on the effective interest rate on an accrual basis. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payment through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, cash flows considering all contractual terms of the financial instrument should be estimated. The calculation includes all fees, transaction costs and payment or receipts between parties to the contract that are an integral part of the effective interest rate.

Financial instrument: Impairment of Financial Assets

TFRS provides limited guidance on the impairment of financial assets including receivables while TAS 101 provided general guidance on the doubtful accounts and bad debts. Based on our practice, allowance for

doubtful accounts of loans purchased is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experience and analysis of debt aging by adopting the regulations on Asset Classification and Provision of Financial Institutions according to the Notification of the Bank of Thailand no. SorNorSor. 5/2559 dated June 10, 2016, where applicable to the Company's transactions. The guideline is meant to represent the minimum level of allowance that the Company should maintain. The minimum level of allowance for doubtful accounts of loans purchased is equal to the difference between the carrying value of loans and the present value of the estimated future cash inflows from the disposal of collateral. The discount rate and period through which collateral can be expected to be sold are stipulated in such regulation of the Bank of Thailand. The Company assesses the value of collateral every three years, which complies with the related notification of the Bank of Thailand. For the impairment of investment, unlike IAS 39, TAS 105 does not prohibit the reversal of impairment losses on all investments.

In accordance with IAS 39, impairment is recognized based on an incurred loss model. An entity should assess at each statement of financial position date whether there is any objective evidence that a financial asset or group of assets may be impaired. If such impairment evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is then recognized in profit or loss. Reversal of impairment loss on an investment in an equity security classified as available-for-sales investment is prohibited under IAS 39.

Financial Instruments: Presentation and Disclosure

The Company's financial statements are presented in conformity with the notification of Bank of Thailand No. SorNorSor. 22/2558 dated December 4, 2015 regarding preparation and announcement of financial statement of finance and credit foncier companies. In respect of financial instrument disclosures, TFRS addresses financial instrument presentation through TAS 107, "Financial Instruments: Presentation and Disclosure" ("**TAS 107**"), which is similar to the previous version of IAS 32 (revised 1998), "Financial Instruments: Disclosure and Presentation" ("**IAS 32**"). IAS 32 (revised 2003) revises the definitions of financial liabilities and equity instruments and provides additional guidance on the classification of financial liabilities and equity instruments. It also provides additional guidance on the classification of contracts settled in an entity's own equity instruments, puttable instruments and treasury shares. Guidance for disclosures of financial instruments is addressed by IFRS 7, "Financial Instrument: Disclosure" ("**IFRS 7**").

Disclosure requirements under TAS 107 are not as extensive as those under IFRS 7. IFRS 7 requires extensive qualitative and quantitative disclosure regarding exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, as well as how the entity manages those risks.

Differences between TFRS and IFRS applicable to the Company's financial statements as of and for the year ended December 31, 2018

Financial Instruments

Under TFRS, TFRS relating to accounting treatments for Financial Instruments are described in "Differences between TFRS and IFRS applicable to the Company's financial statements as of and for the years ended December 31, 2016 and 2017."

Under IFRS, IFRS 9 has been issued and eventually superseded IAS 39, and this standard is effective for annual accounting periods beginning on or after January 1, 2018. This standard introduces new requirements for classification and measurement of financial instruments, impairment of financial assets, and hedge accounting. Significant differences between IAS 39 and IFRS 9 as applicable to the Company are as follows:

Financial instrument: Classification of Financial Assets

Under IFRS 9, an entity initially measures and recognizes its financial assets at fair value plus transaction costs. The new classification of financial assets is dependent on the basis of its measurement of such financial assets instead of its objective as specified in IAS 39. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortized cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows characteristics and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments including non-listed equity securities are generally measured at FVTPL; however, an entity has an irrevocable

option on an instrument-by-instrument basis to present changes in the fair value of in other comprehensive income (OCI) without subsequent reclassification to profit or loss.

Financial instrument: Recognition of interest income

IFRS 9 has no difference from IAS 39 regarding interest income recognition.

Financial instrument: Impairment of Financial Assets

In accordance with IFRS 9, the impairment of financial assets is recognized based on expected credit loss (ECL) model that replaces the IAS 39 incurred loss model. Under the ECL model, it is no longer necessary for a credit event to have occurred before credit loss are recognized. Instead, an entity always accounts for expected credit losses, and changes in those expected credit losses. This shall be applicable to debt instruments including loans and receivable, loan commitments and financial guarantee contracts. Three approaches for measuring and recognizing expected credit losses are as follow.

- (1) A general approach that applies to all loans and receivables not eligible for the other approaches. It is generally required to recognize 12-month ECL on initial recognition (or when the commitment or guarantee was entered into) and thereafter as long as there is no significant deterioration in credit risk. However, if there has been a significant increase in credit risk on an individual or collective basis, then an entity is required to recognize lifetime ECL;
- (2) A simplified approach that is required for certain trade receivables and also “IFRS 15 contract assets” and is otherwise optional for these assets and lease receivables. Under this approach, lifetimes ECL since initial recognition must be considered; and
- (3) A purchased of originated credit-impaired approach (“**POCI**”) that applies to loans that are credit impaired at initial recognition (e.g., loans acquired at a deep discount due to their credit risk). The basis of measurement takes into account the initial lifetime ECLs in the estimated cash flows, resulting a credit adjusted effective interest rate.

Revenue from Contracts with Customers

Under TFRS, TAS 18: Revenue (“**TAS 18**”) provides guidance on revenue from sales of goods that is to recognize when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances. On the other hand, service revenue is recognized when services have been rendered taking into account the stage of service completion. TAS 18 is similar to IAS 18 under which does not address many of complex transactions undertaken by the business.

In addition, Under TFRS, TFRS 15: Revenue from Contract with Customers (“**TFRS 15**”) has been issued and endorsed by the Government gazette in 2017 and becomes effective for annual accounting periods beginning on or after January 1, 2019, early adoption is also permitted. This standard has no material differences with IFRS 15.

Under IFRS, IFRS 15: Revenue from Contract with Customers (“**IFRS 15**”) has been issued and eventually superseded IAS 11 Construction Contracts and IAS 18 Revenue, together with related Interpretations. IFRS 15 is effective for annual accounting periods beginning on or after January 1, 2018. This standard applies to all contracts with customers unless those contracts fall within the scope of other standards. The standard establishes a five-step model to account for revenue arising from contracts with customers, with revenue being recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The five-step model includes: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract(s), (3) determine the transaction price, (4) allocate the transaction price to the performance obligations, and (5) recognize revenue when (or as) the entity satisfies each performance obligation. IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model.

Differences between TFRS and IFRS applicable to the Company’s financial statements as of and for the nine months ended September 30, 2019

In addition to the differences between TFRS and IFRS relating to Financial Instruments as mentioned above, below are the significant differences between TFRS and IFRS for this period.

Leases

Under TFRS, TAS 17: Lease (“**TAS 17**”) is currently applicable for all lease transactions. Both lessors and lessees shall classify its leases either finance lease or operating lease. For lessees, leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in long-term payables, while the interest element is charged to profit or loss over the lease period. The assets acquired under finance leases is depreciated over the shorter of the useful life of the leased asset and the lease period. For those leases which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. TAS 17 has no material differences with IAS 17.

In May 2019, TFRS 16: Lease (“**TFRS 16**”) has been issued and endorsed by the Government gazette and will become effective for annual accounting period beginning on or after January 1, 2020; early adoption is also permitted if TFRS 15 is adopted. This standard has no material differences with IFRS 16.

Under IFRS, IFRS 16: Leases (“**IFRS 16**”) has been issued and eventually superseded IAS 17 Leases, together with related Interpretations. IFRS 16 which is effective for annual accounting periods beginning on or after January 1, 2019 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to accounting for finance leases under IAS 17. At the commencement date of a lease, a lessee recognizes a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees are required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from accounting under IAS 17. Lessors continues to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

NOTICE TO PERSONS IN THE UNITED KINGDOM

THE COMPANY CONSTITUTES AN ALTERNATIVE INVESTMENT FUND UNDER ARTICLE 4 OF THE AIFM DIRECTIVE. TO DATE THE COMPANY HAS NOT BEEN AUTHORIZED, OR OTHERWISE RECOGNIZED OR APPROVED, BY THE UNITED KINGDOM FINANCIAL CONDUCT AUTHORITY (THE “**FCA**”) AND, AS AN UNREGULATED SCHEME, IT CANNOT BE PROMOTED IN THE UNITED KINGDOM TO THE GENERAL PUBLIC. PROSPECTIVE INVESTORS IN THE UNITED KINGDOM ARE ADVISED THAT ALL, OR MOST, OF THE PROTECTIONS AFFORDED BY THE UNITED KINGDOM REGULATORY SYSTEM WILL NOT APPLY TO THE OFFERING SHARES IN THE COMPANY AND THAT COMPENSATION WILL NOT BE AVAILABLE UNDER THE UNITED KINGDOM FINANCIAL SERVICES COMPENSATION SCHEME.

UPON THE COMPANY NOTIFYING THE FINANCIAL CONDUCT AUTHORITY OF ITS INTENTION TO MARKET THE OFFERING SHARES TO UNITED KINGDOM INVESTORS, THE OFFERING SHARES MAY BE MARKETING IN THE UNITED KINGDOM ONLY TO “**PROFESSIONAL INVESTORS**” (AS DEFINED IN THE AIFM DIRECTIVE).

THE COMPANY IS AN UNREGULATED COLLECTIVE INVESTMENT SCHEME FOR THE PURPOSES OF THE UNITED KINGDOM FINANCIAL SERVICES AND MARKETS ACT 2000 (“**FSMA**”), THE PROMOTION OF WHICH IN THE UNITED KINGDOM IS RESTRICTED BY THE FSMA.

THIS OFFERING CIRCULAR MAY ALSO CONSTITUTE A FINANCIAL PROMOTION FOR THE PURPOSE OF SECTION 21 OF FSMA. THIS COMMUNICATION IS MADE AVAILABLE ONLY TO AND IS DIRECTED ONLY AT:

(I) PERSONS WHO ARE “**INVESTMENT PROFESSIONALS**” WITHIN THE MEANING OF ARTICLE 19 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AS AMENDED) (“**FPO**”) OR ARTICLE 14 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (PROMOTION OF COLLECTIVE INVESTMENT SCHEMES) (EXEMPTIONS) ORDER 2001 AS AMENDED (“**CIS ORDER**”);

(II) HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC. WITHIN THE MEANING OF ARTICLE 49 OF THE FPO;

(III) SOPHISTICATED INVESTORS WITHIN THE MEANING OF ARTICLE 50 OF THE FPO, THAT IS, IN RELATION TO ANY DESCRIPTION OF INVESTMENT, A PERSON WHO HAS A CURRENT CERTIFICATE IN WRITING OR OTHER LEGIBLE FORM SIGNED BY A PERSON AUTHORIZED UNDER THE FSMA (AN “**AUTHORIZED PERSON**”) TO THE EFFECT THAT HE IS SUFFICIENTLY KNOWLEDGEABLE TO UNDERSTAND THE RISKS ASSOCIATED WITH THAT DESCRIPTION OF INVESTMENT IN THE FORM REQUIRED BY THE FPO AND (B) WHO HAS SIGNED, WITHIN A PERIOD OF TWELVE MONTHS ENDING WITH THE DAY ON WHICH THE COMMUNICATION IS MADE, A STATEMENT IN THE TERMS PRESCRIBED IN ARTICLE 50(1)(B) OF THE FPO; OR

(IV) OTHER PERSONS TO WHOM IT MAY OTHERWISE LAWFULLY BE OFFERED OR DISTRIBUTED

(ALL SUCH PERSONS TOGETHER REFERRED TO AS “**RELEVANT PERSONS**”).

NO PERSON, OTHER THAN RELEVANT PERSONS, MAY ACT ON THIS COMMUNICATION AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. PERSONS OF ANY OTHER DESCRIPTION IN THE UNITED KINGDOM MAY NOT RECEIVE AND SHOULD NOT ACT OR RELY ON THIS COMMUNICATION OR ANY OTHER PROMOTIONAL MATERIALS RELATING TO THE OFFERING SHARES.

THE CONTENT OF THIS COMMUNICATION HAS NOT BEEN APPROVED BY AN AUTHORIZED PERSON. SUCH APPROVAL, UNLESS THIS COMMUNICATION IS MADE TO RELEVANT PERSONS ONLY, IS REQUIRED BY SECTION 21 OF THE FSMA.

RELiance ON THIS COMMUNICATION FOR THE PURPOSE OF ENGAGING IN INVESTMENT ACTIVITY MAY EXPOSE THE RECIPIENT TO A SIGNIFICANT RISK OF LOSING THE PROPERTY INVESTED OR OF INCURRING ADDITIONAL LIABILITY. IF THE RECIPIENT IS IN ANY DOUBT ABOUT THE INVESTMENT TO WHICH THIS COMMUNICATION RELATES, THEY SHOULD CONSULT AN AUTHORIZED PERSON WHO SPECIALIZES IN ADVISING ON INVESTING IN INTERESTS IN UNREGULATED COLLECTIVE INVESTMENT SCHEMES.

GLOSSARY

BAM or Company	Bangkok Commercial Asset Management Public Company Limited
BBC	Bangkok Bank of Commerce
BOT	Bank of Thailand
Combined Offering	The International Offering and the Thai Offering
Domestic Shares	1,327,750,000 Offering Shares offered under the Thai Offering
FIDF or Selling Shareholder	Financial Institutions Development Fund
Government	Government of Thailand
IFRS	International Financial Reporting Standards
International Bookrunner	UBS AG Hong Kong Branch
International Shares	207,250,000 Offering Shares offered under the International Offering
International Offering	The international offering of the International Shares outside of Thailand in reliance on Regulation S and Rule 144A under the U.S. Securities Act
Joint Bookrunners	The Thai Bookrunners and the International Bookrunner
MOC	Ministry of Commerce of Thailand
NPA	Non-performing assets
NPL	Non-performing loans
Offering Shares	1,535,000,000 shares of BAM which are offered under the Combined Offering
PAMC	Phayathai Asset Management Company Limited
PLCA	Public Limited Companies Act B.E. 2535 (1992), as amended
SAM	Sukhumvit Asset Management Company Limited
Securities and Exchange Act	Securities and Exchange Act B.E. 2535 of Thailand, as amended
SET	Stock Exchange of Thailand
SET Act	Securities Exchange of Thailand Act B.E. 2517 (1974)
Shares	The shares of BAM
SOE	State-owned enterprise
TAMC	Thai Asset Management Corporation
TFRS	Thai Financial Reporting Standards
Thai Bookrunners	KASIKORN Securities Public Company Limited and Trinity Securities Co., Ltd.
Thai Offering	The offering of the Domestic Shares in Thailand
Thai Prospectus	The prospectus in the Thai language pursuant to which the Thai Offering is being made
Thai SEC	The Office of the Securities and Exchange Commission of Thailand
TSD	Thailand Securities Depository Co., Ltd
U.S. Securities Act	United States Securities Act of 1933, as amended

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AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL
INFORMATION AND FINANCIAL STATEMENTS

BANGKOK COMMERCIAL ASSET MANAGEMENT
PUBLIC COMPANY LIMITED

FOR THE THREE-MONTH AND NINE-MONTH PERIODS ENDED
SEPTEMBER 30, 2019

สำนักงานการตรวจเงินแผ่นดิน



(TRANSLATION)

AUDITOR'S REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To: The Shareholders of Bangkok Commercial Asset Management Public Company Limited

The State Audit Office of the Kingdom of Thailand has reviewed the accompanying statement of financial position as at September 30, 2019, the statement of profit or loss and other comprehensive income for the three-month and nine-month periods ended September 30, 2019, the statement of changes in equity and the statement of cash flows for the nine-month period ended September 30, 2019, and the condensed notes to interim financial statements of Bangkok Commercial Asset Management Public Company Limited. Management is responsible for the preparation and presentation of this interim financial information in accordance with Thai Accounting Standard No. 34, "Interim Financial Reporting". The State Audit Office of the Kingdom of Thailand's responsibility is to express a conclusion on this interim financial information based on the State Audit Office of the Kingdom of Thailand's review.

Scope of review

The State Audit Office of the Kingdom of Thailand conducted the review in accordance with Thai Standard on Review Engagements No. 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Thai Standards on Auditing and consequently does not enable the State Audit Office of the Kingdom of Thailand to obtain assurance that the State Audit Office of the Kingdom of Thailand would become aware of all significant matters that might be identified in an audit. Accordingly, the State Audit Office of the Kingdom of Thailand does not express an audit opinion on the reviewed interim financial information.



Conclusion

Based on the review, nothing has come to the attention that causes the State Audit Office of the Kingdom of Thailand to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with Thai Accounting Standard No. 34, "Interim Financial Reporting".

(Signed)

Chitra Mekapongpanh

(Chitra Mekapongpanh)

Director of Financial and Procurement Audit Office No. 5

(Signed)

Satawat Boonkoy

(Satawat Boonkoy)

Auditor, Senior Professional Level

(TRANSLATION)

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Bangkok Commercial Asset Management Public Company Limited

Statement of Financial Position

As at September 30, 2019

		Unit : Baht	
	Notes	September 30, 2019 (Unaudited / Reviewed)	December 31, 2018 (Audited)
Assets			
Cash	5.1	6,392,672.42	3,614,465.35
Cash at financial institutions	5.2	1,540,956,062.53	1,031,795,622.76
Investment in securities - net	5.3	5,690,062,514.22	93,936,348.17
Loans purchased	5.4	85,513,387,576.44	81,718,994,565.32
<u>Less</u> Allowance for doubtful accounts		(6,377,277,773.54)	(6,285,055,237.31)
Loans purchased - net		79,136,109,802.90	75,433,939,328.01
Installment sale receivables	5.5	1,542,339,686.14	1,452,841,008.05
<u>Less</u> Deferred gross margin from installment sale receivables		(864,173,508.78)	(742,325,888.85)
<u>Less</u> Allowance for doubtful accounts - Installment sale receivables		(1,959,144.52)	(2,217,646.95)
Installment sale receivables - net		676,207,032.84	708,297,472.25
Properties for sale - net	5.6	23,244,802,538.60	20,595,824,841.33
Accrued income from auction sale - net	5.7	9,058,755,895.27	7,115,446,818.61
Premises and equipment - net	5.8	1,229,027,784.07	1,251,541,982.94
Intangible assets - net	5.9	17,417,326.60	13,282,153.12
Advance for expenses on asset acquisition and others	5.10	934,848,854.79	1,217,275,718.36
Other assets	5.11	166,732,197.90	188,047,305.84
Total assets		121,701,312,682.14	107,653,002,056.74

Notes to Interim Financial Statements are an integral part of these Financial Statements.

(TRANSLATION)

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Bangkok Commercial Asset Management Public Company Limited

Statement of Financial Position (Continued)

As at September 30, 2019

		Unit : Baht	
	Notes	September 30, 2019	December 31, 2018
		(Unaudited / Reviewed)	(Audited)
Liabilities and equity			
Liabilities			
Debt issued and borrowings	5.13	75,060,120,324.34	57,709,277,417.46
Accrued interest payable	5.14	386,848,525.13	245,358,785.37
Provisions	5.15	1,099,921,119.57	769,519,346.07
Unearned income from auction sale	5.16	-	5,342,009,258.02
Other liabilities	5.17	1,579,310,873.39	1,737,822,585.99
Total liabilities		78,126,200,842.43	65,803,987,392.91
Equity			
Share capital			
Authorized share capital			
3,245,000,000 common shares, par value 5 baht each		16,225,000,000.00	16,225,000,000.00
Issued and paid-up share capital			
2,735,000,000 common shares, par value 5 baht each		13,675,000,000.00	13,675,000,000.00
Other components of equity	5.3.4	(71,954,345.73)	(58,017,385.72)
Retained earnings			
Appropriated			
Legal reserve		1,622,500,000.00	1,622,500,000.00
Unappropriated			
		28,349,566,185.44	26,609,532,049.55
Total equity		43,575,111,839.71	41,849,014,663.83
Total liabilities and equity		121,701,312,682.14	107,653,002,056.74

Notes to Interim Financial Statements are an integral part of these Financial Statements.

(Mr. Bunyong Visatemongkolchai)

Chairman of Executive Board

(Mr. Somporn Moonsrikaew)

President

Bangkok Commercial Asset Management Public Company Limited

Statement of profit or loss and other comprehensive income

For Three-Month Period Ended September 30, 2019

Unit : Baht

	Notes	2019	2018
Interest income			
Loans purchased	5.20.1	2,097,483,098.38	1,052,628,807.86
Investment in securities		24,800,239.52	2,697,252.97
Cash at financial institutions		7,164,349.04	3,934,013.77
Installment sale receivables		32,747,195.28	22,570,654.85
Others		4,008,882.19	4,874,457.67
Total interest income		2,166,203,764.41	1,086,705,187.12
Interest expenses			
Interest and discount on promissory notes		38,516,713.90	74,205,763.54
Interest paid on loans		187,057,091.83	119,368,196.91
Interest on debentures		373,865,741.68	280,925,656.82
Total interest expenses		599,439,547.41	474,499,617.27
Interest income - net		1,566,764,217.00	612,205,569.85
Gain on investment in securities - net		3,944,985.16	5,792,910.32
Gain on sale of properties for sale		357,792,549.35	1,077,138,831.11
Gain on installment sales		19,402,425.92	41,882,818.83
Other operating income			
Dividend income		-	65,779.80
Other operating income	5.20.2	17,871,929.00	12,283,215.11
Total other operating income		17,871,929.00	12,348,994.91
Total operating income		1,965,776,106.43	1,749,369,125.02

Notes to Interim Financial Statements are an integral part of these Financial Statements.

Bangkok Commercial Asset Management Public Company Limited
Statement of profit or loss and other comprehensive income (Continued)
For Three-Month Period Ended September 30, 2019

Unit : Baht

	<u>Notes</u>	2019	2018
Other operating expenses			
Employee's expenses		675,315,878.92	429,510,854.94
Directors' remuneration		2,992,500.00	2,027,661.29
Premises and equipment expenses		56,153,038.30	55,570,949.94
Taxes and duties		124,524,521.29	140,256,500.72
Impairment loss on properties for sale		10,454,968.75	11,603,492.20
Properties for sale expenses		26,264,294.93	24,469,349.87
Other expenses	5.21	105,010,132.83	71,672,210.94
Total other operating expenses		1,000,715,335.02	735,111,019.90
Bad debts and doubtful accounts		82,583,688.25	(145,070,053.57)
Profit from operating before income tax expenses		882,477,083.16	1,159,328,158.69
Income tax expenses	5.22	1,150,003.64	533,996.96
Net profit		881,327,079.52	1,158,794,161.73
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Gain (Loss) on remeasuring available-for-sale investment		(6,150,408.88)	(3,127,838.11)
Total other comprehensive income		(6,150,408.88)	(3,127,838.11)
Total comprehensive income		875,176,670.64	1,155,666,323.62
Earnings per share			
Basic earnings per share	5.23	0.32	0.42

Notes to Interim Financial Statements are an integral part of these Financial Statements.

(Mr. Bunyong Visatemongkolchai)
Chairman of Executive Board

(Mr. Somporn Moonsrikaew)
President

Bangkok Commercial Asset Management Public Company Limited

Statement of profit or loss and other comprehensive income

For Nine-Month Period Ended September 30, 2019

Unit : Baht

	Notes	2019	2018
Interest income			
Loans purchased	5.20.1	7,816,531,339.96	3,731,297,998.70
Investment in securities		24,800,239.52	2,697,252.97
Cash at financial institutions		9,440,783.87	6,953,206.54
Installment sale receivables		87,191,602.53	64,650,106.63
Others		10,286,808.58	11,120,169.67
Total interest income		7,948,250,774.46	3,816,718,734.51
Interest expenses			
Interest and discount on promissory notes		206,445,394.03	215,144,794.88
Interest paid on loans		449,174,711.23	330,759,735.88
Interest on debentures		869,009,872.41	769,569,663.58
Total interest expenses		1,524,629,977.67	1,315,474,194.34
Interest income - net		6,423,620,796.79	2,501,244,540.17
Gain (Loss) on investment in securities - net		3,944,984.16	(30,194,253.10)
Gain on sale of properties for sale		1,130,020,327.15	2,506,669,153.45
Gain on installment sales		80,616,907.28	73,715,628.89
Other operating income			
Dividend income		1,801,092.73	1,157,221.10
Other operating income	5.20.2	41,684,301.68	51,022,133.43
Total other operating income		43,485,394.41	52,179,354.53
Total operating income		7,681,688,409.79	5,103,614,423.94

Notes to Interim Financial Statements are an integral part of these Financial Statements.

Bangkok Commercial Asset Management Public Company Limited
Statement of profit or loss and other comprehensive income (Continued)
For Nine-Month Period Ended September 30, 2019

Unit : Baht

	<u>Notes</u>	2019	2018
Other operating expenses			
Employee's expenses		1,545,853,447.37	1,241,742,807.23
Directors' remuneration		11,982,338.71	8,910,161.29
Premises and equipment expenses		167,579,015.38	163,761,883.81
Taxes and duties		563,354,748.08	387,904,762.78
Impairment loss on properties for sale (reversal)		(9,486,219.11)	(8,382,154.64)
Properties for sale expenses		74,892,574.59	65,051,187.52
Other expenses	5.21	233,838,497.73	195,959,463.09
Total other operating expenses		2,588,014,402.75	2,054,948,111.08
Bad debts and doubtful accounts		209,641,373.24	(265,037,606.99)
Profit from operating before income tax expenses		4,884,032,633.80	3,313,703,919.85
Income tax expenses	5.22	1,741,553.91	2,913,494.16
Net profit		4,882,291,079.89	3,310,790,425.69
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Gain (Loss) on remeasuring available-for-sale investment		(13,936,960.01)	653,249.74
Items that will not be reclassified subsequently to profit or loss			
Actuarial losses on defined benefit plans		(20,801,444.00)	-
Total other comprehensive income		(34,738,404.01)	653,249.74
Total comprehensive income		4,847,552,675.88	3,311,443,675.43
Earnings per share			
Basic earnings per share	5.23	1.79	1.21

Notes to Interim Financial Statements are an integral part of these Financial Statements.

(Mr. Bunyong Visatamongkolchai)
Chairman of Executive Board

(Mr. Somporn Moonsrikaew)
President

Bangkok Commercial Asset Management Public Company Limited

Statement of Changes in Equity

For Nine-Month Period Ended September 30, 2019

Unit : Baht

	Notes	Other Components		Retained Earnings			Total
		Issued and Paid-up Share Capital	of Equity Revaluation surplus (deficit) on investments	Appropriated		Unappropriated	
				Legal Reserve			
Balance as at January 1, 2018		13,675,000,000.00	(46,251,730.29)		1,622,500,000.00	25,808,122,452.68	41,059,370,722.39
Dividend paid	5.18	-	-		-	(4,400,615,000.00)	(4,400,615,000.00)
Total comprehensive income		-	653,249.74		-	3,310,790,425.69	3,311,443,675.43
Balance as at September 30, 2018		13,675,000,000.00	(45,598,480.55)		1,622,500,000.00	24,718,297,878.37	39,970,199,397.82
Balance as at January 1, 2019		13,675,000,000.00	(58,017,385.72)		1,622,500,000.00	26,609,532,049.55	41,849,014,663.83
Dividend paid	5.18	-	-		-	(3,121,455,500.00)	(3,121,455,500.00)
Total comprehensive income		-	(13,936,960.01)		-	4,861,489,635.89	4,847,552,675.88
Balance as at September 30, 2019		13,675,000,000.00	(71,954,345.73)		1,622,500,000.00	28,349,566,185.44	43,575,111,839.71

Notes to Interim Financial Statements are an integral part of these Financial Statements.

Bangkok Commercial Asset Management Public Company Limited

Statement of Cash Flows

For Nine-Month Period Ended September 30, 2019

	Unit : Baht	
	2019	2018
Cash flows from operating activities		
Profit from operating before income tax expenses	4,884,032,633.80	3,313,703,919.85
Adjustments to reconcile profit from operating before income tax expenses to cash received (paid) from operating activities		
Depreciation and amortization	104,317,343.42	105,460,443.82
Decrease in advance expenses	72,265,067.35	59,433,405.34
(Increase) Decrease in accrued income	(11,444,142.36)	268,181.88
Decrease in deferred income	(3,741,605.46)	(3,894,258.85)
Increase (Decrease) in accrued expenses	(233,106,143.44)	43,376,348.17
Loss from write-off of assets	620.00	437.00
Allowance for long-term employee benefits	309,600,329.50	49,571,537.25
Gain on fixed asset sales	(155,295.62)	(10,925,175.62)
Gain on repossession of property under installment sales	(6,858,934.71)	(2,474,169.58)
Increase (Decrease) in doubtful accounts	209,641,373.24	(265,037,606.99)
Increase (Decrease) in doubtful accounts - installment sale receivables	(258,502.43)	2,538,265.53
Impairment loss on properties for sale (reversal)	(9,486,219.11)	(8,382,154.64)
(Gain) Loss on investment in securities	(3,944,984.16)	30,194,253.10
	5,310,861,540.02	3,313,833,426.26
Net interest income	(6,423,620,796.79)	(1,758,557,821.25)
Net dividend income	(1,801,092.73)	(1,157,221.10)
Cash received from interest income	7,917,592,670.64	3,068,983,443.76
Cash received from dividend income	37,610,592.73	43,600,528.80
Cash paid for purchase of assets transferred from financial institutions	(7,524,113,915.85)	(4,402,259,622.55)
Cash paid on interest	(1,383,140,237.91)	(1,331,115,175.23)
Cash paid on income tax expenses	(6,385,589.23)	(7,577,404.28)
Loss from operation before changes in operating assets and liabilities	(2,072,996,829.12)	(1,074,249,845.59)
(Increase) Decrease in operating assets		
Loans purchased	5,057,342,791.55	2,830,893,553.55
Installment sale receivables	168,571,057.31	184,828,632.10
Properties for sale	639,279,014.45	1,090,042,335.90
Accrued income from auction sale	(1,943,309,076.66)	(1,379,503,985.21)
Other assets	105,229,710.71	(434,120,682.78)
Increase (Decrease) in operating liabilities		
Unearned income from auction sale	(5,342,009,258.02)	5,342,009,258.02
Long-term employee benefits	-	(1,591,570.00)
Other liabilities	93,298,372.46	(1,512,193,809.99)
Net cash provided from (used in) operating activities	(3,294,594,217.32)	5,046,113,886.00

Notes to Interim Financial Statements are an integral part of these Financial Statements.

Bangkok Commercial Asset Management Public Company Limited

Statement of Cash Flows (Continued)

For Nine-Month Period Ended September 30, 2019

			Unit : Baht
	Notes	2019	2018
Cash flows from investing activities			
Cash paid on purchase of premises and equipment	5.27.2	(61,995,416.03)	(67,464,884.67)
Cash paid on purchase of available-for-sale securities		(11,187,755,563.78)	(5,052,070,149.52)
Cash paid on purchase of intangible assets	5.27.3	(9,374,261.20)	(2,701,800.00)
Decrease in bank deposits under guarantee obligations		50,900.00	-
Cash received from sales of fixed assets		155,762.62	10,925,233.62
Cash received from investment in available-for-sale debt securities		5,602,007,661.40	4,100,000,000.00
Cash received from investment in securities		4,430,000.00	8,607,676.82
Net cash used in investing activities		(5,652,480,916.99)	(1,002,703,923.75)
Cash flows from financing activities			
Cash received from bank borrowings		32,600,000,000.00	14,450,000,000.00
Cash received from debenture issuance		20,000,000,000.00	8,000,000,000.00
Cash paid on repayment of loans and debt securities		(35,990,870,595.56)	(17,242,092,206.93)
Cash paid on payment of debentures		(4,000,000,000.00)	(4,300,000,000.00)
Cash paid on fee of debenture issuance		(30,057,154.99)	(11,484,490.99)
Cash paid on notes payable aval expense		(4,409,932.60)	-
Cash paid on dividend payment to shareholders		(3,121,455,500.00)	(4,400,615,000.00)
Net cash provided from (used in) financing activities		9,453,206,816.85	(3,504,191,697.92)
Net increase in cash and cash equivalents		506,131,682.54	539,218,264.33
Cash and cash equivalents as at beginning balance		1,031,572,255.20	1,158,859,799.72
Cash and cash equivalents as at ending balance	5.27.1	1,537,703,937.74	1,698,078,064.05

Notes to Interim Financial Statements are an integral part of these Financial Statements.

Bangkok Commercial Asset Management Public Company Limited**Notes to Interim Financial Statements****For Three-Month and Nine-Month Periods ended September 30, 2019**

Notes	Subject
1	Background
2	Basis for Preparation of the Financial Statements
3	New Thai Financial Reporting Standards
4	Summary on Significant Accounting Policies
5	Additional Information
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	5.2 Cash at financial institutions
	5.3 Investment in securities - net
	5.4 Loans purchased
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	5.20 Interest income from loans purchased and other operating income
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Bangkok Commercial Asset Management Public Company Limited

Notes to Interim Financial Statements

For Three-Month and Nine-Month Periods ended September 30, 2019

Notes	Subject
5	Additional Information (Continued)
	5.22 Income tax expenses
	5.23 Basic earnings per share
	5.24 Related persons or parties
	5.25 Director's remuneration
	5.26 Financial position and performance classified by operating segments
	5.27 Additional information about cash and significant non-cash items
	5.28 Assets with obligations
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	5.30 Contingent liabilities
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	5.33 Events after the Reporting Period
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Bangkok Commercial Asset Management Public Company Limited
Notes to Interim Financial Statements
For Three-Month Period and Nine-Month Period Ended September 30, 2019
(Unaudited / Reviewed)

1. Background

Under the financial institutions development plan devised by the Ministry of Finance pursuant to the Cabinet's resolution dated August 14, 1998, Bangkok Commercial Asset Management Public Company Limited (BAM or the Company) was established by Bangkok Commerce Plc. (formerly known as Bangkok Bank of Commerce Plc.) while 96.53% of the shares of Bangkok Commerce Plc. are owned by the Financial Institutions Development Fund (FIDF).

On January 7, 1999, BAM was registered as a limited company pursuant to the Civil and Commercial Code, with Bangkok Commerce Plc. owning 99.99% of its shares. On January 28, 1999, it was registered as an asset management company under the Emergency Decree on Asset Management Company B.E. 2541 with the main objective to manage non-performing assets of Bangkok Bank of Commerce Plc.

On March 29, 2002, the Company added more of its objectives in respect of management of non-performing assets and being an agent for debt collection pursuant to the Emergency Decree on Thai Asset Management Corporation B.E. 2544, including custody and management of assets, transfer documents or other documents and all relevant matters.

On February 4, 2003, the official receiver issued a warrant of order no. 1338/2546 which required Bangkok Commerce Plc. to transfer to FIDF all shares in BAM, totaling 546,999,993 shares with a par value of 25 Baht per share at the total book value of 13,674,999,825 Baht, thereby leading FIDF to become a direct shareholder of the Company.

On December 25, 2015, BAM registered a transformation into a public company in the name of Bangkok Commercial Asset Management Public Company Limited, headquartered at 99 Surasak Road, Silom, Bang Rak, Bangkok, to operate the business of purchasing or receiving transfer of non-performing loans (NPLs) and non-performing assets (NPAs) for management or for further disposal or transfer.

2. Basis for Preparation of the Financial Statements

2.1 Basis for preparation of interim financial statements

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (Revised 2018): Interim Financial Reporting by presenting the interim financial statements that exhibit items in the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows in the same manner as the annual financial statements. For notes to interim financial statements, only important items are disclosed.

2.1 Basis for preparation of interim financial statements (cont.)

These interim financial statements are prepared to update the information from the financial statement for the year ended December 31, 2018. Accordingly, these interim financial statements should be used together with that mentioned financial statements.

These financial statements are presented in the Notification of the Bank of Thailand (BOT) No. FPG. 22/2558 dated December 4, 2015, Re: Preparation and Announcement of Financial Statements of a Finance Company and a Credit Foncier Company, as well as the generally accepted accounting principles under the Accounting Act B.E. 2543.

An English language version of the interim financial statements has been prepared based on the Thai language version of the interim financial statements. Where there is any conflict in either the substance or the interpretation between the two versions, the Thai language interim financial statements shall prevail.

2.2 Use of accounting estimations

In preparation of the financial statements according to financial reporting standards, Management is always required to exercise discretion in making several estimations and assumptions, which affect the amounts relating to assets, liabilities, income and expense, and disclosure of information relating to other contingent assets and liabilities. Accordingly, the actual figures may differ from the estimates.

The estimations and assumptions applied in the preparation of the financial statements are reviewed continuously. Adjustment of these estimations is recorded in the accounting period when such estimations are reviewed and in the future period which is affected.

3. New Thai Financial Reporting Standards**3.1 Thai financial reporting standards taking effect in current accounting period**

During the period, the Company adopted new and revised Thai Financial Reporting Standards and Interpretation of Thai Financial Reporting Standards (revised 2018) according to the announcements of the Thailand Federation of Accounting Professions (TFAC) and enforceable to the financial statements of the accounting periods beginning on or after January 1, 2019. These Thai Financial Reporting Standards have been revised or prepared with the content to be on a par with those of international financial reporting standards, mostly involving clarification of the accounting practices and provision of standard accounting practice guidelines to users. Adoption of these Thai Financial Reporting Standards has no material effect on the Company's financial statements. However, the new Thai Financial Reporting Standards which include significant changes in their principles are summarized below:

3.1 Thai financial reporting standards taking effect in current accounting period (cont.)**Thai Financial Reporting Standards (TFRS) 15: Revenue from Contracts with Customers**

TFRS 15 replaces the relevant Thai Accounting Standards and Interpretation of Accounting Standards as follows:

Thai Accounting Standards

TAS 11 (Revised 2017)	Construction Contracts
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TAS 18 (Revised 2017)	Revenue
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Interpretation of Thai Accounting Standards

TSIC 31 (Revised 2017)	Revenue - Barter Transactions Involving Advertising Services
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Interpretation of Thai Financial Reporting Standards

TFRIC 13 (Revised 2017)	Customer Loyalty Programmes
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TFRIC 15 (Revised 2017)	Agreements for the Construction of Real Estate
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TFRIC 18 (Revised 2017)	Transfers of Assets from Customers
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The Company has to adopt TFRS 15 to all agreements with customers, unless those agreements are within the scope of other accounting standards. Under this standard, five stages of principles in recognizing income from the agreements with customers are specified. The Company will recognize income in the amount that reflects consideration that the Company expects to be entitled to obtain from barter of goods or services delivered to the customers. It is also required to use judgment and take into account all relevant facts and events in proceeding with such stages of principles.

This standard has no material effect on the Company's financial statements.

3.2 Thai Financial Reporting Standards enforceable to financial statements of the accounting periods beginning on or after January 1, 2020

TFAC has announced adoption of new Thai Financial Reporting Standards and Interpretation of Thai Financial Reporting Standards which will be enforceable to financial statements of the accounting periods beginning on or after January 1, 2020, as follows:

Thai Accounting Standards

TAS 1	Presentation of Financial Statements
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TAS 2	Inventories
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TAS 7	Statement of Cash Flows
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TAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
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TAS 10	Events after the Reporting Period
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3.2 Thai Financial Reporting Standards enforceable to financial statements of the accounting periods beginning on or after January 1, 2020 (cont.)

Thai Accounting Standards

TAS 16	Property, Plant and Equipment
TAS 20	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21	The Effects of Changes in Foreign Exchange Rates
TAS 24	Related Party Disclosures
TAS 26	Accounting and Reporting of Retirement Benefit Plans
TAS 27	Separate Financial Statements
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 33	Earnings per Share
TAS 34	Interim Financial Reporting
TAS 36	Impairment of Assets
TAS 37	Provisions, Contingent Liabilities and Contingent Assets
TAS 38	Intangible Assets
TAS 40	Investment Property
TAS 41	Agriculture

Thai Financial Reporting Standards

TFRS 2	Share-based Payment
TFRS 4	Insurance Contracts
TFRS 5	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRS 8	Operating Segment
TFRS 10	Consolidated Financial Statements
TFRS 12	Disclosure of Interests in Other Entities
TFRS 13	Fair Value Measurement
TFRS 15	Revenue from Contracts with Customers

Interpretation of Thai Accounting Standards

TSIC 10	Government Assistance - No Specific Relation to Operating Activities
TSIC 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders
TSIC 29	Service Concession Arrangements: Disclosures
TSIC 32	Intangible Assets - Web Site Costs

3.2 Thai Financial Reporting Standards enforceable to financial statements of the accounting periods beginning on or after January 1, 2020 (cont.)

Interpretation of Thai Financial Reporting Standards

TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
TFRIC 7	Applying the Restatement Approach under TAS 29: Financial Reporting in Hyperinflationary Economies
TFRIC 10	Interim Financial Reporting and Impairment
TFRIC 12	Service Concession Arrangements
TFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction for TAS 19: Employee Benefits
TFRIC 17	Distribution of Non-cash Assets to Owners
TFRIC 20	Stripping Costs in the Production Phase of a Surface Mine
TFRIC 21	Levies
TFRIC 22	Foreign Currency Transactions and Advance Consideration

Thai Financial Reporting Standards (TFRS): Financial Instruments Group

TFRS in the financial instruments group comprise five of standards and interpretation of standards as follows:

Thai Financial Reporting Standards

TFRS 7	Financial Instruments: Disclosures
TFRS 9	Financial Instruments

Thai Accounting Standard

TAS 32	Financial Instruments: Presentation
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Interpretation of Thai Financial Reporting Standards

TFRIC 16	Hedges of a Net Investment in a Foreign Operation
TFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The above TFRS group specifies the principles of classification and measurement of financial instruments using the fair value or amortized cost and taking into account the financial instrument type and characteristics of cash flows according to the agreement and business model, the principles for calculation of impairment of financial instruments based on the expected credit loss and the principles of risk hedging accounting, as well as presentation of items and disclosure of information on financial instruments. When such TFRS group takes effect, some accounting standards, interpretation of accounting standards and accounting practices that are currently in force will be repealed.

At present, Management is in the process of assessing possible impact on the financial statements in the first year of adoption of this TFRS group.

3.2 Thai Financial Reporting Standards enforceable to financial statements of the accounting periods beginning on or after January 1, 2020 (cont.)

Thai Financial Reporting Standard (TFRS) 16: Leases

TFRS 16 replaces TAS 17: Leases and interpretation of related accounting standards. This standard specifies the principles of recognition of items, measurement, presentation of items and disclosure of information on lease contracts, and requires that the lessee recognizes assets and liabilities on all lease contracts with the lease term of more than 12 months, unless such reference assets have low value.

As regards accounting for the lessor, there are no material changes from TAS 17. The lessor is still required to classify the type of lease contracts as operating lease or capital lease using the same principles as those of TAS 17.

At present, Management is in the process of assessing possible impact on the financial statements in the first year of adoption of this TFRS group

4. Summary Significant Accounting Policies

The interim financial statements are prepared based on the same accounting policy and calculation methods as those used in the financial statements for the year ended December 31, 2018.

5. Additional Information

5.1 Cash

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Cash	6.39	3.61
Total	6.39	3.61

As at September 30, 2019 and December 31, 2018 cash and cash equivalent items disclosed in the statement of cash flows were as below:

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Cash	6.39	3.61
Deposits in transit	32.35	9.89
Deposits at domestic banks		
Current and saving deposits	1,502.45	1,021.61
Fixed deposits	0.20	0.20
Total cash and deposits at banks	1,541.39	1,035.31
<u>Less</u> Deposits under guarantee obligation	(3.69)	(3.74)
Cash and cash equivalent items	1,537.70	1,031.57

(TRANSLATION)

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5.2 Cash at financial institutions

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Deposits in transit	32.35	9.89
Deposits at domestic banks		
Current and savings deposits	1,502.45	1,021.61
Fixed deposits	0.20	0.20
Accrued interest receivable	5.96	0.10
Total deposits at domestic banks	1,508.61	1,021.91
Total	1,540.96	1,031.80

	Unit : Million Baht		
	September 30, 2019		
	At call	Tenor	Total
<u>Domestic</u>			
Commercial banks	1,500.02	0.20	1,500.22
Specialized financial institutions	2.43	-	2.43
Total deposits	1,502.45	0.20	1,502.65
Accrued interest receivable	5.96	-	5.96
Total deposits at domestic banks	1,508.41	0.20	1,508.61

	Unit : Million Baht		
	December 31, 2018		
	At call	Tenor	Total
<u>Domestic</u>			
Commercial banks	718.06	300.20	1,018.26
Specialized financial institutions	3.55	-	3.55
Total deposits	721.61	300.20	1,021.81
Accrued interest receivable	0.06	0.04	0.10
Total deposits at domestic banks	721.67	300.24	1,021.91

As at September 30, 2019, savings and fixed deposits carried interest rates of between 0.125% and 1.10% per annum (December 31, 2018: from 0.125% to 1.30% per annum). Furthermore, as at September 30, 2019, the Company had savings deposits of 3.69 million Baht for electricity use guarantee (December 31, 2018: 3.74 million Baht).

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5.3 Investment in securities - net

5.3.1 Classified by type of investment

Unit : Million Baht

	September 30, 2019		December 31, 2018	
	Cost/ Amortized cost	Fair value	Cost/ Amortized cost	Fair value
<u>Available-for-sale securities</u>				
Government and state enterprise securities	5,610.55	5,611.56	-	-
Domestic marketable equity securities	340.30	72.70	342.58	87.00
Warrant	-	0.50	-	1.15
<u>Less</u> Revaluation of investment in securities	(27.79)	-	(30.06)	-
<u>Less</u> Revaluation allowance	(71.95)	-	(58.02)	-
<u>Less</u> Allowance for impairment	(166.35)	-	(166.35)	-
Total	5,684.76	5,684.76	88.15	88.15
<u>Held-to-maturity debt securities</u>				
Private debt securities	49.70		49.70	
<u>Less</u> Revaluation of investment in securities	(49.70)		(49.70)	
Total	-		-	
<u>General investment</u>				
Non-marketable equity securities	715.37		715.37	
<u>Less</u> Revaluation of investment in securities	(545.13)		(545.13)	
<u>Less</u> Allowance for impairment	(164.94)		(164.45)	
Total	5.30		5.79	
Total investment in securities - net	5,690.06		93.94	

5.3.2 Classified by remaining maturity period

As at September 30, 2019 and December 31, 2018 investment in debt securities classified by maturity period was as follows:

	September 30, 2019 and December 31, 2018			
	Unit : Million Baht			
	At call	Not over 1 year	1 - 5 years	Over 5 years
<u>Held-to-maturity debt securities</u>				
Private debt securities	49.70	-	-	-
<u>Less</u> Revaluation of investment in securities	(49.70)	-	-	-
Total debt securities	-	-	-	-

As at September 30, 2019 and December 31, 2018 the above investment in debt securities was transfer of debentures of a debtor from the Company upon which the Central Bankruptcy Court issued a receivership order in 2002. In 2008, the information showed that the debtor had a bankruptcy status. Thus, the net book value of investment in such company was equal to zero as from the acquisition date.

5.3.3 Investment in securities in which the Company has 10% or more shareholding

As at September 30, 2019 and December 31, 2018 investment in securities in which the Company has held 10% or more of the total shares sold, but not regarded as investment in subsidiaries or associated companies, can be classified by industrial sector as follows:

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Agriculture and mining	13.13	13.13
Manufacturing and commerce	63.19	63.19
Real estate and construction	10.02	10.02
Public utility and service	159.42	159.42
Financial intermediary	12.23	12.23
Total	257.99	257.99

As at September 30, 2019 and December 31, 2018 domestic non-marketable equity securities which were classified as general investment of 715.37 million Baht and 715.37 million Baht respectively, included investment in ordinary shares of Rojthip Co., Ltd. at the cost of 0.95 million Baht (equal to 99.94% shareholding by the Company). As the Company had no controlling power, either directly or indirectly, such investment was classified as general investment. Moreover, with Rojthip Co., Ltd. having investment in another 20 entities, the Company had total direct and indirect investment in 21 entities. However, as Rojthip Co., Ltd. and most companies in its group were under liquidation process, the Company set aside allowance for impairment of investment in full.

5.3.4 Capital surplus (deficit) from changes in investment value

As at September 30, 2019 and December 31, 2018 capital surplus (deficit) from changes in investment value and movements of capital surplus (deficit) from changes in investment value were as below:

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Capital surplus from changes in investment value		
Available-for-sale investment - equity securities	19.90	27.92
Total capital surplus from changes in investment value	19.90	27.92
Capital deficit from changes in investment value		
Available-for-sale investment - equity securities	(91.85)	(85.94)
Total capital deficit from changes in investment value	(91.85)	(85.94)
Total capital deficit from changes in investment value - net	(71.95)	(58.02)

Changes in capital surplus (deficit) from changes in investment value for the nine-month period ended September 30, 2019 and for the year ended December 31, 2018 were as follows:

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Capital surplus (deficit) from changes in investment value		
Beginning balance	(58.02)	(46.25)
Gain (loss) on valuation of investment during the period	(13.93)	(11.77)
Ending balance	(71.95)	(58.02)

5.4 Loans purchased

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Loans purchased	85,513.39	81,718.99
<u>Less</u> Allowance for doubtful accounts	(6,377.28)	(6,285.05)
Loans purchased - net	79,136.11	75,433.94

5.4 Loans purchased (cont.)

Changes in loans purchased for the nine-month period ended September 30, 2019 and for the year ended December 31, 2018 were as follows:

	Unit : Million Baht	
	For nine-month period ended September 30, 2019	For the year ended December 31, 2018
Loans purchased beginning balance	81,803.80	79,913.98
<u>Add</u> Additional purchase	12,116.67	10,971.26
<u>Less</u> Receipt of debt payment and adjustment - net	(8,322.27)	(9,081.44)
Balance of loans purchased before adjustment	85,598.20	81,803.80
<u>Less</u> Revaluation of loans purchased	(84.81)	(84.81)
Balance of loans purchased	85,513.39	81,718.99
<u>Less</u> Allowance for doubtful accounts	(6,377.28)	(6,285.05)
Loans purchased - net	79,136.11	75,433.94

During the period, the Company purchased right of claim for loans purchased from financial institutions in a total amount of 12,116.67 million Baht (for the year ended December 31, 2018: 10,971.26 million Baht).

As at September 30, 2019 and December 31, 2018 the Company had total loans purchased - net of 79,136.11 million Baht and 75,433.94 million Baht respectively. Meanwhile, the Company had the right of claim from debtors as specified under the agreements in a total amount of 471,124.43 million Baht and 454,965.71 million Baht respectively.

5.4.1 Allowance for doubtful accounts

As at September 30, 2019 and December 31, 2018 allowance for doubtful accounts of loans purchased was as below:

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Beginning balance	6,285.05	6,943.39
Write-off of bad debts	(117.41)	(496.15)
Addition/Reversal of allowance in this period	209.64	(162.19)
Total	6,377.28	6,285.05

5.4.1 Allowance for doubtful accounts (cont.)

Reconciliation of allowance for doubtful accounts, classified by class of debts, was as below:

Unit : Million Baht

September 30, 2019						
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Beginning balance	184.35	40.89	140.76	0.55	5,918.50	6,285.05
Write-off of bad debts	-	-	-	-	(117.41)	(117.41)
Increase (Decrease)						
during the period	21.89	(33.21)	(25.75)	3.53	243.18	209.64
Ending balance	206.24	7.68	115.01	4.08	6,044.27	6,377.28

Unit : Million Baht

December 31, 2018						
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Beginning balance	173.23	14.09	68.25	6.05	6,681.77	6,943.39
Write-off of bad debts	-	-	-	-	(496.15)	(496.15)
Increase (Decrease)						
during the period	11.12	26.80	72.51	(5.50)	(267.12)	(162.19)
Ending balance	184.35	40.89	140.76	0.55	5,918.50	6,285.05

5.4.2 Classified by currency and domicile of debtors

As at September 30, 2019 and December 31, 2018 the entire amount of loans purchased was loans purchased from other financial institutions. All debtors were debtors in baht currency and having domicile both domestically and abroad, details of which were as follows:

Unit : Million Baht

	September 30, 2019			December 31, 2018		
	Domestic	Overseas	Total	Domestic	Overseas	Total
Baht	85,489.06	24.33	85,513.39	81,694.66	24.33	81,718.99
Total	85,489.06	24.33	85,513.39	81,694.66	24.33	81,718.99

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5.4.3 Classified by type of debtors and debtor classification

As at September 30, 2019 and December 31, 2018 loans purchased classified by type and classification were as below:

Unit : Million Baht

	September 30, 2019					
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Juristic persons	904.21	57.03	1,341.29	163.04	31,221.53	33,687.10
Individuals	3,992.02	469.65	1,571.54	66.42	45,726.66	51,826.29
Total	4,896.23	526.68	2,912.83	229.46	76,948.19	85,513.39

Unit : Million Baht

	December 31, 2018					
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Juristic persons	1,062.39	372.38	1,209.40	1.39	31,593.75	34,239.31
Individuals	2,915.29	737.93	1,215.25	15.98	42,595.23	47,479.68
Total	3,977.68	1,110.31	2,424.65	17.37	74,188.98	81,718.99

5.4.4 Debt restructuring

During the nine-month period ended September 30, 2019 and 2018, the Company entered into debt restructuring agreements of loans purchased in various forms with details as below:

Unit : Million Baht

For nine-month period ended September 30, 2019					
Debt restructuring form	Number of debtors	Balance before debt restructuring	Balance after debt restructuring	Type of assets to be received from transfer under agreements	Value of assets to be received from transfer under agreements
Change in debt payment conditions	4,127	6,145.32	6,145.32		
Transfer of assets and/or change in debt payment conditions	87	219.54	219.54	Empty land Machinery Ownership of condominium units Land and constructions	37.78 4.20 16.95 282.15
Total	4,214	6,364.86	6,364.86		341.08

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5.4.4 Debt restructuring (cont.)

Unit : Million Baht

For nine-month period ended September 30, 2018					
Debt restructuring form	Number of debtors	Balance before debt restructuring	Balance after debt restructuring	Type of assets to be received from transfer under agreements	Value of assets to be received from transfer under agreements
Change in debt payment conditions	4,022	9,616.47	9,616.47		
Transfer of assets and/or change in debt payment conditions	53	219.78	219.78	Empty land Buildings and construction Land and constructions Machinery	53.44 4.09 246.51 1.83
Total	4,075	9,836.25	9,836.25		305.87

Loans purchased acquired from transfer under debt restructuring agreements during the nine-month period ended September 30, 2019 and 2018 with contractual term counting from remaining tenor of debts were as follows:

Unit : Million Baht

Period	September 30, 2019		September 30, 2018	
	Number of debtors	Balance after debt restructuring	Number of debtors	Balance after debt restructuring
- Default after agreement execution/termination	938	1,803.26	696	4,788.99
- Payment due				
Less than 5 years	2,547	3,810.07	2,687	4,353.62
5 - 10 years	658	671.86	571	558.63
More than 10 years	71	79.67	121	135.01
Total	4,214	6,364.86	4,075	9,836.25

5.4.4 Debt restructuring (cont.)

Debtors with debt restructuring agreements for the nine-month period ended September 30, 2019 and 2018 classified by installment payment tenor according to debt restructuring agreements were as follows:

Installment payment tenor according to debt restructuring agreement	Unit : Million Baht			
	September 30, 2019		September 30, 2018	
	Number of debtors	Balance after debt restructuring	Number of debtors	Balance after debt restructuring
Less than 5 years	2,976	4,996.40	2,526	7,845.61
5 - 10 years	1,106	1,219.46	1,263	1,689.30
More than 10 years	132	149.00	286	301.34
Total	4,214	6,364.86	4,075	9,836.25

Data for the nine-month period ended September 30, 2019 and 2018 regarding debtors of loans purchased with debt restructuring was as follows:

	Unit : Million baht	
	September 30, 2019	September 30, 2018
Interest income from loans purchased	2,192.73	2,563.21
Cash received from loans purchased	3,920.71	4,663.99
Assets transferred from loans purchased	257.00	296.50
Revaluation of properties for sale obtained from transfer	108.35	98.42

The Company had outstanding balance of loans purchased after debt restructuring at end of period as follows:

	Total debtors	
	September 30, 2019	December 31, 2018
Number of debtors (debtor groups)	89,137	86,710
Outstanding balance of loans purchased (million Baht)	85,513.39	81,718.99

	Debtors with debt restructuring	
	September 30, 2019	December 31, 2018
Number of debtors (debtor groups)	6,743	5,672
Number of debtors (debtors)	7,090	5,928
Outstanding balance of loans purchased (million Baht)	8,567.83	7,531.32

5.4.4 Debt restructuring (cont.)

As at September 30, 2019 and December 31, 2018 the Company had no outstanding obligations agreed as additional loans for debtors of loans purchased after debt restructuring.

5.4.5 Classified by classification type

As at September 30, 2019 and December 31, 2018 the Company had loans purchased that were classified debtors and relevant allowance for doubtful accounts based on criteria in notifications of BOT as follows:

Unit : Million Baht

September 30, 2019			
Loans purchased	Loans after deduction of collateral	Rate applicable for allowance for doubtful accounts	Allowance for doubtful accounts
Pass*	4,896.23	100.00	206.24
Special mention*	526.68	100.00	7.68
Substandard	2,912.83	100.00	115.01
Doubtful	229.46	100.00	4.08
Doubtful of loss	76,948.19	100.00	6,044.27
Total	85,513.39		6,377.28

Unit : Million Baht

December 31, 2018			
Loans purchased	Loans after deduction of collateral	Rate applicable for allowance for doubtful accounts	Allowance for doubtful accounts
Pass*	3,977.68	100.00	184.35
Special mention*	1,110.31	100.00	40.89
Substandard	2,424.65	100.00	140.76
Doubtful	17.37	100.00	0.55
Doubtful of loss	74,188.98	100.00	5,918.50
Total	81,718.99		6,285.05

* To set allowance for doubtful accounts, the Company takes into account the present value of cash flow from debt restructuring expected to be received in the future, using a discount rate based on the interest rate under the debt restructuring agreement.

5.4.6 Outstanding loans purchased on accrual basis and collateral value

As at September 30, 2019 and December 31, 2018 outstanding balance of loans purchased and collateral value calculated based on the latest valuation prices after discount according to BOT's criteria was as follows:

Unit : Million Baht

	September 30, 2019			
	Debt amounts under original agreements (right obligations)	Loans purchased (equity obligations)	Collateral value before discount according to BOT's criteria*	Collateral value after discount according to BOT's criteria**
Loans purchased				
with debt restructuring				
- 0 - 1 month overdue	7,319.83	4,896.23	14,766.21	13,289.90
- Overdue over 1 - 3 months	873.19	526.68	1,838.91	1,655.03
- Overdue over 3 - 6 months	4,831.83	2,912.83	6,910.97	4,323.40
- Overdue over 6 months	920.32	232.09	1,393.10	865.61
Total	13,945.17	8,567.83	24,909.19	20,133.94
Loans purchased				
without debt restructuring	457,179.26	76,945.56	170,645.10	115,941.97
Total	457,179.26	76,945.56	170,645.10	115,941.97
Grand total	471,124.43	85,513.39	195,554.29	136,075.91

* This is calculated based on the appraisal price in accordance with the latest resolution of the committee on the appraisal price (notwithstanding the price having already been appraised for more than 3 years). If collateral has been put up for auction sale and has already been purchased, the bidding price less an expense estimate will be placed. Also, the collateral value will be based on the appraisal price before the debt on accrual basis between the Company and a debtor is considered and before the mortgage value is considered.

** This is calculated by the collateral value less discount according to BOT criteria, and the collateral value shall not be used provided that the appraisal has occurred longer than 3 years from the date of the appraisal price approved. If collateral has been put up for auction sale and has already been purchased, the bidding price less an expense estimate will be placed. Also, the collateral value will be based on the appraisal price before the debt on accrual basis between the Company and a debtor is considered and before the mortgage value is considered.

5.4.6 Outstanding loans purchased on accrual basis and collateral value (cont.)

Unit : Million Baht

December 31, 2018				
	Debt amounts under original agreements (right obligations)	Loans purchased (equity obligations)	Collateral value before discount according to BOT's criteria*	Collateral value after discount according to BOT's criteria**
Loans purchased				
with debt restructuring				
- 0 - 1 month overdue	6,197.53	3,977.68	12,977.11	11,680.47
- Overdue over 1 - 3 months	2,127.53	1,110.31	3,641.25	3,277.21
- Overdue over 3 - 6 months	4,229.15	2,424.65	6,424.98	4,056.08
- Overdue over 6 months	61.71	18.68	85.48	51.41
Total	12,615.92	7,531.32	23,128.82	19,065.17
Loans purchased				
without debt restructuring	442,349.79	74,187.67	169,065.50	117,311.58
Total	442,349.79	74,187.67	169,065.50	117,311.58
Grand total	454,965.71	81,718.99	192,194.32	136,376.75

* This is calculated based on the appraisal price in accordance with the latest resolution of the committee on the appraisal price (notwithstanding the price having already been appraised for more than 3 years). If collateral has been put up for auction sale and has already been purchased, the bidding price less an expense estimate will be placed. Also, the collateral value will be based on the appraisal price before the debt on accrual basis between the Company and a debtor is considered and before the mortgage value is considered.

** This is calculated by the collateral value less discount according to BOT criteria, and the collateral value shall not be used provided that the appraisal has occurred longer than 3 years from the date of the appraisal price approved. If collateral has been put up for auction sale and has already been purchased, the bidding price less an expense estimate will be placed. Also, the collateral value will be based on the appraisal price before the debt on accrual basis between the Company and a debtor is considered and before the mortgage value is considered.

5.5 Installment sale receivables

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Beginning balance	1,452.84	1,164.80
<u>Add</u> Additional items during the period	380.17	670.03
<u>Less</u> Received during the period	(258.50)	(366.41)
<u>Less</u> Sale cancellation	(32.17)	(15.58)
Ending balance	1,542.34	1,452.84
<u>Less</u> Deferred gross margin from installment sale receivables	(864.17)	(742.33)
<u>Less</u> Allowance for doubtful debts - installment sale receivables	(1.96)	(2.21)
Installment sale receivables - net	676.21	708.30

As at September 30, 2019 and December 31, 2018 installment sale receivables classified by overdue period were as below:

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Overdue period		
Not overdue	1,276.17	797.30
Overdue 1 - 30 days	69.67	413.24
Overdue 31 - 90 days	75.75	200.76
Overdue 91 - 180 days	59.51	30.48
Overdue 181 days - 12 months	49.69	4.66
Overdue for more than 12 months	11.55	6.40
Total	1,542.34	1,452.84

5.5.1 Debt restructuring

During the nine-month period ended September 30, 2019 and 2018, the Company entered into debt restructuring agreements for installment sale receivables in various forms with details as below:

Unit : Million Baht

For nine-month period ended September 30, 2019			
Debt restructuring form	Number of debtors	Balance before debt restructuring	Balance after debt restructuring
Change in debt payment conditions	25	590.16	590.16
Total	25	590.16	590.16

Unit : Million Baht

For nine-month period ended September 30, 2018			
Debt restructuring form	Number of debtors	Balance before debt restructuring	Balance after debt restructuring
Change in debt payment conditions	40	378.63	378.63
Total	40	378.63	378.63

Installment sale receivables with debt restructuring agreements during the nine-month period ended September 30, 2019 and 2018 with contractual term counting from remaining tenor of debts were as follows:

Unit : Million Baht

Period	For nine-month period ended			
	September 30, 2019		September 30, 2018	
	Number of debtors	Balance after debt restructuring	Number of debtors	Balance after debt restructuring
- Account closed	4	18.80	9	0.80
- Payment due				
Less than 5 years	16	570.10	24	375.90
5-10 years	5	1.26	7	1.93
Total	25	590.16	40	378.63

5.5.1 Debt restructuring (cont.)

Installment sale receivables with debt restructuring for the nine-month period ended September 30, 2019 and 2018 were classified by installment payment period under the debt restructuring agreement as follows:

Unit : Million Baht

	For nine-month period ended			
	September 30, 2019		September 30, 2018	
	Number of debtors	Balance after debt restructuring	Number of debtors	Balance after debt restructuring
Installment payment tenor according to debt restructuring agreement				
Less than 5 years	19	588.90	33	376.70
5-10 years	6	1.26	7	1.93
Total	25	590.16	40	378.63

Data for the nine-month period ended September 30, 2019 and 2018 regarding installment sale receivables with debt restructuring was as follows:

Unit : Million Baht

	September 30, 2019	September 30, 2018
Interest income from installment sale receivables	54.59	48.13
Gain on installment sales	45.83	11.56
Cash received from installment sale receivables	169.45	152.59

The Company had remaining installment sale receivables after debt restructuring at end of period as follows:

	Total debtors	
	September 30, 2019	December 31, 2018
Number of debtors (debtors)	2,044	1,734
Outstanding balance of installment sale receivables (million Baht)	1,542.34	1,452.84
	Debtors with debt restructuring	
	September 30, 2019	December 31, 2018
Number of debtors (debtors)	68	76
Outstanding balance of installment sale receivables (million Baht)	792.66	849.57

5.6 Properties for sale - net

Properties for sale consisted of immovable and movable properties acquired from debt settlement by debtors and purchased from asset management companies and financial institutions, as follows:

Unit : Million Baht

	September 30, 2019			
	Bid from financial institutions	Transfer of properties for debt repayment/Bid from debtors	Branches not in operation	Total
Immovable properties				
Beginning balance	5,656.77	20,994.08	25.57	26,676.42
Increase	296.02	5,874.95	-	6,170.97
Decrease	(288.35)	(1,458.90)	-	(1,747.25)
Ending balance	5,664.44	25,410.13	25.57	31,100.14
Movable properties				
Beginning balance	3.97	343.54	-	347.51
Increase	-	2.93	-	2.93
Ending balance	3.97	346.47	-	350.44
Total ending balance	5,668.41	25,756.60	25.57	31,450.58
<u>Less</u> Revaluation of properties for sale				(7,692.71)
<u>Less</u> Allowance for impairment of properties for sale				(513.07)
Properties for sale - net				23,244.80

5.6 Properties for sale - net (cont.)

Unit : Million Baht

December 31, 2018				
	Bid from financial institutions	Transfer of properties for debt repayment/Bid from debtors	Branches not in operation	Total
Immovable properties				
Beginning balance	5,391.46	17,475.17	-	22,866.63
Increase	1,117.06	5,914.09	25.57	7,056.72
Decrease	(851.75)	(2,395.18)	-	(3,246.93)
Ending balance	5,656.77	20,994.08	25.57	26,676.42
Movable properties				
Beginning balance	3.97	290.39	-	294.36
Increase	-	53.15	-	53.15
Ending balance	3.97	343.54	-	347.51
Total ending balance	5,660.74	21,337.62	25.57	27,023.93
<u>Less</u> Revaluation of properties for sale				(5,905.55)
<u>Less</u> Allowance for impairment of properties for sale				(522.56)
Properties for sale - net				20,595.82

As at September 30, 2019, the appraised value of the immovable and movable properties for sale was 54,035.18 million Baht and 432.00 million Baht (December 31, 2018: 48,024.43 million Baht and 458.21 million Baht respectively).

Properties for sale on the part appraised by an external appraiser and that by the internal appraiser as at September 30, 2019 and December 31, 2018 were as follows:

Unit : Million Baht		
	September 30, 2019	December 31, 2018
Appraised by external appraiser	27,916.33	23,911.56
Appraised by internal appraiser	3,534.25	3,112.37
Total	31,450.58	27,023.93

5.7 Accrued income from auction sale - net

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
External buyers	6,892.13	5,463.42
<u>Less</u> Estimated auction sale expenses	<u>(493.96)</u>	<u>(390.67)</u>
External buyers - net	6,398.17	5,072.75
The Company as buyer	2,660.59	2,042.70
Accrued income from auction sale - net	<u>9,058.76</u>	<u>7,115.45</u>

As at September 30, 2019 and December 31, 2018 accrued income from auction sale classified by outstanding period was as follows:

	Unit : Million Baht		
	September 30, 2019		
	External buyers*	The Company as buyer	Total
Overdue period			
Within 1 year	1,729.74	1,202.12	2,931.86
Over 1 year but not over 3 years	2,756.04	1,176.98	3,933.02
Over 3 years but not over 5 years	774.93	280.41	1,055.34
Over 5 years	1,631.42	1.08	1,632.50
Total	<u>6,892.13</u>	<u>2,660.59</u>	<u>9,552.72</u>

	Unit : Million Baht		
	December 31, 2018		
	External buyers*	The Company as buyer	Total
Overdue period			
Within 1 year	1,550.51	1,161.14	2,711.65
Over 1 year but not over 3 years	2,073.94	814.30	2,888.24
Over 3 years but not over 5 years	758.92	66.18	825.10
Over 5 years	1,080.05	1.08	1,081.13
Total	<u>5,463.42</u>	<u>2,042.70</u>	<u>7,506.12</u>

*The Company will record accrued income from auction sale on the day when the buyer has made full payment to the Legal Execution Department.

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5.8 Premises and equipment - net

Premises and equipment as at September 30, 2019 and December 31, 2018 consisted of:

Unit : Million Baht

September 30, 2019									
	Cost				Accumulated depreciation				Net book value
	Beginning balance	Increased/ Received from transfer	Disposed/ Transfer	Ending balance	Beginning balance	Depreciation	Disposed	Ending balance	
1. Land	778.20	8.96	-	787.16	-	-	-	-	787.16
2. Buildings	431.92	5.03	-	436.95	245.57	16.31	-	261.88	175.07
3. Building improvement	449.97	18.40	-	468.37	288.79	38.85	-	327.64	140.73
4. Equipment	611.39	40.79	4.39	647.79	486.00	45.04	4.39	526.65	121.14
5. Work in process	0.42	22.31	17.80	4.93	-	-	-	-	4.93
Total	2,271.90	95.49	22.19	2,345.20	1,020.36	100.20	4.39	1,116.17	1,229.03

Unit : Million Baht

December 31, 2018									
	Cost				Accumulated depreciation				Net book value
	Beginning balance	Increased/ Received from transfer	Disposed/ Transfer	Ending balance	Beginning balance	Depreciation	Disposed	Ending balance	
1. Land	780.03	20.79	22.62	778.20	-	-	-	-	778.20
2. Buildings	434.07	4.35	6.50	431.92	227.55	21.57	3.55	245.57	186.35
3. Building improvement	415.28	44.14	9.45	449.97	248.30	49.94	9.45	288.79	161.18
4. Equipment	619.17	33.42	41.20	611.39	461.37	65.83	41.20	486.00	125.39
5. Work in process	20.72	20.68	40.98	0.42	-	-	-	-	0.42
Total	2,269.27	123.38	120.75	2,271.90	937.22	137.34	54.20	1,020.36	1,251.54

5.9 Intangible assets - net

Intangible assets as at September 30, 2019 and December 31, 2018 comprised:

Unit : Million Baht

September 30, 2019								
	Cost				Accumulated amortization			Net book value
	Beginning balance	Increased/Received from transfer	Disposed/Transfer	Ending balance	Beginning balance	Amortization	Disposed	Ending balance
1. Computer software	74.47	8.88	-	83.35	62.34	4.12	-	66.46
2. Work in process	1.15	1.68	2.30	0.53	-	-	-	-
Total	75.62	10.56	2.30	83.88	62.34	4.12	-	66.46

Unit : Million Baht

December 31, 2018								
	Cost				Accumulated amortization			Net book value
	Beginning balance	Increased/Received from transfer	Disposed/Transfer	Ending balance	Beginning balance	Amortization	Disposed	Ending balance
1. Computer software	69.02	5.45	-	74.47	58.37	3.97	-	62.34
2. Work in process	-	1.84	0.69	1.15	-	-	-	-
Total	69.02	7.29	0.69	75.62	58.37	3.97	-	62.34

5.10 Advance for expenses on asset acquisition and others

As at September 30, 2019 and December 31, 2018 were as below:

Unit : Million baht

	September 30, 2019	December 31, 2018
Advance for expenses on asset acquisition	217.56	416.40
Deposit placed for asset acquisition	713.32	798.83
Income tax refund	0.33	0.34
Ownership transfer expenses	0.05	0.04
Maintenance fees and others	3.59	1.66
Total	934.85	1,217.27

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5.11 Other assets

Other assets as of September 30, 2019 and December 31, 2018 were as below:

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Prepaid expenses and deferred expenses	59.20	57.11
Accrued revenue, interest and dividend receivable	11.83	36.20
Advance for litigation expenses	27.39	18.91
Withholding income tax	4.31	-
Employee welfare receivables	49.07	58.43
Others	14.93	17.40
Total	166.73	188.05

5.12 Classified assets/asset quality

As at September 30, 2019 and December 31, 2018 the Company's classified assets consisted of investment in securities, loans purchased, installment sale receivables and properties for sale which were classified according to BOT criteria, including analysis of debtors of each type and assessment of each debtor's status, as follows:

	September 30, 2019				
	Investment in securities	Loans purchased	Installment sale receivables	Properties for sale	Total
Pass	-	4,896.23	1,345.84	-	6,242.07
Special mention	-	526.68	75.75	-	602.43
Substandard	-	2,912.83	59.51	-	2,972.34
Doubtful	-	229.46	49.69	-	279.15
Doubtful of loss	423.14	76,948.19	11.55	513.07	77,895.95
Total	423.14	85,513.39	1,542.34	513.07	87,991.94

	December 31, 2018				
	Investment in securities	Loans purchased	Installment sale receivables	Properties for sale	Total
Pass	-	3,977.68	1,210.54	-	5,188.22
Special mention	-	1,110.31	200.76	-	1,311.07
Substandard	-	2,424.65	30.48	-	2,455.13
Doubtful	-	17.37	4.66	-	22.03
Doubtful of loss	416.74	74,188.98	6.40	522.56	75,134.68
Total	416.74	81,718.99	1,452.84	522.56	84,111.13

5.13 Debt issued and borrowings

As at September 30, 2019 and December 31, 2018 notes payable, borrowings and debentures classified by type and term were as follows:

Unit : Million Baht

	September 30, 2019			
	Beginning balance	Increase	Decrease	Ending balance
<u>Notes payable</u>				
Short term	2,281.40	4,638.52	4,446.73	2,473.19
Long term	2,259.39	449.29	340.70	2,367.98
Total	4,540.79	5,087.81	4,787.43	4,841.17
<u>Less</u> Deferred interest expense	(220.40)	(31.77)	(43.39)	(208.78)
Notes payable aval expense	(7.79)	(4.41)	(7.62)	(4.58)
Total notes payable	4,312.60	5,051.63	4,736.42	4,627.81
<u>Borrowings</u>				
Short term	9,547.45	42,304.64	41,010.94	10,841.15
Long term	11,686.44	10,247.33	10,485.17	11,448.60
Total	21,233.89	52,551.97	51,496.11	22,289.75
<u>Less</u> Deferred credit fee	(1.65)	-	(1.01)	(0.64)
Total borrowings	21,232.24	52,551.97	51,495.10	22,289.11
Total notes payable and borrowings	25,544.84	57,603.60	56,231.52	26,916.92
<u>Debentures</u>				
Short term	7,230.00	800.00	4,000.00	4,030.00
Long term	24,970.00	20,000.00	800.00	44,170.00
Total	32,200.00	20,800.00	4,800.00	48,200.00
<u>Less</u> Debenture issue expense	(35.56)	(30.06)	(8.82)	(56.80)
Total debentures	32,164.44	20,769.94	4,791.18	48,143.20
Grand total	57,709.28	78,373.54	61,022.70	75,060.12

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5.13 Debt issued and borrowings (cont.)

Unit : Million Baht

December 31, 2018				
	Beginning balance	Increase	Decrease	Ending balance
<u>Notes payable</u>				
Short term	2,534.22	4,736.40	4,989.22	2,281.40
Long term	2,163.99	1,355.13	1,259.73	2,259.39
Total	4,698.21	6,091.53	6,248.95	4,540.79
<u>Less</u> Deferred interest expense	(138.27)	(113.19)	(31.06)	(220.40)
Notes payable aval expense	(24.81)	-	(17.02)	(7.79)
Total notes payable	4,535.13	5,978.34	6,200.87	4,312.60
<u>Borrowings</u>				
Short term	10,812.47	15,586.30	16,851.32	9,547.45
Long term	10,761.22	16,430.55	15,505.33	11,686.44
Total	21,573.69	32,016.85	32,356.65	21,233.89
<u>Less</u> Deferred credit fee	(2.99)	-	(1.34)	(1.65)
Total borrowings	21,570.70	32,016.85	32,355.31	21,232.24
Total notes payable and borrowings	26,105.83	37,995.19	38,556.18	25,544.84
<u>Debentures</u>				
Short term	6,600.00	7,230.00	6,600.00	7,230.00
Long term	24,200.00	8,000.00	7,230.00	24,970.00
Total	30,800.00	15,230.00	13,830.00	32,200.00
<u>Less</u> Debenture issue expense	(37.36)	(12.66)	(14.46)	(35.56)
Total debentures	30,762.64	15,217.34	13,815.54	32,164.44
Grand total	56,868.47	53,212.53	52,371.72	57,709.28

5.13 Debt issued and borrowings (cont.)

As at September 30, 2019 and December 31, 2018 the Company had notes payable and borrowings with interest rates (percentage), maturity dates and interest payment as follows:

September 30, 2019			
	Interest rate	Maturity	Interest payment
	(%)	date	
<u>Notes payable</u>			
Short term	0 - 2.25	2019 - 2020	Interest payment upon maturity
Long term	0 - 2.25	2020 - 2026	Interest payment upon maturity
<u>Borrowings</u>			
Short term	2.80 - 3.55	2019 - 2020	Interest payment every month-end/upon maturity/every 3 months/every 6 months
Long term	2.80 - 3.55	2020 - 2023	Interest payment every month-end/upon maturity/every 3 months/every 6 months
December 31, 2018			
	Interest rate	Maturity	Interest payment
	(%)	date	
<u>Notes payable</u>			
Short term	0 - 2.30	2019	Interest payment upon maturity
Long term	0 - 2.25	2020 - 2026	Interest payment upon maturity
<u>Borrowings</u>			
Short term	2.70 - 3.55	2019	Interest payment every month-end/upon maturity/every 3 months/every 6 months
Long term	2.70 - 3.55	2020 - 2023	Interest payment every month-end/upon maturity/every 3 months/every 6 months

5.13 Debt issued and borrowings (cont.)

As at September 30, 2019 and December 31, 2018 the Company had name-registered, non-subordinated, unsecured debentures, with no debenture holders' representative, issued with a par value of 1,000.00 Baht per unit, comprising:

September 30, 2019							
Series	No.	Number issued (million units)	Amount issued (million Baht)	Issuance date	Maturity period	Redemption date	Interest rate (% p.a.)
1/2016	2	1.00	1,000.00	December 22, 2016	3 years	December 22, 2019	2.71
1/2016	3	1.10	1,100.00	December 22, 2016	7 years	December 22, 2023	3.79
1/2017	2	0.80	800.00	June 23, 2017	3 years	June 23, 2020	2.38
1/2017	3	1.40	1,400.00	June 23, 2017	5 years	June 23, 2022	3.41
1/2017	4	1.40	1,400.00	June 23, 2017	7 years	June 23, 2024	3.64
1/2017	5	1.50	1,500.00	June 23, 2017	10 years	June 23, 2027	3.92
2/2017	2	1.00	1,000.00	September 8, 2017	4 years	September 8, 2021	2.53
2/2017	3	3.80	3,800.00	September 8, 2017	6 years	September 8, 2023	3.44
2/2017	4	3.20	3,200.00	September 8, 2017	8 years	September 8, 2025	3.73
2/2017	5	5.00	5,000.00	September 8, 2017	10 years	September 8, 2027	3.91
1/2018	1	2.23	2,230.00	June 21, 2018	1 year 6 months	December 21, 2019	2.18
1/2018	2	3.00	3,000.00	June 21, 2018	3 years	June 21, 2021	2.50
1/2018	3	0.37	370.00	June 21, 2018	7 years	June 21, 2025	3.88
1/2018	4	2.40	2,400.00	June 21, 2018	10 years	June 21, 2028	4.30
1/2019	1	3.00	3,000.00	July 18, 2019	1 year 6 months	January 18, 2021	2.30
1/2019	2	3.00	3,000.00	July 18, 2019	3 years	July 18, 2022	2.45
1/2019	3	4.50	4,500.00	July 18, 2019	5 years	July 18, 2024	2.90
1/2019	4	5.00	5,000.00	July 18, 2019	10 years	July 18, 2029	3.60
1/2019	5	3.50	3,500.00	July 18, 2019	12 years	July 18, 2031	3.78
1/2019	6	1.00	1,000.00	July 18, 2019	15 years	July 18, 2034	3.92
			<u>48,200.00</u>				

5.13 Debt issued and borrowings (cont.)

December 31, 2018

Series	No.	Number issued (million units)	Amount issued (million Baht)	Issuance date	Maturity period	Redemption date	Interest rate (% p.a.)
1/2016	2	1.00	1,000.00	December 22, 2016	3 years	December 22, 2019	2.71
1/2016	3	1.10	1,100.00	December 22, 2016	7 years	December 22, 2023	3.79
1/2017	2	0.80	800.00	June 23, 2017	3 years	June 23, 2020	2.38
1/2017	3	1.40	1,400.00	June 23, 2017	5 years	June 23, 2022	3.41
1/2017	4	1.40	1,400.00	June 23, 2017	7 years	June 23, 2024	3.64
1/2017	5	1.50	1,500.00	June 23, 2017	10 years	June 23, 2027	3.92
2/2017	1	4.00	4,000.00	September 8, 2017	1 year 6 months	March 8, 2019	2.03
2/2017	2	1.00	1,000.00	September 8, 2017	4 years	September 8, 2021	2.53
2/2017	3	3.80	3,800.00	September 8, 2017	6 years	September 8, 2023	3.44
2/2017	4	3.20	3,200.00	September 8, 2017	8 years	September 8, 2025	3.73
2/2017	5	5.00	5,000.00	September 8, 2017	10 years	September 8, 2027	3.91
1/2018	1	2.23	2,230.00	June 21, 2018	1 year 6 months	December 21, 2019	2.18
1/2018	2	3.00	3,000.00	June 21, 2018	3 years	June 21, 2021	2.50
1/2018	3	0.37	370.00	June 21, 2018	7 years	June 21, 2025	3.88
1/2018	4	2.40	2,400.00	June 21, 2018	10 years	June 21, 2028	4.30
			<u>32,200.00</u>				

5.14 Accrued interest payable

Unit : Million Baht

	September 30, 2019	December 31, 2018
Promissory notes	7.75	4.14
Loans	86.31	53.77
Debentures	292.79	187.45
Total	<u>386.85</u>	<u>245.36</u>

5.15 Provisions

As at September 30, 2019 and December 31, 2018 provisions consisted of:

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Provisions for employee benefits	1,074.45	744.05
Provisions for litigation cases	25.47	25.47
Total	1,099.92	769.52

5.15.1 Provisions for employee benefits

Provisions for long-term employee benefits which were post-employment compensation for employees were presented as below:

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Provisions for long-term employee benefits beginning balance	744.05	726.29
Recognized to profit or loss:		
Current service cost	45.23	44.81
Interest cost	20.37	21.28
Historical service cost and gain or loss arised from		
benefit payment	0.05	-
change in benefit plan	243.95	-
Recognized to other comprehensive income:		
(Gain) Loss by actuarial estimates		
Portion arised from change in demographic assumptions	7.02	-
Portion arised from change in financial assumptions	13.78	-
Benefit paid during the period	-	(48.33)
Provisions for long-term employee benefits ending balance	1,074.45	744.05

According to the State Enterprise Labour Relations Act (No. 4) published in the Royal Thai Government Gazette on September 26, 2019, additional severance pay is specified in case of termination of employment by an employer. An employee who has worked for 20 consecutive years or more shall be entitled to a severance pay in the amount of not less than the last wage rate obtainable for 400 days. This represents a change to the post-employment employee benefits and the impact on the Company amounted to 243.95 million Baht. The Company recorded the effect from this change by recognizing past service cost as expense in the statement of profit or loss.

5.15.2 Provisions for litigation cases

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Beginning balance	25.47	25.47
Additional provisions	-	-
Ending balance	25.47	25.47

5.16 Unearned income from auction sale

On July 31, 2018, the Company received proceeds of 5,342.01 million Baht from an auction sale of collateral asset of one of its debtors from the Legal Execution Department. The Company, as the preferential creditor, had submitted a request to receive the proceeds from the auction of such collateral asset because the debtor and two other creditors (Creditor No. 3 and Creditor No. 150) had filed a petition for withdrawal of such auction with the Central Bankruptcy Court.

In November 2018, the Court of First Instance ordered a dismissal of the petition for withdrawal of the auction lodged by the debtor and two creditors. However, the debtor and two other creditors may seek permission to file an appeal to the Appeal/Supreme Court. Later, the debtor filed a petition to withdraw the appeal and two other creditors petitioned to waive their right to lodge an appeal.

In March 2019, the Company received certificates confirming the termination of the case from the Bankruptcy Court, thus legalizing the proceeds from the auction sale paid by the official receiver to the Company. Consequently, the Company filed a request for certificates of estate repayment from the official receiver as well as submitted the certificates confirming the termination of the case to the official receiver. As the preferential creditor, the Company also recognized gains from loans purchased in the amount of 3,214.61 million Baht.

5.17 Other liabilities

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Tax payable and accrued expenses	541.94	734.83
Deposit and marginal deposit	605.57	297.68
Liabilities between Bangkok Commerce Plc. and the Company	19.16	19.16
Suspense account and clearing cheque	84.94	154.96
Suspense account for debt repayment	305.42	145.95
Financial creditors selling right to claim	-	364.64
Others	22.28	20.60
Total	1,579.31	1,737.82

As at September 30, 2019 and December 31, 2018 deposit and marginal deposit of 605.57 million Baht and 297.68 million Baht respectively that included deposit from sale of properties for sale of 593.66 million Baht and 89.17 million Baht respectively.

5.18 Profit appropriation and dividend payment

Dividend	Approved by	Dividend paid (Million Baht)	Dividend paid per share (Baht)
Dividend for the year 2018	Annual General Meeting 2019 on April 5, 2019	3,121.46	1.1413
		<u>3,121.46</u>	
Special dividend	Annual General Meeting 2018 on April 27, 2018	1,700.08	0.6216
Dividend for the year 2017	Annual General Meeting 2018 on April 27, 2018	2,700.54	0.9874
		<u>4,400.62</u>	

5.19 Capital management

The main objective of capital management is to ensure an appropriate capital structure to support the Company's business operation and to enhance the shareholding value for the shareholders. As at of September 30, 2019, the Company had the debt to equity ratio of 1.79 : 1 (December 31, 2018: 1.57 : 1).

5.20 Interest income from loans purchased and other operating income**5.20.1 Interest income from loans purchased**

Interest income from loans purchased for the three-month and nine-month periods ended September 30, 2019 and 2018 was as follows:

	Unit : Million Baht			
	For three-month period ended		For nine-month period ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Interest income from loans purchased				
Loans purchased	458.21	385.98	1,245.55	1,432.11
Gains on loans purchased	1,639.27	666.65	6,570.98	2,299.19
Total	<u>2,097.48</u>	<u>1,052.63</u>	<u>7,816.53</u>	<u>3,731.30</u>

5.20.2 Other operating income

Other operating income for the three-month and nine-month periods ended September 30, 2019 and 2018 was as follows:

	Unit : Million Baht			
	For three-month period ended		For nine-month period ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Other operating income				
Rent	13.68	6.12	22.61	19.06
Sale of assets not in use	-	-	0.16	10.93
Gain on repossession of property under installment sales	1.13	0.77	6.86	2.47
Customers' deposit forfeit due to failure to execute contracts	1.13	2.49	2.73	4.26
Other income	1.93	2.90	9.32	14.30
Total	17.87	12.28	41.68	51.02

5.21 Other expenses

Other expenses for the three-month and nine-month periods ended September 30, 2019 and 2018 were as follows:

	Unit : Million Baht			
	For three-month period ended		For nine-month period ended	
	September 30,		September 30,	
	2019	2018	2019	2018
Other expenses				
Expenses relating to intangible assets	1.50	0.99	4.13	2.91
Operating expenses	58.19	43.78	138.10	117.23
SET listing expenses	24.60	8.87	43.79	22.81
Fees, charges and others	20.72	18.03	47.83	53.01
Total	105.01	71.67	233.85	195.96

5.22 Income tax expenses

Income tax expenses for the three-month and nine-month periods ended September 30, 2019 and 2018 can be summarized below:

	Unit: Million Baht			
	For three-month period		For nine-month period	
	ended September 30,		ended September 30,	
	2019	2018	2019	2018
Current income tax expenses:				
Corporate income tax for the period	1.15	0.53	1.74	2.91
Income tax expenses stated in statement of profit or loss and other comprehensive income	1.15	0.53	1.74	2.91

5.23 Basic earnings per share

Basic earnings per share are calculated by dividing the period net profit on the shareholders' portion (excluding other comprehensive income) with the weighted average number of issued ordinary shares during the period.

Calculation of basic earnings per share is presented below:

Earnings for three-month period		Weighted average number		Earnings per share	
ended September 30,		of ordinary shares			
2019	2018	2019	2018	2019	2018
(Million Baht)	(Million Baht)	(Million shares)	(Million shares)	(Baht)	(Baht)
881.33	1,158.79	2,735.00	2,735.00	0.32	0.42
Earnings for nine-month period		Weighted average number		Earnings per share	
ended September 30,		of ordinary shares			
2019	2018	2019	2018	2019	2018
(Million Baht)	(Million Baht)	(Million shares)	(Million shares)	(Baht)	(Baht)
4,882.29	3,310.79	2,735.00	2,735.00	1.79	1.21

There was no diluted earnings per share to present in separate part of the statement of profit or loss.

5.24 Related persons or parties

For the purpose of financial statement preparation, related persons or parties of the Company refer to persons or parties, over whom the Company has direct or indirect controlling power or significant influence with respect to their financial and managerial decisions, or which are under common control or significant influence with the Company. Such relation may be on an individual basis or a corporate basis. In the consideration of each related party transaction, the Company focuses more on the essence of the relation than on the legal form of the relation.

5.24 Related persons or parties (cont.)

Relations between the Company and related entities are as follows:

<u>List of related entities</u>	<u>Relations with the Company</u>
Financial Institutions Development Fund	Major shareholder
Krungthai Bank Plc.	Having common shareholders
KT Zmico Securities Co., Ltd.	Having common shareholders
Krungthai-AXA Life Insurance Plc.	Having common shareholders
Krungthai Panich Insurance Plc.	Having common shareholders
Bahoma Co., Ltd.	Having common shareholders
Sahatorn Co., Ltd.	Having common shareholders

During the period, the Company had related person or party transactions which were undertaken in accordance with trading conditions and criteria agreed upon between the Company and the related persons or parties as in normal course of business, details of which can be summarized below:

Outstanding amounts between the Company and related entities as at September 30, 2019 and December 31, 2018 were as tabulated here:

	Unit : Million Baht	
	<u>September 30, 2019</u>	<u>December 31, 2018</u>
<u>Statement of financial position</u>		
Cash at financial institutions		
Common shareholders	84.95	16.65
Investment in securities - net		
Common shareholders	2.15	2.15
Other assets - Accrued interest receivable		
Common shareholders	0.01	-
Other assets - Accrued dividends		
Common shareholders	-	35.81
Debt issued and borrowings - Notes payable and borrowings		
Common shareholders	1,213.35	1,098.18
Debt issued and borrowings - Debentures		
Common shareholders	771.00	1,107.70
Accrued interest payable		
Common shareholders	3.99	2.23
Other liabilities - Rent guarantee		
Common shareholders	0.01	0.10

5.24 Related persons or parties (cont.)

			Unit : Million Baht
	For three-month period ended		Pricing policy
	September 30, 2019	September 30, 2018	
<u>Statement of profit or loss and other comprehensive income</u>			
Interest income - Cash at financial institutions			As mutually agreed
Common shareholders	0.01	0.01	
Other operating income - Rent and utilities			As mutually agreed
Common shareholders	0.03	0.13	
Gain on sale of properties for sale			As mutually agreed
Related persons*	-	2.47	
Interest expenses			As in the prospectus and
Common shareholders	11.44	9.53	as mutually agreed
			Unit: Million Baht
	For nine-month period ended		Pricing policy
	September 30, 2019	September 30, 2018	
<u>Statement of profit or loss and other comprehensive income</u>			
Interest income - Cash at financial institutions			As mutually agreed
Common shareholders	0.03	0.03	
Dividend income			As mutually agreed
Common shareholders	0.96	0.96	
Other operating income - Rent and utilities			As mutually agreed
Common shareholders	0.10	0.39	
Gain on sale of properties for sale			As mutually agreed
Related persons*	-	2.47	
Interest expenses			As in the prospectus and
Common shareholders	44.86	12.23	as mutually agreed

* Related persons refer to persons having a close relationship with the related persons, directors and executives.

5.24 Related persons or parties (cont.)

Debt issued and borrowings from related entities

Movements of debt issued and borrowings transactions and financial creditors from purchase of properties for sale between the Company and related parties as at September 30, 2019 and December 31, 2018 were as follows:

Unit : Million Baht

For nine-month period ended September 30, 2019				
	Beginning balance	Increase	Decrease	Ending balance
Debt issued and borrowings				
Krungthai Bank Plc.	1,644.18	5,360.46	5,200.69	1,803.95
Krungthai-AXA Life Insurance Plc.	531.70	120.00	501.30	150.40
Krungthai Panich Insurance Plc.	30.00	-	-	30.00
Total	2,205.88	5,480.46	5,701.99	1,984.35

Unit : Million Baht

For the year ended December 31, 2018				
	Beginning balance	Increase	Decrease	Ending balance
Debt issued and borrowings				
Krungthai Bank Plc.	208.00	1,631.23	195.05	1,644.18
Krungthai-AXA Life Insurance Plc.	4.90	527.00	0.20	531.70
Krungthai Panich Insurance Plc.	-	30.00	-	30.00
Total	212.90	2,188.23	195.25	2,205.88

5.25 Directors' remuneration

For the three-month and nine-month periods ended September 30, 2019 and 2018, remuneration paid to key executives in accordance with TAS 24 (Revised 2018): Related Party Disclosures, comprising directors, executives at Executive Vice President level and higher and executives in accounting or finance function line at department head level and higher, was as follows:

	Unit : Million Baht	
	For three-month period ended	
	September 30, 2019	September 30, 2018
Short-term benefits	21.87	17.63
Post-employment benefits	16.06	2.03
Total	37.93	19.66

	Unit : Million Baht	
	For nine-month period ended	
	September 30, 2019	September 30, 2018
Short-term benefits	70.88	67.71
Post-employment benefits	20.51	6.28
Total	91.39	73.99

5.26 Financial position and performance classified by operating segments

The Company's main business is asset management and the business operations are carried out through key geographical operating segments in Thailand. The Board of Directors has the ultimate decision-making authority with regard to the operations. The Company divides its operating segments by products and services as follows:

1. Acquisition and receipt of transfer of NPLs from financial institutions for management, based mainly on debt compromise practices to ensure the optimum benefit.
2. Acquisition and receipt of transfer of NPAs from financial institutions, receipt of transfer of assets for debt settlement from debtors and bid for collateralized assets of debtors from the Legal Execution Department for management by focusing on improvement of the properties to be in a ready-to-use condition for enhancement of their value added, thereby ensuring the assets will meet the demand of target groups.

5.26.1 Financial position classified by operating segments

Unit : Million Baht

	As at September 30, 2019			
	Asset Management Business			
	NPLs	NPAs and investment in securities	Others/Not allocated*	Total
Cash	-	-	6.39	6.39
Cash at financial institutions	-	-	1,540.96	1,540.96
Investment in securities - net	-	5,690.06	-	5,690.06
Loans purchased - net	79,136.11	-	-	79,136.11
Installment sale receivables - net	-	676.21	-	676.21
Properties for sale - net	-	23,244.80	-	23,244.80
Accrued income from auction sale - net	9,058.76	-	-	9,058.76
Premises and equipment - net	-	-	1,229.03	1,229.03
Intangible assets - net	-	-	17.42	17.42
Advance for expenses on asset acquisition and others	-	934.85	-	934.85
Other assets	-	-	166.73	166.73
Total	88,194.87	30,545.92	2,960.53	121,701.32
Debt issued and borrowings	51,932.77	8,140.00	14,987.35	75,060.12
Accrued interest payable	238.40	45.04	103.41	386.85
Provisions	-	-	1,099.92	1,099.92
Other liabilities	-	-	1,579.31	1,579.31
Total liabilities	52,171.17	8,185.04	17,769.99	78,126.20

* Due to they are items that cannot be clearly classified so they are presented in others/not allocated.

5.26.1 Financial position classified by operating segments (cont.)

Unit : Million Baht

As at December 31, 2018				
Asset Management Business				
	NPLs	NPAs and investment in securities	Others/Not allocated*	Total
Cash	-	-	3.61	3.61
Cash at financial institutions	-	-	1,031.80	1,031.80
Investment in securities - net	-	93.94	-	93.94
Loans purchased - net	75,433.94	-	-	75,433.94
Installment sale receivables - net	-	708.30	-	708.30
Properties for sale - net	-	20,595.82	-	20,595.82
Accrued income from auction sale - net	7,115.45	-	-	7,115.45
Premises and equipment - net	-	-	1,251.54	1,251.54
Intangible assets - net	-	-	13.28	13.28
Advance for expenses on asset acquisition and others	-	1,217.27	-	1,217.27
Other assets	-	-	188.05	188.05
Total	82,549.39	22,615.33	2,488.28	107,653.00
Debt issued and borrowings	45,736.38	1,857.16	10,115.74	57,709.28
Accrued interest payable	226.51	-	18.85	245.36
Provisions	-	-	769.52	769.52
Unearned income from auction sale	5,342.01	-	-	5,342.01
Other liabilities	-	-	1,737.82	1,737.82
Total liabilities	51,304.90	1,857.16	12,641.93	65,803.99

* Due to they are items that cannot be clearly classified so they are presented in others/not allocated.

5.26.2 Performance classified by operating segments

Unit : Million Baht

For three-month period ended September 30, 2019

	Performance of NPLs	Performance of NPAs and investment in securities	Others/Not allocated*	Total
Interest income	2,097.48	61.56	7.17	2,166.21
Gain on investment in securities	-	3.94	-	3.94
Gain on sale of properties for sale	-	357.79	-	357.79
Gain on installment sale	-	19.41	-	19.41
Other operating income	1.75	16.07	0.05	17.87
Total operating income	2,099.23	458.77	7.22	2,565.22
Interest expenses	421.84	60.31	117.29	599.44
Other operating expenses				
Impairment loss of properties for sale	-	10.46	-	10.46
Other operating expenses	-	26.26	964.00	990.26
Total operating expenses	421.84	97.03	1,081.29	1,600.16
Bad debts and doubtful accounts	82.58	-	-	82.58
Profit from operating before income tax expenses	1,594.81	361.74	(1,074.07)	882.48
Income tax expenses	-	-	1.15	1.15
Net profit	1,594.81	361.74	(1,075.22)	881.33

* Due to they are items that cannot be clearly classified so they are presented in others/not allocated.

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5.26.2 Performance classified by operating segments (cont.)

Unit : Million Baht

	For three-month period ended September 30, 2018			
	Performance of NPLs	Performance of NPAs and investment in securities	Others/Not allocated*	Total
Interest income	1,052.64	30.14	3.93	1,086.71
Gain on investment in securities	-	5.79	-	5.79
Gain on sale of properties for sale	-	1,077.14	-	1,077.14
Gain on installment sale	-	41.89	-	41.89
Other operating income	2.18	9.51	0.66	12.35
Total operating income	1,054.82	1,164.47	4.59	2,223.88
Interest expenses	377.54	8.04	88.93	474.51
Other operating expenses				
Impairment loss of properties for sale	-	11.60	-	11.60
Other operating expenses	-	24.47	699.05	723.52
Total operating expenses	377.54	44.11	787.98	1,209.63
Bad debts and doubtful accounts	(145.07)	-	-	(145.07)
Profit from operating before income tax expenses	822.35	1,120.36	(783.39)	1,159.32
Income tax expenses	-	-	0.53	0.53
Net profit	822.35	1,120.36	(783.92)	1,158.79

* Due to they are items that cannot be clearly classified so they are presented in others/not allocated.

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5.26.2 Performance classified by operating segments (cont.)

Unit : Million Baht

For nine-month period ended September 30, 2019

	Performance of NPLs	Performance of NPAs and investment in securities	Others/Not allocated*	Total
Interest income	7,816.53	122.28	9.44	7,948.25
Gain on investment in securities	-	3.94	-	3.94
Gain on sale of properties fore sale	-	1,130.02	-	1,130.02
Gain on installment sale	-	80.62	-	80.62
Other operating income	3.23	34.40	5.86	43.49
Total operating income	7,819.76	1,371.26	15.30	9,206.32
Interest expenses	1,113.72	88.95	321.96	1,524.63
Other operating expenses				
Impairment loss of properties for sale (reversal)	-	(9.48)	-	(9.48)
Other operating expenses	-	74.89	2,522.61	2,597.50
Total operating expenses	1,113.72	154.36	2,844.57	4,112.65
Bad debts and doubtful accounts	209.64	-	-	209.64
Profit from operating before income tax expenses	6,496.40	1,216.90	(2,829.27)	4,884.03
Income tax expenses	-	-	1.74	1.74
Net profit	6,496.40	1,216.90	(2,831.01)	4,882.29

* Due to they are items that cannot be clearly classified so they are presented in others/not allocated.

(TRANSLATION)

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5.26.2 Performance classified by operating segments (cont.)

Unit : Million Baht

For nine-month period ended September 30, 2018				
	Performance of NPLs	Performance of NPAs and investment in securities	Others/Not allocated*	Total
Interest income	3,731.30	78.47	6.95	3,816.72
Loss on investment in securities	-	(30.20)	-	(30.20)
Gain on sale of properties for sale	-	2,506.67	-	2,506.67
Gain on installment sale	-	73.72	-	73.72
Other operating income	12.91	27.07	12.20	52.18
Total operating income	3,744.21	2,655.73	19.15	6,419.09
Interest expenses	1,018.33	22.57	274.58	1,315.48
Other operating expenses				
Impairment loss of properties for sale (reversal)	-	(8.38)	-	(8.38)
Other operating expenses	-	65.05	1,998.28	2,063.33
Total operating expenses	1,018.33	79.24	2,272.86	3,370.43
Bad debts and doubtful accounts	(265.04)	-	-	(265.04)
Profit from operating before income tax expenses	2,990.92	2,576.49	(2,253.71)	3,313.70
Income tax expenses	-	-	2.91	2.91
Net profit	2,990.92	2,576.49	(2,256.62)	3,310.79

* Due to they are items that cannot be clearly classified so they are presented in others/not allocated.

Information on geographical region

The Company operates business in one geographical region as Thailand. Therefore, income and assets presented in the financial statements are regarded as reporting according to the geographical region.

Information on major customers

For the nine-month period ended September 30, 2019 and 2018, the Company had income of 3,564.11 million Baht (the amount equal to or exceeding 10% of the Company's income) from one major customer as a result of the operation of non-performing loans (NPLs). (September 30, 2018: The Company had no income from any customer in the amount equal to or exceeding 10% of the Company's income.)

5.27 Additional information about cash and significant non-cash items**5.27.1 Cash and cash equivalents in the statement of cash flows**

	Unit : Million Baht	
	September 30, 2019	September 30, 2018
Cash	6.39	5.36
Deposits in transit	32.35	16.20
Current, saving and fixed deposits	1,502.65	1,680.30
<u>Less</u> Deposits under guarantee obligation	(3.69)	(3.78)
Cash and cash equivalent items in the statement of cash flows	<u>1,537.70</u>	<u>1,698.08</u>

5.27.2 Cash paid for premises and equipment

	Unit : Million Baht	
	September 30, 2019	September 30, 2018
Payables from purchase of premises and equipment beginning balance	2.29	4.85
Purchase of premises and equipment	63.69	63.99
<u>Less</u> Cash paid for premises and equipment	(62.00)	(67.46)
Payables from purchase of premises and equipment ending balance	<u>3.98</u>	<u>1.38</u>

5.27.3 Cash paid for intangible assets

	Unit : Million Baht	
	September 30, 2019	September 30, 2018
Payables from purchase of intangible assets beginning balance	4.83	1.28
Purchase of intangible assets	8.25	1.42
<u>Less</u> Cash paid for intangible assets	(9.37)	(2.70)
Payables from purchase of intangible assets ending balance	<u>3.71</u>	<u>-</u>

5.27.4 Change in non-cash items of debt issued and borrowings

Unit : Million Baht

For nine-month period ended September 30, 2019

	Beginning balance	Cash received	Cash paid	Non-monetary items						Debt issue expense	Ending balance
				Loans purchased	Properties for sale	Notes revaluation	Interest paid	Notes aval fee	Credit utilization fee		
Notes payable	4,540.79	-	(4,446.73)	4,444.94	302.17	-	-	-	-	-	4,841.17
Less Deferred interest expense	(220.40)	-	-	-	-	(31.77)	43.39	-	-	-	(208.78)
Notes payable aval expense	(7.79)	-	(4.41)	-	-	-	-	7.62	-	-	(4.58)
Total notes payable	4,312.60	-	(4,451.14)	4,444.94	302.17	(31.77)	43.39	7.62	-	-	4,627.81
Borrowings	21,233.89	32,600.00	(31,544.14)	-	-	-	-	-	-	-	22,289.75
Less Deferred credit fee	(1.65)	-	-	-	-	-	-	-	1.01	-	(0.64)
Total borrowings	21,232.24	32,600.00	(31,544.14)	-	-	-	-	-	1.01	-	22,289.11
Debentures	32,200.00	20,000.00	(4,000.00)	-	-	-	-	-	-	-	48,200.00
Less Debenture issue expense	(35.56)	-	(30.06)	-	-	-	-	-	-	8.82	(56.80)
Total debentures	32,164.44	20,000.00	(4,030.06)	-	-	-	-	-	-	8.82	48,143.20
Grand total	57,709.28	52,600.00	(40,025.34)	4,444.94	302.17	(31.77)	43.39	7.62	1.01	8.82	75,060.12

5.27.4 Change in non-cash items of debt issued and borrowings (cont.)

Unit : Million Baht

For nine-month period ended September 30, 2018

	Beginning balance	Cash received	Cash paid	Non-monetary items							Ending balance
				Loans purchased	Properties for sale	Notes revaluation	Interest paid	Notes aval fee	Credit utilization fee	Debtenture issue expense	
Notes payable	4,698.21	-	(2,738.29)	2,357.93	132.51	-	-	-	-	-	4,450.36
Less Deferred interest expense	(138.27)	-	-	-	-	(14.43)	22.57	-	-	-	(130.13)
Notes payable aval expense	(24.81)	-	-	-	-	-	-	14.33	-	-	(10.48)
Total notes payable	4,535.13	-	(2,738.29)	2,357.93	132.51	(14.43)	22.57	14.33	-	-	4,309.75
Borrowings	21,573.69	14,450.00	(14,503.80)	-	-	-	-	-	-	-	21,519.89
Less Deferred credit fee	(2.99)	-	-	-	-	-	-	-	1.00	-	(1.99)
Total borrowings	21,570.70	14,450.00	(14,503.80)	-	-	-	-	-	1.00	-	21,517.90
Debtentures	30,800.00	8,000.00	(4,300.00)	-	-	-	-	-	-	-	34,500.00
Less Debtenture issue expense	(37.36)	-	(11.49)	-	-	-	-	-	-	9.69	(39.16)
Total debtentures	30,762.64	8,000.00	(4,311.49)	-	-	-	-	-	-	9.69	34,460.84
Grand total	56,868.47	22,450.00	(21,553.58)	2,357.93	132.51	(14.43)	22.57	14.33	1.00	9.69	60,288.49

5.28 Assets with obligations**Obligations on operating lease agreements and long-term service agreements**

The Company entered into operating lease agreements in relation to lease of land, building space, office equipment and service contract which of contractual terms range from 1 to 10 years.

As at September 30, 2019 and December 31, 2018 the Company had future payment obligation under the operating lease agreements which cannot be terminated in the minimum amount as below:

	Unit : Million Baht	
	September 30, 2019	December 31, 2018
Payment		
Within 1 year	18.72	5.41
Over 1 year but not over 5 years	24.29	1.39
Total	43.01	6.80

5.29 Guarantee

As at September 30, 2019 the Company had letters of guarantee issued by banks under the name of the Company in a total amount of 3.69 million Baht (December 31, 2018: 3.74 million Baht) to guarantee use of electricity and others.

5.30 Contingent liabilities

As at September 30, 2019 the Company faced lawsuits with a total disputed amount of 541.06 million Baht (December 31, 2018: 779.40 million Baht). Such lawsuits are civil cases involving claims for damages, which resulted from its normal course of business. The Company believes that when these cases have become final, they will not materially affect its financial position and performance. However, the Company has not yet recognized such potential consequential damages as its expenses.

5.31 Fair value measurement of financial instruments**5.31.1 Fair value hierarchy**

To adopt fair value measurement technique, the business must use noticeable information related to assets or liabilities aimed for fair value measurement as much as possible. TFRS 13 regarding fair value measurement has classified fair value into three levels according to type of data used for measuring fair value as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Other observable inputs of assets or liabilities, directly or indirectly
- Level 3 Unobservable inputs such as data on projected future cash flows

5.31.2 Assets and liabilities presented in fair value

As at September 30, 2019 and December 31, 2018 the Company had assets and liabilities measured or presented in fair value, classified by fair value hierarchy, as follows:

Unit : Million Baht

September 30, 2019					
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets with fair value measurement					
Investment in securities					
Government and state enterprise securities	5,611.56	-	5,611.56	-	5,611.56
Domestic marketable equity securities	73.20	73.20	-	-	73.20

Unit : Million Baht

December 31, 2018					
	Book value	Fair value			
		Level 1	Level 2	Level 3	Total
Assets with fair value measurement					
Investment in securities					
Domestic marketable equity securities	88.15	88.15	-	-	88.15

5.32 Reclassification

Financial statements for the three-month and nine-month periods ended September 30, 2018 presented in comparison has been reclassified to be according with presentation of items in financial statements for the three-month and nine-month periods ended September 30, 2019. Such reclassification has no impact on the Company's performance earlier presented, as follows:

Unit : Million Baht

	Reclassification		
	Pre-reclassified	increase (decrease)	Post-reclassified
Statement of financial position			
As at December 31, 2018			
Advance for expenses on asset acquisition and others	-	1,217.27	1,217.27
Other assets	1,405.32	(1,217.27)	188.05
Statement of profit or loss and other comprehensive income			
For three-month period ended September 30, 2018			
Interest income			
Loans purchased	385.98	666.65	1,052.63
Gain on loans purchased	666.65	(666.65)	-

5.32 Reclassification (cont.)

Unit : Million Baht			
		Reclassification	
	Pre-reclassified	increase (decrease)	Post-reclassified
Statement of profit or loss and other comprehensive income			
For nine-month period ended 30 September 2018			
Interest income			
Loans purchased	1,432.11	2,299.19	3,731.30
Gain on loans purchased	2,299.19	(2,299.19)	-
Statement of cash flows (key items only)			
For nine-month period ended September 30, 2018			
Net interest income	(202.06)	(1,556.50)	(1,758.56)
Cash received from interest income	1,512.48	1,556.50	3,068.98
Properties for sale	1,578.23	(488.19)	1,090.04
Other assets	(895.89)	461.77	(434.12)

5.33 Events after reporting period

According to the extraordinary general meeting of shareholders No. 3/2019 dated November 12, 2019 regarding the approval of payment special dividends from the unappropriated retained earnings at the rate of 4.7532 Baht per share, totaling 13,000 million Baht to Shareholders whose names appear in the share registration book of the Company on November 20, 2019 and the special dividends payment is on November 25, 2019.

5.34 Approval of the financial statements

These financial statements were approved for issuing by the board of executives of the Company on November 12, 2019.

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AUDITOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE SPECIFIC OBJECTIVES TO BE SUPPORTING
INFORMATION IN THE PROSPCETUS

BANGKOK COMMERCIAL ASSET MANAGEMENT
PUBLIC COMPANY LIMITED

FOR THE YEAR ENDED DECEMBER 31, 2018, 2017 AND 2016

สำนักงานการตรวจเงินแผ่นดิน



(TRANSLATION)

AUDITOR'S REPORT

To: The Shareholders of Bangkok Commercial Asset Management Public Company Limited

Opinion

The State Audit Office of the Kingdom of Thailand has audited the accompanying financial statements of Bangkok Commercial Asset Management Public Company Limited (the Company), which comprise the statements of financial position as at December 31, 2018, 2017 and 2016, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In the State Audit Office of the Kingdom of Thailand's opinion, the above mentioned financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, 2017 and 2016, and its financial performance and cash flows for the years then ended in accordance with Thai Financial Reporting Standards (TFRSs).

Basis for opinion

The State Audit Office of the Kingdom of Thailand conducted the audit in accordance with the State Audit Standards and Thai Standards on Auditing (TSAs). The State Audit Office of the Kingdom of Thailand's responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of the State Audit Office of the Kingdom of Thailand's report. The State Audit Office of the Kingdom of Thailand is independent of the Company in accordance with the ethical requirements set out in the State Audit Standards issued by the State Audit Commission and the Thailand Federation of Accounting Professions' Code of Ethics for Professional Accountants that are relevant to the State Audit Office of the Kingdom of Thailand's audit of the financial statements, and has fulfilled other ethical responsibilities in accordance with these requirements. The State Audit Office of the Kingdom of Thailand believes that the audit evidence the State Audit Office of the Kingdom of Thailand has obtained is sufficient and appropriate to provide a basis for the State Audit Office of the Kingdom of Thailand's opinion.

**Emphasis of matter**

The State Audit Office of the Kingdom of Thailand draws attention to notes to the financial statements No. 2 which describes the basis for preparation of the financial statements. These financial statements are prepared for specific objectives to be supporting information in the prospectus for the Company's initial public offering of its shares and in the filing for permission to issue and offer ordinary shares of the Company from the Office of the Securities and Exchange Commission. Therefore, these financial statements may not be appropriate for use in any way otherwise, and the State Audit Office of the Kingdom of Thailand's opinion is not modified in respect of these matters.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

The State Audit Office of the Kingdom of Thailand's objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the State Audit Office of the Kingdom of Thailand's opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the State Audit Standards and TSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with the State Audit Standards and TSAs, the State Audit Office of the Kingdom of Thailand exercises professional judgment and maintains professional skepticism throughout the audit. The State Audit Office of the Kingdom of Thailand also:

- Identifies and assess the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the State Audit Office of the Kingdom of Thailand's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If the State Audit Office of the Kingdom of Thailand concludes that a material uncertainty exists, the State Audit Office of the Kingdom of Thailand is required to draw attention in the auditor's report of the State Audit Office of the Kingdom of Thailand to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the State Audit Office of the Kingdom of Thailand's opinion. The State Audit Office of the Kingdom of Thailand's conclusions are based on the audit evidence obtained up to the date of the auditor's report of the State Audit Office of the Kingdom of Thailand. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluates the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(TRANSLATION)

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The State Audit Office of the Kingdom of Thailand communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the State Audit Office of the Kingdom of Thailand identifies during the State Audit Office of the Kingdom of Thailand's audit.

(Signed)

Chitra Mekapongpanh

(Chitra Mekapongpanh)

Director of Financial and Procurement Audit Office No. 5

(Signed)

Pakhamas Mangkompan

(Pakhamas Mangkompan)

Auditor, Senior Professional Level

(TRANSLATION)

5

Bangkok Commercial Asset Management Public Company Limited

Statements of Financial Position

As at December 31, 2018, 2017 and 2016

Unit : Baht

	Notes	2018	2017	2016
Assets				
Cash	7.1	3,614,465.35	4,295,559.06	3,258,387.90
Cash at financial institutions	7.2	1,031,795,622.76	1,158,514,506.39	1,607,506,020.56
Investments in securities - net	7.3	93,936,348.17	139,570,448.52	146,237,607.76
Loans purchased	7.4	81,718,994,565.32	79,829,168,399.10	77,975,099,636.93
<u>Less</u> Allowance for doubtful accounts		(6,285,055,237.31)	(6,943,387,782.74)	(8,088,169,972.66)
Loans purchased - net		75,433,939,328.01	72,885,780,616.36	69,886,929,664.27
Installment sale receivables	7.5	1,452,841,008.05	1,164,799,882.95	2,398,940,806.13
<u>Less</u> Deferred gross margin from installment sale receivables		(742,325,888.85)	(523,846,811.07)	(836,929,885.49)
<u>Less</u> Allowance for doubtful accounts - installment sale receivables		(2,217,646.95)	-	-
Installment sale receivables - net		708,297,472.25	640,953,071.88	1,562,010,920.64
Properties for sale - net	7.6	20,595,824,841.33	17,735,184,920.42	15,082,187,925.21
Accrued income from auction sale - net	7.7	7,115,446,818.61	4,981,488,520.00	3,026,041,211.99
Premises and equipment - net	7.8	1,251,541,982.94	1,332,052,679.94	1,377,126,735.71
Intangible assets - net	7.9	13,282,153.12	10,649,735.36	11,899,195.05
Other assets	7.10	1,405,323,024.20	1,044,922,678.03	933,503,653.92
Total assets		107,653,002,056.74	99,933,412,735.96	93,636,701,323.01

Notes to the Financial Statements are an integral part of these Financial Statements.

(TRANSLATION)

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Bangkok Commercial Asset Management Public Company Limited

Statements of Financial Position (Continued)

As at December 31, 2018, 2017 and 2016

Unit : Baht

	Notes	2018	2017	2016
Liabilities and equity				
Liabilities				
Debt issued and borrowings	7.12	57,709,277,417.46	56,868,466,463.52	50,329,105,549.25
Accrued interest payable	7.13	245,358,785.37	277,207,547.77	140,084,840.91
Provisions	7.14	769,519,346.07	751,760,263.07	726,187,489.00
Unearned income from auction sale	7.15	5,342,009,258.02	-	-
Other liabilities	7.16	1,737,822,585.99	976,607,739.21	1,918,640,342.51
Total liabilities		65,803,987,392.91	58,874,042,013.57	53,114,018,221.67
Equity				
Share capital				
Authorized share capital				
3,245,000,000 common shares, par value 5 baht each		16,225,000,000.00	16,225,000,000.00	16,225,000,000.00
Issued and paid-up share capital				
2,735,000,000 common shares, par value 5 baht each		13,675,000,000.00	13,675,000,000.00	13,675,000,000.00
Other components of equity	7.3.4	(58,017,385.72)	(46,251,730.29)	(43,770,024.35)
Retained earnings				
Appropriated				
Legal reserve		1,622,500,000.00	1,622,500,000.00	1,622,500,000.00
Unappropriated		26,609,532,049.55	25,808,122,452.68	25,268,953,125.69
Total equity		41,849,014,663.83	41,059,370,722.39	40,522,683,101.34
Total liabilities and equity		107,653,002,056.74	99,933,412,735.96	93,636,701,323.01

Notes to the Financial Statements are an integral part of these Financial Statements.

(Mr. Bunyong Visatemongkolchai)

Chairman of Executive Board

(Mr. Somporn Moonsrikaew)

President

(TRANSLATION)

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Bangkok Commercial Asset Management Public Company Limited

Statements of profit or loss and other comprehensive income

For the Years Ended December 31, 2018, 2017 and 2016

	Unit : Baht		
	2018	2017	2016
Interest income			
Loans purchased	1,856,823,858.57	1,877,516,017.11	1,232,301,291.52
Investments in securities	3,731,139.11	12,634,084.51	1,719,264.89
Cash at financial institutions	10,329,670.76	23,320,016.40	10,360,916.10
Installment sale receivables	89,185,927.33	104,659,313.84	148,631,262.65
Others	15,524,188.93	9,913,471.23	9,370,524.62
Total interest income	1,975,594,784.70	2,028,042,903.09	1,402,383,259.78
Interest expenses			
Interest and discount on promissory notes	281,495,503.32	361,071,176.41	367,445,796.54
Interest paid on loans	439,767,850.53	511,165,386.11	563,076,103.09
Interest on debentures	1,048,145,295.26	749,752,022.25	313,631,482.21
Total interest expenses	1,769,408,649.11	1,621,988,584.77	1,244,153,381.84
Interest income - net	206,186,135.59	406,054,318.32	158,229,877.94
Gain (Loss) on investments in securities - net	(30,309,029.21)	(2,561,187.30)	20,043,865.22
Gain on loans purchased	4,438,345,474.09	3,509,149,933.13	4,224,325,371.85
Gain on sale of properties for sale	3,105,514,954.01	1,740,885,894.31	2,362,607,274.24
Gain on installment sales	115,214,389.16	184,439,896.58	584,105,726.40
Other operating income			
Dividend income	36,966,721.10	47,504,953.11	78,793,965.05
Other operating income	109,822,569.16	118,376,864.98	90,676,824.14
Total other operating income	146,789,290.26	165,881,818.09	169,470,789.19
Total operating income	7,981,741,213.90	6,003,850,673.13	7,518,782,904.84

Notes to the Financial Statements are an integral part of these Financial Statements.

(TRANSLATION)

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Bangkok Commercial Asset Management Public Company Limited
Statements of profit or loss and other comprehensive income (Continued)
For the Years Ended December 31, 2018, 2017 and 2016

				Unit : Baht
	<u>Notes</u>	2018	2017	2016
Other operating expenses				
Employee's expenses		1,836,937,034.72	1,450,709,163.55	1,473,565,331.18
Directors' remuneration		10,840,161.29	12,199,500.00	12,181,774.19
Premises and equipment expenses		221,905,835.41	224,973,637.15	227,329,961.79
Taxes and duties		517,748,999.91	561,294,998.29	455,345,676.00
Impairment loss on properties for sale (reversal)		(20,496,671.01)	(69,343,176.68)	82,717,382.23
Properties for sale expenses		89,129,763.60	82,183,995.91	75,147,112.89
Other expenses		278,569,151.90	257,733,716.82	255,571,011.89
Total other operating expenses		2,934,634,275.82	2,519,751,835.04	2,581,858,250.17
Bad debts and doubtful accounts		(162,194,456.12)	(1,024,927,821.08)	21,070,868.05
Profit from operating before income tax expenses		5,209,301,394.20	4,509,026,659.17	4,915,853,786.62
Income tax expenses	7.21	7,276,797.33	8,209,832.18	12,243,216.54
Net profit		5,202,024,596.87	4,500,816,826.99	4,903,610,570.08
Other comprehensive income				
Items that will be reclassified subsequently to profit or loss				
Gain (Loss) on remeasuring available-for-sale investment		(11,765,655.43)	(2,481,705.94)	3,751,560.61
Items that will not be reclassified subsequently to profit or loss				
Actuarial losses on defined benefit plans		-	-	(67,418,465.00)
Total other comprehensive income		(11,765,655.43)	(2,481,705.94)	(63,666,904.39)
Total comprehensive income		5,190,258,941.44	4,498,335,121.05	4,839,943,665.69
Earnings per share				
Earnings per share	7.22	1.90	1.65	1.79

Notes to the Financial Statements are an integral part of these Financial Statements.

(Mr. Bunyong Visatamongkolchai)
Chairman of Executive Board

(Mr. Somporn Moonsrikaew)
President

(TRANSLATION)

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Bangkok Commercial Asset Management Public Company Limited

Statements of Changes in Equity

For the Years Ended December 31, 2018, 2017 and 2016

Unit : Baht

	Notes	Other Components			Retained Earnings			Total
		Issued and Paid-up Share Capital	of Equity		Appropriated	Unappropriated		
			Revaluation surplus (deficit)	on Investments				
							Legal Reserve	
ice as at January 1, 2016		13,675,000,000.00	(47,521,584.96)		1,367,500,000.00	24,530,436,020.61	39,525,414,435.65	
lend paid	7.19	-	-		-	(3,842,675,000.00)	(3,842,675,000.00)	
l reserve		-	-		255,000,000.00	(255,000,000.00)	-	
comprehensive income		-	3,751,560.61		-	4,836,192,105.08	4,839,943,665.69	
ice as at December 31, 2016		13,675,000,000.00	(43,770,024.35)		1,622,500,000.00	25,268,953,125.69	40,522,683,101.34	
ice as at January 1, 2017		13,675,000,000.00	(43,770,024.35)		1,622,500,000.00	25,268,953,125.69	40,522,683,101.34	
lend paid	7.19	-	-		-	(3,961,647,500.00)	(3,961,647,500.00)	
comprehensive income		-	(2,481,705.94)		-	4,500,816,826.99	4,498,335,121.05	
ice as at December 31, 2017		13,675,000,000.00	(46,251,730.29)		1,622,500,000.00	25,808,122,452.68	41,059,370,722.39	
ice as at January 1, 2018		13,675,000,000.00	(46,251,730.29)		1,622,500,000.00	25,808,122,452.68	41,059,370,722.39	
lend paid	7.19	-	-		-	(4,400,615,000.00)	(4,400,615,000.00)	
comprehensive income		-	(11,765,655.43)		-	5,202,024,596.87	5,190,258,941.44	
ice as at December 31, 2018		13,675,000,000.00	(58,017,385.72)		1,622,500,000.00	26,609,532,049.55	41,849,014,663.83	

s to the Financial Statements are an integral part of these Financial Statements.

(TRANSLATION)

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Bangkok Commercial Asset Management Public Company Limited

Statements of Cash Flows

For the Years Ended December 31, 2018, 2017 and 2016

Unit : Baht

	2018	2017	2016
Cash flows from operating activities			
Profit from operating before income tax expenses	5,209,301,394.20	4,509,026,659.17	4,915,853,786.62
Adjustments to reconcile profit from operating before income tax expenses to cash received (paid) from operating activities			
Depreciation and amortization	141,307,415.26	148,400,831.20	150,441,239.70
Decrease in deferred expenses	73,738,244.72	47,261,996.61	20,116,297.76
Decrease (Increase) in accrued income	113,404.58	378,387.83	(35,873,010.34)
Decrease in deferred income	(3,897,667.07)	(3,931,396.40)	(3,415,569.70)
Increase (Decrease) in accrued expenses	328,492,352.43	(75,822,870.49)	(241,794,900.57)
Loss from write-off of assets	602.00	1,619,175.49	26,534.49
Allowance for long-term employee benefits	66,095,383.00	65,869,340.00	84,463,772.00
Other provisions	-	5,274,854.07	-
Gain on fixed asset sales	(13,374,665.27)	(44,999.00)	(18,108,230.81)
Gain on repossession of property under installment sales	(2,570,319.97)	(59,881,385.22)	(1,784,742.77)
(Decrease) Increase in doubtful accounts	(162,194,456.12)	(1,024,927,821.08)	21,070,868.05
Doubtful accounts - installment sale receivables	2,217,646.95	-	-
Impairment loss on properties for sale (reversal)	(20,496,671.01)	(69,343,176.68)	82,717,382.23
Expenses incurred on receivables accounts under installment buyback option	-	-	5,222,572.33
(Gain) Loss on investment in securities	30,309,029.21	2,561,187.30	(20,043,865.22)
	5,649,041,692.91	3,546,440,782.80	4,958,892,133.77
Net interest income	(206,186,135.59)	(406,054,318.32)	(158,229,877.94)
Net dividend income	(36,966,721.10)	(47,504,953.11)	(78,793,965.05)
Cash received from interest income	1,971,936,078.41	2,015,862,108.35	1,401,057,137.26
Cash received from dividend income	43,600,528.80	40,871,145.41	78,793,965.05
Cash paid for purchase of assets transferred from financial institutions	(7,088,271,954.65)	(4,734,288,764.75)	(5,411,336,638.00)
Cash paid on interest	(1,801,257,411.51)	(1,484,865,877.91)	(1,224,661,016.90)
Cash paid on income tax expenses	(8,797,804.95)	(10,054,607.99)	(9,780,772.75)
Loss from operation before changes in operating assets and liabilities	(1,476,901,727.68)	(1,079,594,485.52)	(444,059,034.56)
(Increase) Decrease in operating assets			
Loans purchased	5,037,033,664.00	4,987,597,693.01	3,856,466,210.36
Installment sale receivables	251,193,005.49	834,170,865.96	553,761,240.80
Properties for sale	1,513,872,245.60	898,557,518.50	1,714,191,556.09
Accrued income from auction sale	(2,129,465,905.29)	(1,785,469,053.23)	(1,185,839,046.47)
Other assets	(379,248,304.72)	(179,328,710.68)	(67,326,228.19)
Increase (Decrease) in operating liabilities			
Unearned income from auction sale	5,342,009,258.02	-	-
Long-term employee benefits	(48,336,300.00)	(45,571,420.00)	(37,702,226.00)
Other liabilities	66,472,942.79	186,336,465.49	(965,057,952.80)
Net cash provided from operating activities	8,176,628,878.21	3,816,698,873.53	3,424,434,519.23

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Bangkok Commercial Asset Management Public Company Limited

Statements of Cash Flows (Continued)

For the Years Ended December 31, 2018, 2017 and 2016

Unit : Baht

	Notes	2018	2017	2016
Cash flows from investing activities				
Cash paid on purchase of premises and equipment		(78,584,530.67)	(99,366,410.75)	(123,808,696.04)
Cash paid on purchase of available-for-sale securities		(5,656,632,024.52)	(10,503,155,865.49)	(3,617,261,698.11)
Cash paid on purchase of intangible assets		(3,046,875.00)	(1,719,159.92)	(5,212,335.00)
Decrease in bank deposits under guarantee obligation		40,000.00	-	-
Cash paid for investment in securities		-	-	(2,212,720.00)
Cash received from sales of fixed assets		13,374,766.27	45,000.00	18,108,439.81
Cash received from investment in available-for-sale securities		5,655,314,902.52	10,515,789,950.00	3,618,980,963.00
Cash received from sales of investment in securities		8,607,676.82	553,116.00	-
Net cash used in investing activities		(60,926,084.58)	(87,853,370.16)	(111,406,046.34)
Cash flows from financing activities				
Cash received from bank borrowings		16,450,000,000.00	30,943,308,342.12	50,979,711,600.39
Cash received from debenture issuance		8,000,000,000.00	22,600,000,000.00	6,400,000,000.00
Cash received from redemption of bills of exchange		97,064,796.50	-	-
Cash paid on repayment of loans and debt securities		(21,779,023,757.05)	(45,324,654,333.48)	(56,844,296,862.60)
Cash paid on payment of debenture		(6,600,000,000.00)	(8,400,000,000.00)	-
Cash paid on fee of debenture issuance		(10,416,377.60)	(19,232,775.62)	(2,256,195.70)
Cash paid on notes payable aval expense		-	(14,120,289.63)	(7,038,310.48)
Cash paid on dividend payment to shareholders		(4,400,615,000.00)	(3,961,647,500.00)	(3,842,675,000.00)
Net cash used in financing activities		(8,242,990,338.15)	(4,176,346,556.61)	(3,316,554,768.39)
Net decrease in cash and cash equivalents		(127,287,544.52)	(447,501,053.24)	(3,526,295.50)
Cash and cash equivalents as at beginning of year		1,158,859,799.72	1,606,360,852.96	1,609,887,148.46
Cash and cash equivalents as at ending of year	7.26.1	1,031,572,255.20	1,158,859,799.72	1,606,360,852.96

Notes to the Financial Statements are an integral part of these Financial Statements.

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Bangkok Commercial Asset Management Public Company Limited

Notes to the Financial Statements

For the Years Ended December 31, 2018, 2017 and 2016

Notes	Subject
1	Background
2	Basis for Preparation of the Financial Statements
3	Summary on Significant Accounting Policies
4	Exercise of Discretion and Important Accounting Estimates
5	Basic Earnings per Share
6	Financial Instruments
7	Additional Information
	7.1 Cash
	7.2 Cash at financial institutions
	7.3 Investment in securities - net
	7.4 Loans purchased
	7.5 Installment sale receivables
	7.6 Properties for sale - net
	7.7 Accrued income from auction sale - net
	7.8 Premises and equipment - net
	7.9 Intangible assets - net
	7.10 Other assets
	7.11 Classified assets/asset quality
	7.12 Debt issued and borrowings
	7.13 Accrued interest payable
	7.14 Provisions
	7.15 Unearned income from auction sale
	7.16 Other liabilities
	7.17 Share capital
	7.18 Legal reserve
	7.19 Profit appropriation and dividend payment

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Bangkok Commercial Asset Management Public Company Limited

Notes to the Financial Statements

For the Years Ended December 31, 2018, 2017 and 2016

Notes	Subject
7	Additional Information (Continued)
7.20	Capital management
7.21	Income tax expenses
7.22	Earnings per share
7.23	Related persons or parties
7.24	Directors' remuneration
7.25	Financial position and performance classified by operating segments
7.26	Additional information about cash and significant non-cash items
7.27	Assets with obligations
7.28	Guarantee
7.29	Contingent liabilities
7.30	Fair value measurement of financial instruments
7.31	Approval of the financial statements

Bangkok Commercial Asset Management Public Company Limited

Notes to the Financial Statements

For the Years Ended December 31, 2018, 2017 and 2016

1. Background

Under the financial institutions development plan devised by the Ministry of Finance pursuant to the Cabinet's resolution dated August 14, 1998, Bangkok Commercial Asset Management Public Company Limited (BAM or the Company) was established by Bangkok Commerce Plc. (formerly known as Bangkok Bank of Commerce Plc.) while 96.53% of the shares of Bangkok Commerce Plc. are owned by the Financial Institutions Development Fund (FIDF).

On January 7, 1999, BAM was registered as a limited company pursuant to the Civil and Commercial Code, with Bangkok Commerce Plc. owning 99.99% of its shares. On January 28, 1999, it was registered as an asset management company under the Emergency Decree on Asset Management Company B.E. 2541 with the main objective to manage non-performing assets of Bangkok Bank of Commerce Plc.

On March 29, 2002, the Company added more of its objectives in respect of management of non-performing assets and being an agent for debt collection pursuant to the Emergency Decree on Thai Asset Management Corporation B.E. 2544, including custody and management of assets, transfer documents or other documents and all relevant matters.

On February 4, 2003, the official receiver issued a warrant of order no. 1338/2546 which required Bangkok Commerce Plc. to transfer to FIDF all shares in BAM, totaling 546,999,993 shares with a par value of 25 Baht per share at the total book value of 13,674,999,825 Baht, thereby leading FIDF to become a direct shareholder of the Company.

On December 25, 2015, BAM registered a transformation into a public company in the name of Bangkok Commercial Asset Management Public Company Limited, headquartered at 99 Surasak Road, Silom, Bang Rak, Bangkok, to operate the business of purchasing or receiving transfer of non-performing loans (NPLs) and non-performing assets (NPAs) for management or for further disposal or transfer.

2. Basis for Preparation of the Financial Statements

- 2.1 These financial statements are prepared in accordance with Thai Accounting Standards prescribed by law pursuant to the Accounting Professions Act, B.E. 2547, Thai Financial Reporting Standards, and the Notification of the Bank of Thailand (BOT) No. FPG. 22/2558, Re: Preparation and Announcement of Financial Statements of a Finance Company and a Credit Foncier Company dated December 4, 2015.

2. Basis for Preparation of Financial Statements (cont.)

An English language version of the financial statements has been prepared based on the Thai language version of the financial statements. Where there is any conflict in either the substance or the interpretation between the two languages, the Thai language financial statements shall prevail.

The financial statements have been prepared based on historical cost unless stated otherwise in the accounting policies.

- 2.2 These financial statements are prepared for specific objectives to be supporting information in the prospectus for the Company's initial public offering of its shares and in the filing for permission to issue and offer ordinary shares of the Company from the Office of the Securities and Exchange Commission.

3. Summary on Significant Accounting Policies

The financial statements prepared for the specific purpose are based on the same accounting policy and calculation methods as those used in the preparation of the financial statements for the general purpose for the year ended December 31, 2018.

3.1 Recognition of income

a) Interest income from loans purchased

The Company recognizes interest income from non-performing loans (NPLs) acquired or transferred from other financial institutions when debt payments are made by debtors, divided into two cases below:

Case of NPLs with debt restructuring or compromising agreements

The Company recognizes interest income when paid by debtors by the individual rate of return approach where the rate of return is calculated from cash flow projected to be paid from each acquired receivable based on debt restructuring or compromising agreements. In case the agreement requires asset transfer for debt settlement, the Company will use the estimated value of the transferred asset for debt settlement as the projected cash inflow for calculation of the individual rate of return.

However, if the debt restructuring agreement requires auction of the collateral asset, the Company will not use the estimated value from the auction as part of the cash flow projection due to uncertainty of the value to be received.

3.1. Recognition of income (cont.)Case of NPLs with debt restructuring or compromising agreements (cont.)

On the date of receipt of the debtor's payment, the Company will recognize interest income with calculation made on the overdue period from the date of execution of the debt restructuring or compromising agreements, or the date of the latest receipt of payment, until the date of receipt of the payment, based on the rate of return calculated above. Recognition of interest income will not be in the amount exceeding the amount of payment received from the debtor, with the difference thereof after the recognition of interest income to be deducted from the cost of loans purchased.

Case of NPLs without debt restructuring or compromising agreements

Debt payment received from each debtor in whatsoever case (cash received from debtor's debt settlement or payment received from auction of the collateral asset) will be entirely deducted from principal debt. Difference arising from the amount received exceeding the cost of loans purchased will be presented as gain on loans purchased. The Company will recognize these items as below:

- In case of receipt of cash from the debtor, income recognition will be made on the date of receipt of such cash payment.
- In case a collateral asset of debtor is put up for auction sale at Legal Execution Department, the Company will record the deduction of debt on the date when the buyer has completed payment to Legal Execution Department and will record accrued income from auction sale at Legal Execution Department as an account receivable.
- In case of receipt of the transferred asset of the debtor coming from the auction of the collateral asset or the transfer of asset for debt settlement, such transferred asset will be recorded at the bidding price or the price agreed upon with the debtor deducted by the cost of loans purchased. Also, in case the value of the transferred asset exceeds the amount of outstanding loans purchased, the difference will be presented as revaluation of properties for sale so that the value of the asset recorded in the financial statements would not exceed the cost of loans purchased. The recognition will be made on the date of receipt of the transferred asset.

3.1 Recognition of income (cont.)

b) Interest income from cash at financial institutions

Interest income from cash at financial institutions is recognized on an accrual basis.

c) Fee and service income

Fee and service income is recognized on an accrual basis.

d) Interest and dividend income from investment

Interest income is recognized on an accrual basis. Dividend income is recognized upon having the right to receipt of dividend.

e) Gain (loss) on investment

Gain (loss) on investment is recognized as income or expense on the transaction date.

3.2 Recognition of expenses

a) Interest expense

Interest expense is recognized as an expense on an accrual basis. In case interest is included in notes payable, the interest will be recognized as deferred interest payable and amortized as expense by the individual rate of return method throughout the tenor of the notes.

b) Other expenses are recognized on an accrual basis.

3.3 Investment in securities

Investment in all kinds of debt securities and marketable equity securities which are classified as available-for-sale securities is presented at fair value. Any change in the fair value of such securities is separately presented in other comprehensive income in the statements of profit or loss and other comprehensive income, and transferred to other components of shareholders' equity in the statement of changes in shareholders' equity. It will be recognized as profit or loss upon disposal of the investment.

Investment in held-to-maturity debt securities is presented at cost value. The Company writes off surplus/deficit of debt securities value based on the individual rate of return. This written-off/recognized amount will be presented as adjusted interest receivable.

Investment in non-marketable equity securities in which the Company does not have control power, directly and indirectly, is regarded as general investment and presented at cost net of allowance for impairment of investments (if any).

3.3 Investment in securities (cont.)

Fair value of marketable securities is calculated based on the final quoted price at the end of the last business day of the year. Meanwhile, fair value of debt securities is calculated based on the yield rate announced by the Thai Bond Market Association or other markets, or the yield rate of the government bond adjusted with appropriate risk value, as the case may be.

The Company will recognize impairment loss (if any) of available-for-sale securities, investment in held-to-maturity securities and general investment in the part of profit or loss in the statements of profit or loss and other comprehensive income.

In the disposal of investment, the difference between net consideration received and book value of investment will be recorded in the part of profit or loss in the statements of profit or loss and other comprehensive income. In case where only partial disposal of investment is made, book value per unit to be used in calculating the cost of disposed investment is figured out on a weighted average basis.

In case of investment acquired from debt restructuring or transfer of assets for debt payment, the Company will recognize the cost of investment at the agreed price but not exceeding the book value of outstanding loans purchased. In case the Company holds shares more than 20% or 50% but does not have control power or influence in such entity, the Company will still classify the investment in such entity as general investment and it will not be presented as investment in associated or subsidiary company.

3.4 Loans purchased

Each NPLs acquired or transferred from other financial institution are recorded at acquisition cost or transfer cost plus expenses incurred from the acquisition or transfer of such NPLs, and will be entirely itemized as loans purchased. Loans purchased are presented in amount net of allowance for doubtful accounts (if any), and doubtful accounts recognized in the part of profit or loss in the statements of profit or loss and other comprehensive income.

3.5 Allowance for doubtful accounts of loans purchased

The Company has set aside the allowance for doubtful accounts of loans purchased by adopting the Notification of BOT No. FPG. 5/2559, dated June 10, 2016, where applicable to the Company's transactions. Under the said regulations, debts are mainly classified by the overdue period and adjusted with additional amount of payment expected to be non-collectible from the debtors based on the analysis and assessment of the status of debtors as experienced in the consideration of risk and collateral value. The increased (decreased) amount of allowance for doubtful accounts is recognized as expenses during the year. Classification criteria are as below:

3.5 Allowance for doubtful accounts of loans purchased (cont.)

Classification	Overdue period	Basis of allowance for doubtful accounts
Class 1 Pass	0 - 30 days	Allowance for doubtful accounts is set at the
Class 2 Special Mention	31 - 90 days	highest value derived from any of the following: <ol style="list-style-type: none"> 1) 100% of the difference between loans purchased, which is higher, and the lowest of 90% of collateral value, or mortgage value, or debt on an accrual basis, or 2) The difference between loans purchased, which is higher, and cash flow from debt restructuring expected to be received in the future, discounted to present value by using the interest rate under the debt restructuring agreement (MLR) as the discount rate.
Class 3 Substandard	91 - 180 days	Allowance for doubtful accounts is set at the
Class 4 Doubtful	181 days - 12 months	highest value between 100% of the difference
Class 5 Doubtful of Loss	over 12 months	between loans purchased, which is higher, and the lowest of present value of cash flow expected to be received from disposal of collaterals (discounted according to debtor ageing and status), or mortgage value, or debt on accrual basis.

All newly acquired NPLs which are classified as doubtful of loss (Class 5) are formerly NPLs of financial institutions and the Company has not yet taken any action on such NPLs. After executing debt restructuring agreements with the debtors, the Company will reclassify those classified as doubtful of loss (Class 5) or doubtful (Class 4) to substandard (Class 3). If they are able to comply with the debt restructuring agreements for at least three consecutive months or three consecutive repayment installments, whichever is longer, they will be reclassified to pass (Class 1).

3.6 Debt restructuring

In case of debt restructuring in which the Company gives relaxation on debt payment conditions, the Company calculates fair value of post-restructuring debt based on the present value of cash flow expected to be received in future discounted by loan interest rate according to the debt restructuring agreements (MLR). The difference between the fair value so calculated which is lower and the previous outstanding amount of the debt will be recognized as allowance for doubtful accounts and regarded as an expense in full amount in the part of profit or loss in the statement of profit or loss and other comprehensive income in the debt restructuring year. Such allowance for doubtful accounts will be reviewed using the present value of cash flow expected to be received in the remaining period and adjusted with doubtful accounts.

In case of debt restructuring with acceptance of transfer of asset or equity interest, the Company records the asset or equity interest so transferred as the cost of asset at the agreed value but not exceeding the book value of outstanding loans purchased.

Loss from debt restructuring due to reduction of the book value of outstanding principal debt is recognized as loss in the part of profit or loss when there is a debt restructuring.

3.7 Properties for sale

Properties for sale include properties received from acquisition/transfer from asset management companies and financial institutions, asset transfer by debtors for debt settlement, and auction of debtors' assets for debt settlement.

Properties for sale received from acquisition/transfer from asset management companies and financial institutions are presented at transfer price (acquisition cost) together with transfer expenses for such asset acquisition.

Properties for sale acquired from financial institutions through auction with payment made in form of non-interest bearing promissory notes are recorded at cost price of cash equivalence excluding interest. The difference between the cost price of cash equivalence and the amount payable is presented as deferred interest payable and amortized as expense throughout the tenor of promissory notes.

Properties for sale acquired from asset transfers by debtors and properties for sale acquired from auction of debtors' assets for debt settlement are presented at cost price (based on transfer price from debtors or auction price or purchase price but not exceeding the book value of outstanding loans purchased on the asset acquisition date) together with transfer expenses for such asset acquisition, or the value expected to be recovered, whichever is lower. The value expected to be recovered is based on the latest appraisal price deducted by selling expense estimates.

3.7 Properties for sale (cont.)

Profit or loss from disposal of properties for sale is recognized in the part of profit or loss in the statements of profit or loss and other comprehensive income when there is a disposal. Impairment loss is recognized as expense in the part of profit or loss in the statements of profit or loss and other comprehensive income when it actually occurs.

3.8 Installment sale receivables

Installment sale receivables arise from selling properties for sale on an installment payment. The Company records the difference between the selling price and the cost of properties for sale as deferred gross margin from installment sale and will recognize it as income from installment sale when the aggregate amount of cash received from the debtor exceeds the cost of properties for sale. The profit recognized will not exceed the aggregate amount of cash received which is higher than the cost of properties for sale.

The Company sets aside the allowance for doubtful accounts of installment sale receivables using the difference between the book value of debt and the price expected for sale of properties, which are paid by installments, based on the latest appraisal price after deduction of discount and expense estimates.

3.9 Accrued income from auction sale

This item arises from sales at auction of collateral assets of debtors at Legal Execution Department. There are two cases as below:

1. In case an outside party wins the auction

In case a collateral asset is put up for auction and an outside party wins the auction, such item will be recorded as accrued income from auction sale on the date when the buyer has made full payment to the Legal Execution Department, provided that such collateral asset is under first mortgage only. The Company will record the estimated operating expense to be collected by Legal Execution Department at the rate of 7% of the auction price. The estimated auction expense is presented as a deduction item from accrued income from auction sale.

2. In case the Company wins the auction like an outside party

In case the Company is the buyer of the collateral asset of the debtor and has already made full payment to Legal Execution Department, this item will be recognized as accrued income from auction sale at the auction price less purchase fee of 3.5% of the auction price.

3.10 Premises and equipment and depreciation

Premises and equipment are stated at cost less accumulated depreciation and allowance for asset impairment (if any). Depreciation is calculated by the straight-line method over the estimated useful life of each type of assets as follows:

	<u>Depreciation calculation method</u>	<u>Percentage</u>
Building	Straight-line	5
Building improvement	Daily straight-line	10 - 15
Equipment	Straight-line	20
Car	Straight-line	20
Computer	Straight-line	33.33

Equipment consists of furniture, decorations and office equipment.

The calculation methods for depreciation, useful life and residual value of the assets are reviewed at least at the end of every accounting year and are adjusted as deemed appropriate.

Depreciation is taken into account in the calculation of operating results. The Company does not calculate depreciation for property and work in process.

Premises and equipment will be written off upon disposal thereof or no economic benefits expected from the use or disposal thereof in future. Profit or loss from asset disposal (difference between net consideration received from disposal of the asset and book value thereof) will be recognized in the part of profit or loss in the statements of profit or loss and other comprehensive income.

3.11 Intangible assets and amortization

Intangible assets, comprising computer software, are stated at cost less accumulated amortization and allowance for impairment (if any).

The Company amortizes intangible assets with limited useful life systematically throughout the useful life period of such assets, and evaluates impairment of such assets when there is any indication of impairment thereof. The Company will review the amortization period and method of intangible assets at least every year-end. Amortization and allowance for impairment are recognized as expense in the part of profit or loss in the statements of profit or loss and other comprehensive income.

Intangible assets with limited useful life have a useful life of approximately five years and there is no amortization of work in process.

3.12 Impairment of assets

In the ending of each reporting period, the Company will assess whether there is any indication of impairment of its assets. If there is any indication thereof, the Company will figure out the impairment and recognize impairment loss when the asset value expected to be recovered is lower than the asset book value. In this regard, the asset value expected to be recovered refers to the asset fair value less asset selling cost or asset usage value, whichever is higher.

The Company will recognize impairment loss in the part of profit or loss in the statements of profit or loss and other comprehensive income. In the assessment of asset impairment, if there is any indication that impairment loss recognized in the previous year has decreased or no longer existed, the Company will figure out the value expected to be recovered of such assets and will reverse impairment loss recognized in the previous year provided that there is a change in the projection to determine the value expected to be recovered after the latest recognition of impairment loss. The increase in the asset book value as resulting from such reversal of impairment loss must not exceed the justifiable book value. In case of no recognition of impairment loss in the previous years, the Company will immediately reverse and recognize impairment loss in the part of profit or loss.

3.13 Related party transactions

A related party of the Company means a person or business that has control power over the Company, or is controlled by the Company, directly or indirectly, or is under the same control as the Company.

In addition, a related person or party also includes a person or business possessing the voting right, directly or indirectly, which has significant influence on the Company, its key management, directors or employees who have controlling power in the Company's operation.

3.14 Corporate income tax

The Royal Decree issued by virtue of the Revenue Code regarding Tax Exemption (No. 362) B.E. 2542 provides that Bangkok Commercial Asset Management Public Company Limited shall be exempted from corporate income taxes for net profit earned from management of non-performing assets acquired or transferred from financial institutions.

3.15 Employee benefits**Short-term benefits**

The Company recognizes salaries, wages, bonuses and provident fund contributions as expenses when they actually occur.

3.15 Employee benefits (cont.)

Post-employment benefits

Provident fund project

The Company and employees have jointly set up a provident fund consisting of money contributions made by the employees and the Company on a monthly. Provident fund assets are separated from assets of the Company. The portion contributed by the Company to the provident fund is recorded as an expense in the accounting period when the transaction occurs.

Post-employment benefit project

The Company is liable to pay compensation to employees upon their employment termination in accordance with the announcement of the State Enterprise Labor Relations Committee on minimum standards of working conditions in state enterprises and other staff benefit programs. They are regarded as post-employment benefits for the employees. Moreover, other long-term employee benefits are made available, such as leave days that can be carried forward to the following year.

The Company calculates liability under such post-employment benefits and other long-term employee benefit projects by the projected unit credit method. Assessment of contingent liability is undertaken by an independent expert on an actuarial basis.

Actuarial gains or losses in relation to post-employment benefits are recognized immediately in other comprehensive income, and gains or losses in relation to other long-term benefit projects are recognized immediately in profit or loss.

3.16 Provisions

Provisions are recognized in the statement of financial position when the Company incurs debt as a result of past events and with possibility to lose economic benefits from payment of such debt as well as based on its reliable assessment of such obligation. Provisions that are recognized in the statement of financial position include provisions for post-employment benefits, possible damages from prosecution and other provisions.

Provisions are recorded as other operating expenses and as provisions in the statement of financial position. The Company reviews provisions regularly and records changes in provisions by increasing or decreasing other operating expenses.

3.17 Building and equipment lease contracts

Most of the Company's building and equipment lease contracts which risks and equity interests are not passed on to the lessees are regarded as operating lease contracts. The amounts paid under the contracts are recognized as expenses in the part of profit or loss by the straight-line method throughout the lease contractual terms.

3.18 Fair value measurement

Fair value means the price expected to be received from the sale of assets or the price to be paid for transfer of debts to other parties. The transaction occurs under normal circumstances between the buyer and the seller (market participants) on the date of fair value measurement. The Company uses the quoted price in the market with liquidity for fair value measurement of assets and liabilities which are required by relevant financial reporting standards to be measured at fair value except in case which the market has no liquidity for assets or liabilities of the same nature or no quoted price in the market with liquidity can be identified, the Company will then work out the fair value by using the valuation approaches considered suitable under the circumstances, and try to use noticeable information in relation to the assets or liabilities to be measured as much as possible.

Hierarchy of fair value for measurement and disclosure of fair value of assets and liabilities in financial statements is in three levels by type of information used as below:

- Level 1 Quoted prices in active markets for identical assets or liabilities
- Level 2 Other observable inputs of assets or liabilities, directly or indirectly
- Level 3 Unobservable inputs such as data on projected future cash flows

In the ending of each reporting period, the Company will assess the necessity of the transfer of transactions between levels of fair value of assets and liabilities held as of the ending of each reporting period in which fair value measurement regularly takes place.

4. Exercise of Discretion and Important Accounting Estimates

In preparation of financial statements according to financial reporting standards, Management is always required to exercise discretion and make projection of uncertain issues. Such exercise of discretion and projection have effects on the amounts stated in the financial statements and information presented in the notes to financial statements. Actual figures may differ from the estimates. Exercise of discretion and important projection are as follows:

4.1 Recognition of interest income from loans purchased

The Company uses individual rate of return in calculation of interest income from loans purchased in case of debtors with debt restructuring agreement. In calculation of the individual rate of return, Management is required to exercise discretion when considering various factors such as cash flow expected to be received from each debtor with reference to the debt restructuring or compromising agreement, cost of receivables for which the Company pays, debtors' capability to comply with the debt restructuring or compromising agreement, payment receipt schedule and overall economic conditions, etc. Changes in projected cash flow to be received as resulting from debtors' inability to pay debts according to the agreement, debtors' request for revision of the debt restructuring agreement or the Company's termination of the debt restructuring agreement due to debtors' inability to comply with the debt restructuring agreement will affect recognition of income of the Company during the year.

4.2 Recognition and write-off of assets and liabilities

In recognition and write-off of assets and liabilities, Management must exercise its discretion to see whether the Company has transferred or has been transferred risks and benefits in assets and liabilities based on the information to the best of my knowledge under the current circumstances.

4.3 Allowance for doubtful accounts of loans purchased

Allowance for doubtful accounts of loans purchased occurs from adjustment of loans purchased due to possible credit risk. Management uses allowance for doubtful accounts criteria based on those of BOT in conjunction with exercise of discretion in estimation of losses expected to occur when debtors have principal and interest payment problems by analyzing each debtor's status, possibility of default, collateral value and economic conditions.

4.4 Fair value of financial instruments

In estimation of fair value of financial instruments not traded on the market and those without quoted price in the active market, Management has to exercise discretion over assessment of fair value of the financial instruments by valuation techniques and models. Variables used in the model come from comparison of market variables taking into account credit risk, liquidity, relationship information and changes in the value of financial instruments in the long term. Changes in assumptions in relation to variables used in the calculation may affect fair value and disclosure of hierarchy of fair value.

4.5 Allowance for impairment of investment in securities

The Company sets aside allowance for impairment of investment in available-for-sale securities and general investment when there is any indication of impairment. To conclude whether the investment has an indication of impairment requires discretion of Management.

4.6 Allowance for impairment of properties for sale

The Company considers allowance for impairment of properties for sale when it finds out that the value expected to be recovered of properties for sale has decreased to be lower than book value. Management exercises discretion over estimation of losses from impairment by considering the latest estimated price and the type and characteristics of assets.

4.7 Calculation of depreciation

In calculation of depreciation of plant and equipment, Management needs to estimate the useful life and residual value after use of such plant and equipment and review of the useful life and residual value must be made if there are any changes.

Moreover, Management needs to review impairment of premises and equipment in each period and record losses from impairment if the value expected to be recovered is lower than the book value. In this regard, Management needs to exercise discretion over estimation of future income and expenses in relation to such assets.

4.8 Post-employment benefits according to benefit projects

Liabilities under post-employment benefit projects for employees are estimated on an actuarial basis which requires various assumptions for use in estimation, such as discount rate, future salary increment rate, mortality rate and employee turnover rate, etc.

4.9 Provisions for litigation cases

The Company has contingent liabilities from lawsuits filed by others for damages. Management thus needs to exercise discretion over assessment of lawsuit results. In case Management is assurance that no damages will be incurred, the Company will not recognize provisions for such case.

4.10 Lease contracts

In considering whether a lease contract is an operating lease contract or a financial lease contract, Management exercises discretion over assessment of conditions and details of the contract to consider whether the Company has transferred or has been transferred risks and benefits of such leased asset:

5. Basic Earnings per Share

Basic earnings per share is calculated by dividing the annual net profit on the shareholders' portion (excluding other comprehensive income) with the weighted average number of ordinary shares issued during the year.

6. Financial Instruments

The Company's important financial instruments, as defined in TAS 107: Disclosure and Presentation of Financial Instruments, consist of cash, cash at financial institutions, investment in securities, loans purchased, installment sale receivables, accrued income from auction sale and debt issued and borrowings. The Company is subject to risks related to the aforementioned financial instruments and has a policy on risk management as below:

6.1 Risk management

The Company implements its risk management that covers all key risks, which are divided into four categories consisting of strategic risk, operational risk, financial risk and compliance risk, so that it can determine approaches to or tools for efficient risk management, as follows:

6.1.1 Strategic risk

These are risks arising from unsuitable strategic plans, resulting from inconsistent adaptation of strategy with internal and external environment, which may adversely affect the achievement of organizational goals in accordance with strategic/operational plans set by the Company and impact its income, financial status, competitiveness and business sustainability.

6.1.2 Operational risk

These are risks of damage incurrence from insufficient corporate governance and internal controls, which may be related to internal functional processes, personnel, work systems or external events that affect the Company's income and financial position.

6.1.3 Financial risk

a) Liquidity risk

These are risks arising from the Company's inability to pay debts and meet obligations when due, because of inability to timely convert assets into cash when it is due for debt payment or obtain sufficient funds to meet funding needs or ability to obtain funds but at the too high cost beyond the acceptable level. These risks may affect the Company's income and financial position.

Tools for managing liquidity risks

The Company has established a policy for management of liquidity, control of liquidity risk limits/levels to acceptable levels and putting in place tools for monitoring and controlling liquidity risks by relevant management personnel and committees, i.e. Assets and Liabilities Management Committee and Risk Management Committee. The tools used for liquidity risk management include estimation of the cash inflows and outflows to assess the liquidity gap for various periods of time, analysis of key financial ratios and stress tests of financial liquidity.

Furthermore, the Company has laid down guidelines for the preparation of a contingency funding plan for both normal and emergency situations to ensure timely access to the funding source and adequate cash flow at an appropriate funding cost in the event of a liquidity crisis.

Maturity dates of financial tools from the dates in the statements of financial position as at December 31, 2018, 2017 and 2016 are as below:

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Tools for managing liquidity risks (cont.)

Unit : Million Baht

Items	2018				Total
	At call	Up to 1 year	More than 1 - 10 years	Not specified	
Financial assets					
Cash	3.61	-	-	-	3.61
Cash at financial institutions	731.56	300.24	-	-	1,031.80
Investment in securities	-	-	-	482.76	482.76
Loans purchased *	76,631.00	1,599.45	3,488.54	-	81,718.99
Installment sale receivables	41.54	691.11	720.19	-	1,452.84
Accrued income from auction sale	-	-	-	7,115.45	7,115.45
Financial liabilities					
Debt issued and borrowings	-	19,045.33	38,663.95	-	57,709.28

Unit : Million Baht

Items	2017				Total
	At call	Up to 1 year	More than 1 - 10 years	Not specified	
Financial assets					
Cash	4.30	-	-	-	4.30
Cash at financial institutions	1,158.31	0.20	-	-	1,158.51
Investment in securities	-	-	-	504.65	504.65
Loans purchased *	76,332.12	1,384.88	2,112.17	-	79,829.17
Installment sale receivables	241.64	456.82	466.34	-	1,164.80
Accrued income from auction sale	-	-	-	4,981.49	4,981.49
Financial liabilities					
Debt issued and borrowings	1,200.00	18,734.44	36,934.03	-	56,868.47

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Tools for managing liquidity risks (cont.)

Unit : Million Baht

Items	2016				
	At call	Up to 1 year	More than 1 - 10 years	Not specified	Total
Financial assets					
Cash	3.26	-	-	-	3.26
Cash at financial institutions	807.01	800.49	-	-	1,607.50
Investment in securities	-	-	-	508.59	508.59
Loans purchased *	75,429.32	890.28	1,655.50	-	77,975.10
Installment sale receivables	344.21	1,415.74	638.99	-	2,398.94
Accrued income from auction sale	-	-	-	3,026.04	3,026.04
Financial liabilities					
Debt issued and borrowings	1,000.00	24,704.30	24,624.81	-	50,329.11

*The amount due of loans purchased that have not undergone debt restructuring and those that are under debt restructuring but classified as Class 3 - Substandard, Class 4 - Doubtful and Class 5 - Doubtful of Loss is classified as at call. Meanwhile, the amount of loans purchased which have undergone debt restructuring and are classified as Class 1 - Pass and Class 2 - Special Mention is presented with reference to debt restructuring agreement. However, the amount to be received by the Company under the agreement is in accordance with the right to demand payment, which will be higher than or equal to the amount of loans purchased. The Company has thus presented the amount to be received at not exceeding the cost of the receivables.

b) Credit risk

Credit risks for asset management companies (AMC) whose revenues do not arise from extending loan facilities to clients, but from management and disposal of NPLs/NPAs, are mainly asset quality risks.

Tools for managing asset quality risks

- The Company determines prices for NPLs/NPAs based on NPLs/NPAs related factors comprising debtor status/track record, indebtedness, quality of collateral security, quality of properties for sale, and such external environment as competition and economic conditions, etc., to estimate income from debt collection and disposal of such assets.

Tools for managing asset quality risks (cont.)

- The Company manages debtors under debt restructuring agreements who may not be able to settle debts as agreed upon or under the conditions set forth. The Company considers/reviews the debt servicing capability of debtor with an aging system in place to give early warning before debtor's default of payment. In case debtor in default of payment shall be subject to legal proceeding as specified. This aims to reduce risks associated with debtors who cannot perform their obligations under the debt restructuring agreements.

Possible maximum risk exposure

Maximum value of credit risks will come from a combination of book value of loans purchased and installment sale receivables, deducted by allowance for doubtful accounts and allowance for impairment loss as presented in the statement of financial position.

c) Market risk

Market risks are risks arising from changes in market prices. The Company may be at risk of damage caused by changes in interest rates and securities prices which affect its investment position. In addition, as the Company's business focuses on management of NPLs/NPAs, market risks also include risks arising from changes in market price of collateral assets of debtors.

1) Interest rate risk

Interest rate risk is risk incurred from changes in value of financial instruments both financial assets and liabilities, in line with changing trends of market interest rates, as below:

Financial assets and liabilities classified by type of interest rates as at December 31, 2018, 2017 and 2016 are as follows:

Items	Unit : Million Baht			
	2018			
	Floating interest rates	Fixed interest rates	No interest	Total
Financial assets				
Cash	-	-	3.61	3.61
Cash at financial institutions	669.71	300.24	61.85	1,031.80
Investment in securities	-	-	482.76	482.76
Loans purchased	7,531.32	74,187.67	-	81,718.99
Installment sale receivables	1,258.67	194.17	-	1,452.84
Accrued income from auction sale	-	-	7,115.45	7,115.45
Financial liabilities				
Debt issued and borrowings	16,675.70	37,604.35	3,429.23	57,709.28

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1) Interest rate risk (cont.)

Unit : Million Baht

Items	2017			
	Floating interest rates	Fixed interest rates	No interest	Total
Financial assets				
Cash	-	-	4.30	4.30
Cash at financial institutions	915.73	0.20	242.58	1,158.51
Investment in securities	-	-	504.65	504.65
Loans purchased	4,668.49	75,160.68	-	79,829.17
Installment sale receivables	971.80	193.00	-	1,164.80
Accrued income from auction sale	-	-	4,981.49	4,981.49
Financial liabilities				
Debt issued and borrowings	16,250.13	37,772.64	2,845.70	56,868.47

Unit : Million Baht

Items	2016			
	Floating interest rates	Fixed interest rates	No interest	Total
Financial assets				
Cash	-	-	3.26	3.26
Cash at financial institutions	728.22	800.49	78.79	1,607.50
Investment in securities	-	-	508.59	508.59
Loans purchased	3,569.75	74,405.35	-	77,975.10
Installment sale receivables	1,898.51	202.09	298.34	2,398.94
Accrued income from auction sale	-	-	3,026.04	3,026.04
Financial liabilities				
Debt issued and borrowings	18,999.20	28,168.21	3,161.70	50,329.11

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1) Interest rate risk (cont.)

Financial instruments with fixed interest rates and definite period of determining new interest rate or maturity date (whichever is earlier) from the date shown in the statements of financial position are as follows:

Unit : Million Baht

Items	2018					Total	Interest rate percentage
	Period of determining new interest rate or maturity date						
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Cash at financial institutions	-	300.24	-	-	-	300.24	0.85 - 1.30
Loans purchased *	74,187.67	-	-	-	-	74,187.67	-
Installment sale receivables	-	-	-	194.17	-	194.17	6.00 - 7.20
Financial liabilities							
Debt issued and borrowings	-	4,620.69	5,091.46	14,041.12	13,851.08	37,604.35	2.03 - 4.30

Unit : Million Baht

Items	2017					Total	Interest rate percentage
	Period of determining new interest rate or maturity date						
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Cash at financial institutions	-	0.20	-	-	-	0.20	0.85
Loans purchased *	75,160.68	-	-	-	-	75,160.68	-
Installment sale receivables	-	-	-	-	193.00	193.00	6.00
Financial liabilities							
Debt issued and borrowings	-	773.71	8,751.08	12,271.09	15,976.76	37,772.64	1.00 - 3.92

Unit : Million Baht

Items	2016					Total	Interest rate percentage
	Period of determining new interest rate or maturity date						
	At call	0 - 3 months	3 - 12 months	1 - 5 years	Over 5 years		
Financial assets							
Cash at financial institutions	-	800.49	-	-	-	800.49	0.85 - 1.50
Loans purchased *	74,405.35	-	-	-	-	74,405.35	-
Installment sale receivables	-	-	-	-	202.09	202.09	6.00
Financial liabilities							
Debt issued and borrowings	-	2,597.82	11,123.94	13,348.18	1,098.27	28,168.21	1.00 - 3.79

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1) Interest rate risk (cont.)

- * The Company does not make any recognition of interest income from loans purchased without debt restructuring. Payment received from the debtor will be used to deduct principal debt in full. Difference of the amount received, which is higher, and the cost of loans purchased will be presented as gain on loans purchased.

In addition, the Company had financial assets/liabilities which generated income and expenses incurred. The average balances of which are calculated by averaging from interim balances of such financial assets and liabilities and average income and expenses for the years ended December 31, 2018, 2017 and 2016 as follows:

Unit : Million Baht			
2018			
	Average balance	Income/Expenses	Average rate (percentage) per year
Income-generating financial assets			
Cash	5.06	-	-
Cash at financial institutions	1,564.76	10.33	0.66
Investment in securities	431.64	10.39	2.41
Loans purchased	74,753.55	6,295.17	8.42
Installment sale receivables	659.77	204.40	30.98
Expense-incurring financial liabilities			
Debt issued and borrowings	59,050.41	1,769.41	3.00
Unit : Million Baht			
2017			
	Average balance	Income/Expenses	Average rate (percentage) per year
Income-generating financial assets			
Cash	5.62	-	-
Cash at financial institutions	2,327.25	23.32	1.00
Investment in securities	1,233.01	57.58	4.67
Loans purchased	70,571.39	5,386.67	7.63
Installment sale receivables	1,026.16	289.10	28.17
Expense-incurring financial liabilities			
Debt issued and borrowings	55,873.88	1,621.99	2.90

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1) Interest rate risk (cont.)

Unit : Million Baht

	2016		
	Average balance	Income/Expenses	Average rate (percentage) per year
Income-generating financial assets			
Cash	6.91	-	-
Cash at financial institutions	901.03	10.36	1.15
Investment in securities	161.75	109.13	67.47
Loans purchased	61,336.91	5,456.63	8.90
Installment sale receivables	2,177.42	732.74	33.65
Expense-incurring financial liabilities			
Debt issued and borrowings	44,136.01	1,244.15	2.82

2) Risk from changes in market prices of equity instruments

It refers to risk arising from changes in prices of equity securities or equity shares which cause changes in value of equity instruments and may trigger fluctuations in income or value of the Company's financial assets at present and in future.

However, investment in securities of the Company is mostly in equity securities or equity shares obtained from transfer of assets for debt settlement or those allowing debtors to exercise buyback rights, not securities in the Company's trading portfolio. Even though securities prices change in line with market prices in each period, the Company has no policy to hold such securities for profit speculation. It would gradually dispose of such securities with criteria and conditions in place to appropriately dispose of the securities in each period, and would follow up to recognize marked-to-market value of investment in securities at the end of each accounting period.

3) Risk from changes in market prices of collateral assets

Risk from changes in market prices of collateral assets refers to risk arising from changes in market prices of collateral assets of debtors. Such risk is incurred from changes in value of assets in line with market conditions leading to income increase or decrease. The Company considers appraisal prices set by BOT and reviews valuation prices of collaterals for NPLs every three years or when relevant situations change significantly. And, allowance for doubtful accounts of loans purchased are adequately set aside to accommodate any possible damage from depreciation/impairment of collaterals for NPLs..

6.1.4 Compliance risk

These are risks arising from failure to comply with the laws, rules, regulations, standards, orders and guidelines applicable to the Company's transactions, which may cause financial damage or lead to legal action or damage to the Company's reputation and image.

7. Additional Information**7.1 Cash**

	Unit : Million Baht		
	2018	2017	2016
Cash	3.61	4.30	3.26
Total	3.61	4.30	3.26

As at December 31, 2018, 2017 and 2016, cash and cash equivalent items disclosed in the statements of cash flows were as below:

	Unit : Million Baht		
	2018	2017	2016
Cash	3.61	4.30	3.26
Deposits in transit	9.89	3.37	5.06
Deposits at domestic banks			
Current and saving deposits	1,021.61	1,154.77	801.62
Fixed deposits	0.20	0.20	800.20
Total cash and deposits at banks	1,035.31	1,162.64	1,610.14
<u>Less</u> Deposits under guarantee obligation	(3.74)	(3.78)	(3.78)
Cash and cash equivalent items	1,031.57	1,158.86	1,606.36

7.2 Cash at financial institutions

	Unit : Million Baht		
	2018	2017	2016
Deposits in transit	9.89	3.37	5.06
Deposits at domestic banks			
Current and savings deposits	1,021.61	1,154.77	801.62
Fixed deposits	0.20	0.20	800.20
Accrued interest receivables	0.10	0.17	0.62
Total deposits at domestic banks	1,021.91	1,155.14	1,602.44
Total	1,031.80	1,158.51	1,607.50

7.2 Cash at financial institutions (cont.)

Unit : Million Baht

	2018		
	At call	Tenor	Total
<u>Domestic</u>			
Commercial banks	718.06	300.20	1,018.26
Specialized financial institutions	3.55	-	3.55
Total deposits	721.61	300.20	1,021.81
Accrued interest receivables	0.06	0.04	0.10
Total deposits at domestic banks	721.67	300.24	1,021.91

Unit : Million Baht

	2017		
	At call	Tenor	Total
<u>Domestic</u>			
Commercial banks	1,147.53	0.20	1,147.73
Specialized financial institutions	7.24	-	7.24
Total deposits	1,154.77	0.20	1,154.97
Accrued interest receivables	0.17	-	0.17
Total deposits at domestic banks	1,154.94	0.20	1,155.14

Unit : Million Baht

	2016		
	At call	Tenor	Total
<u>Domestic</u>			
Commercial banks	798.00	800.20	1,598.20
Specialized financial institutions	3.62	-	3.62
Total deposits	801.62	800.20	1,601.82
Accrued interest receivables	0.33	0.29	0.62
Total deposits at domestic banks	801.95	800.49	1,602.44

As at December 31, 2018, savings and fixed deposits carried interest rates of between 0.125% and 1.30% per annum (December 31, 2017: from 0.125% to 1.00% per annum, and December 31, 2016: from 0.125% to 1.50% per annum). As at December 31, 2018, the Company had savings deposits of 3.74 million Baht for electricity use guarantee (December 31, 2017: 3.78 million Baht, and December 31, 2016: 3.78 million Baht).

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7.3 Investment in securities - net

7.3.1 Classified by type of investments

	Unit : Million Baht					
	2018		2017		2016	
	Cost/		Cost/		Cost/	
	Amortized	Fair value	Amortized	Fair value	Amortized	Fair value
	cost		cost		cost	
<u>Available-for-sale securities</u>						
Domestic marketable equity securities	342.58	87.00	339.84	107.91	340.10	109.83
Warrant	-	1.15	-	1.23	-	2.05
<u>Less</u> Revaluation of investment in securities	(30.06)	-	(30.06)	-	(30.06)	-
<u>Less</u> Revaluation allowance	(58.02)	-	(46.25)	-	(43.77)	-
<u>Less</u> Allowance for impairment	(166.35)	-	(154.39)	-	(154.39)	-
Total	88.15	88.15	109.14	109.14	111.88	111.88
<u>Held-to-maturity debt securities</u>						
Private sector securities	49.70		49.70		49.70	
<u>Less</u> Revaluation of investment in securities	(49.70)		(49.70)		(49.70)	
Total	-		-		-	
<u>General investment</u>						
Non-marketable equity securities	715.37		715.37		715.12	
<u>Less</u> Revaluation of investment in securities	(545.13)		(520.49)		(516.57)	
<u>Less</u> Allowance for impairment	(164.45)		(164.45)		(164.19)	
Total	5.79		30.43		34.36	
Total investment in securities - net	93.94		139.57		146.24	

In 2017, the Company transferred investment in available-for-sale securities of 0.3 million Baht to general investment due to delisting of such securities from the stock exchange, and allowance for impairment of such securities had duly been set aside in full.

7.3.2 Classified by remaining maturity period

As at December 31, 2018, 2017 and 2016, investment in debt securities classified by maturity period was as follows:

Unit : Million Baht

	2018, 2017 and 2016				
	At call	Not over 1 year	1 - 5 years	Over 5 years	Total
Held-to-maturity debt securities					
Private debt securities	49.70	-	-	-	49.70
<u>Less</u> Revaluation of investment in securities	(49.70)	-	-	-	(49.70)
Total debt securities	-	-	-	-	-

As at December 31, 2018, 2017 and 2016, the above investment in debt securities was transfer of debentures of a debtor from Bangkok Commerce Plc. upon which the Central Bankruptcy Court issued a receivership order in 2002. In 2008, The Information showed that the debtor had a bankruptcy status. Thus, the net book value of investment in such company was equal to zero as from the acquisition date.

7.3.3 Investment in securities in which the Company has 10% or more shareholding

As at December 31, 2018, 2017 and 2016, investment in securities in which the Company has held 10% or more of the total shares sold, but not regarded as investment in subsidiaries or associated companies, can be classified by industrial sector as follows:

Unit : Million Baht

	2018	2017	2016
Agriculture and mining	13.13	13.13	13.13
Manufacturing and commerce	63.19	63.19	63.19
Real estate and construction	10.02	10.02	10.02
Public utility and service	159.42	159.42	159.42
Financial intermediary	12.23	12.23	12.23
Total	257.99	257.99	257.99

7.3.3 Investment in securities in which the Company has 10% or more shareholding (cont.)

As at December 31, 2018, 2017 and 2016, domestic non-marketable debt securities which were classified as general investment of 715.37 million Baht, 715.37 million Baht and 715.12 million Baht respectively included investment in ordinary shares of Rojthip Co., Ltd. at the cost of 0.95 million Baht (equal to 99.94% shareholding by the Company). As the Company had no controlling power, either directly or indirectly, such investment was classified as general investment. Moreover, with Rojthip Co., Ltd. having investment in another 20 entities, the Company had total direct and indirect investment in 21 entities. However, as Rojthip Co., Ltd. and most companies in its group were under liquidation process, the Company set aside allowance for impairment of investment in full.

7.3.4 Capital surplus (deficit) from changes in investment value

As at December 31, 2018, 2017 and 2016, capital surplus (deficit) from changes in investment value and movements of capital surplus (deficit) from changes in investment value were as below:

	Unit : Million Baht		
	2018	2017	2016
Capital surplus from changes in investment value			
Available-for-sale investment - equity securities	27.92	29.86	20.47
Total capital surplus from changes in investment value	27.92	29.86	20.47
Capital deficit from changes in investment value			
Available-for-sale investment - equity securities	(85.94)	(76.11)	(64.24)
Total capital deficit from changes in investment value	(85.94)	(76.11)	(64.24)
Total capital deficit from changes in investment value - net	(58.02)	(46.25)	(43.77)

Changes in capital surplus (deficit) from changes in investment value for the years ended December 31, 2018, 2017 and 2016 were as follows:

	Unit : Million Baht		
	2018	2017	2016
Capital surplus (deficit) from changes in investment value			
Beginning balance of the year	(46.25)	(43.77)	(47.52)
Gain (loss) on valuation of investment during the year	(11.77)	(2.48)	3.75
Ending balance of the year	(58.02)	(46.25)	(43.77)

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7.4 Loans purchased

	Unit : Million Baht		
	2018	2017	2016
Loans purchased	81,718.99	79,829.17	77,975.10
<u>Less</u> Allowance for doubtful accounts	(6,285.05)	(6,943.39)	(8,088.17)
Loans purchased - net	75,433.94	72,885.78	69,886.93

Changes in loans purchased for the years ended December 31, 2018, 2017 and 2016 were as follows:

	Unit : Million Baht		
	2018	2017	2016
Loans purchased brought forward to beginning period	79,913.98	78,080.21	71,273.21
<u>Add</u> Acceptance of additional purchase	10,971.26	10,252.63	12,636.07
<u>Less</u> Receipt of debt payment and adjustment - net	(9,081.44)	(8,418.86)	(5,829.07)
Balance of loans purchased before adjustment	81,803.80	79,913.98	78,080.21
<u>Less</u> Revaluation of loans purchased	(84.81)	(84.81)	(105.11)
Balance of loans purchased	81,718.99	79,829.17	77,975.10
<u>Less</u> Allowance for doubtful accounts	(6,285.05)	(6,943.39)	(8,088.17)
Loans purchased - net	75,433.94	72,885.78	69,886.93

During the years 2018, 2017 and 2016, the Company purchased right of claim for loans purchased from financial institutions in a total amount of 10,971.26 million Baht, 10,252.63 million Baht and 12,636.07 million Baht respectively.

As at December 31, 2018, 2017 and 2016, the Company had total loans purchased - net of 75,433.94 million Baht, 72,885.78 million Baht and 69,886.93 million Baht respectively. Meanwhile, the Company had the right of claim from debtors as specified under the agreements in a total amount of 454,965.71 million Baht, 442,052.55 million Baht and 439,486.43 million Baht respectively.

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7.4.1 Allowance for doubtful accounts

As at December 31, 2018, 2017 and 2016, allowance for doubtful accounts of loans purchased was as below:

Unit : Million Baht

	2018	2017	2016
Balance brought forward to beginning of year	6,943.39	8,088.17	8,180.81
Write-off of bad debts	(496.15)	(119.85)	(113.71)
Addition/Reversal of allowance in this period	(162.19)	(1,024.93)	21.07
Total	6,285.05	6,943.39	8,088.17

Reconciliation of allowance for doubtful accounts, classified by class of debts, was as below:

Unit : Million Baht

	2018					
	Minimum Percentage according to BOT Criteria					
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Beginning balance of the year	173.23	14.09	68.25	6.05	6,681.77	6,943.39
Write-off of bad debts	-	-	-	-	(496.15)	(496.15)
Increase (Decrease) during the year	11.12	26.80	72.51	(5.50)	(267.12)	(162.19)
Ending balance of the year	184.35	40.89	140.76	0.55	5,918.50	6,285.05

Unit : Million Baht

	2017					
	Minimum Percentage according to BOT Criteria					
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Beginning balance of the year	156.26	29.96	15.55	0.65	7,885.75	8,088.17
Write-off of bad debts	-	-	-	-	(119.85)	(119.85)
Increase (Decrease) during the year	16.97	(15.87)	52.70	5.40	(1,084.13)	(1,024.93)
Ending balance of the year	173.23	14.09	68.25	6.05	6,681.77	6,943.39

7.4.1 Allowance for doubtful accounts (cont.)

Unit : Million Baht

	2016					
	Minimum Percentage according to BOT Criteria					
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Beginning balance of the year	171.68	31.41	161.16	18.67	7,797.89	8,180.81
Write-off of bad debts	-	-	-	-	(113.71)	(113.71)
Increase (Decrease) during the year	(15.42)	(1.45)	(145.61)	(18.02)	201.57	21.07
Ending balance of the year	156.26	29.96	15.55	0.65	7,885.75	8,088.17

7.4.2 Classified by currency and domicile of debtors

As at December 31, 2018, 2017 and 2016, the entire amount of loans purchased was loans purchased from other financial institutions. All debtors were debtors in baht currency and having domicile both domestically and abroad, details of which were as follows:

Unit : Million Baht

	2018	2017	2016
Domestic	81,694.66	79,804.84	77,950.77
Overseas	24.33	24.33	24.33
Total	81,718.99	79,829.17	77,975.10

7.4.3 Classified by type of debtors and debtor classification

As at December 31, 2018, 2017 and 2016, loans purchased classified by type and classification were as below:

Unit : Million Baht

2018						
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Juristic persons	1,062.39	372.38	1,209.40	1.39	31,593.75	34,239.31
Individuals	2,915.29	737.93	1,215.25	15.98	42,595.23	47,479.68
Total	3,977.68	1,110.31	2,424.65	17.37	74,188.98	81,718.99

Unit : Million Baht

2017						
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Juristic persons	741.18	345.65	332.24	35.24	32,746.06	34,200.37
Individuals	1,989.03	421.19	747.83	50.52	42,420.23	45,628.80
Total	2,730.21	766.84	1,080.07	85.76	75,166.29	79,829.17

Unit : Million Baht

2016						
	Pass	Special mention	Substandard	Doubtful	Doubtful of loss	Total
Juristic persons	567.54	226.99	601.08	24.26	34,888.62	36,308.49
Individuals	1,431.29	319.95	274.57	45.39	39,595.41	41,666.61
Total	1,998.83	546.94	875.65	69.65	74,484.03	77,975.10

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7.4.4 Debt restructuring

During the years ended December 31, 2018, 2017 and 2016, the Company entered into debt restructuring agreements of loans purchased in various forms with details as below:

Unit : Million Baht					
2018					
Debt restructuring form	Number of debtors	Balance before debt restructuring	Balance after debt restructuring	Type of assets to be received from transfer under agreements	Value of assets to be received from transfer under agreements
Change in debt payment conditions	5,495	11,831.00	11,831.00		
Transfer of assets and/or				Empty land	73.20
change in debt payment conditions	86	325.91	325.91	Machinery	1.83
				Ownership of	
				condominium units	13.71
				Land and constructions	298.40
Total	5,581	12,156.91	12,156.91		387.14
Unit : Million Baht					
2017					
Debt restructuring form	Number of debtors	Balance before debt restructuring	Balance after debt restructuring	Type of assets to be received from transfer under agreements	Value of assets to be received from transfer under agreements
Change in debt payment conditions	3,130	5,300.96	5,300.96		
Transfer of assets and/or				Empty land	113.98
change in debt payment conditions	90	205.37	205.37	Buildings and	
				constructions	43.21
				Land and constructions	213.37
Total	3,220	5,506.33	5,506.33		370.56

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7.4.4 Debt restructuring (cont.)

Unit : Million Baht

Debt restructuring form	Number of debtors	2016		Type of assets to be received from transfer under agreements	Value of assets to be received from transfer under agreements
		Balance before debt restructuring	Balance after debt restructuring		
Change in debt payment conditions	2,766	5,324.54	5,324.54		
Transfer of assets and/or				Empty land	117.00
change in debt payment conditions	90	122.25	122.25	Buildings and constructions	6.40
				Land and constructions	167.88
Total	2,856	5,446.79	5,446.79		291.28

Loans purchased acquired from transfer under debt restructuring agreements during the years ended December 31, 2018, 2017 and 2016 with contractual term counting from remaining tenor of debts were as follows:

Period	2018		2017		2016	
	Number of debtors	Balance after debt restructuring	Number of debtors	Balance after debt restructuring	Number of debtors	Balance after debt restructuring
- Default after agreement execution/termination	1,178	6,275.57	446	986.72	367	784.79
- Payment due						
Less than 5 years	3,440	4,927.01	2,582	4,288.80	2,461	3,969.92
5 - 10 years	829	805.68	192	230.81	28	692.08
More than 10 years	134	148.65	-	-	-	-
Total	5,581	12,156.91	3,220	5,506.33	2,856	5,446.79

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7.4.4 Debt restructuring (cont.)

Debtors with debt restructuring agreements for the years ended December 31, 2018, 2017 and 2016 classified by installment payment tenor according to debt restructuring agreements were as follows:

Unit : Million Baht						
Installment payment tenor according to debt restructuring agreement	2018		2017		2016	
	Number of debtors	Balance after debt restructuring	Number of debtors	Balance after debt restructuring	Number of debtors	Balance after debt restructuring
Less than 5 years	3,445	9,484.10	2,643	4,683.16	2,506	4,216.34
5 - 10 years	1,773	2,275.57	532	769.16	350	1,230.45
More than 10 years	363	397.24	45	54.01	-	-
Total	5,581	12,156.91	3,220	5,506.33	2,856	5,446.79

Information for the years ended December 31, 2018, 2017 and 2016 regarding loans purchased with debt restructuring was as follows:

Unit : Million Baht			
	2018	2017	2016
Interest income from loans purchased	1,856.82	1,877.52	1,232.30
Gain on loans purchased	1,711.95	1,690.55	3,103.79
Cash received from loans purchased	6,385.77	6,981.30	6,946.24
Assets transferred from loans purchased	349.34	329.22	348.53
Revaluation of properties for sale obtained from transfer	110.38	182.30	271.85

7.4.4 Debt restructuring (cont.)

The Company had outstanding balance of loans purchased after debt restructuring as at end of year as follows:

Unit : Million Baht			
Total Debtors			
	2018	2017	2016
Number of debtors (debtors)	86,710	84,156	76,033
Outstanding balance of loans purchased (Million Baht)	81,718.99	79,829.17	77,975.10

Unit : Million Baht			
Debtors with Debt Restructuring			
	2018	2017	2016
Number of debtors (debtors)	5,672	3,379	2,300
Outstanding balance of loans purchased (Million Baht)	7,531.32	4,668.49	3,569.75

As at December 31, 2018, 2017 and 2016, the Company had no outstanding obligations agreed as additional loans for loans purchased after debt restructuring.

7.4.5 Classified by classification type

As at December 31, 2018, 2017 and 2016, the Company had loans purchased that were classified debtors and relevant allowance for doubtful accounts based on criteria in notifications of BOT as follows:

Unit : Million Baht			
2018			
	Loans purchased	Loans after deduction of collateral	Rate applicable for allowance for doubtful accounts
			Allowance for doubtful accounts
Pass *	3,977.68	179.88	100.00
Special mention *	1,110.31	40.54	100.00
Substandard	2,424.65	140.76	100.00
Doubtful	17.37	0.55	100.00
Doubtful of loss	74,188.98	5,918.50	100.00
Total	81,718.99	6,280.23	

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7.4.5 Classified by classification type (cont.)

Unit : Million Baht

2017				
	Loans purchased	Loans after deduction of collateral	Rate applicable for allowance for doubtful accounts	Allowance for doubtful accounts
Pass *	2,730.21	167.14	100.00	173.23
Special mention *	766.84	13.92	100.00	14.09
Substandard	1,080.07	68.25	100.00	68.25
Doubtful	85.76	6.05	100.00	6.05
Doubtful of loss	75,166.29	6,681.77	100.00	6,681.77
Total	79,829.17	6,937.13		6,943.39

Unit : Million Baht

2016				
	Loans purchased	Loans after deduction of collateral	Rate applicable for allowance for doubtful accounts	Allowance for doubtful accounts
Pass *	1,998.83	124.94	100.00	156.26
Special mention *	546.94	21.54	100.00	29.96
Substandard	875.65	15.55	100.00	15.55
Doubtful	69.65	0.65	100.00	0.65
Doubtful of loss	74,484.03	7,885.75	100.00	7,885.75
Total	77,975.10	8,048.43		8,088.17

* Allowance for doubtful accounts is calculated on the basis as mentioned in Note 3.5 which takes into account the present value of discounted cash flow from debt restructuring expected to be received in future.

7.4.6 Outstanding loans purchased on accrual basis and collateral value

As at December 31, 2018, 2017 and 2016, outstanding balance of loans purchased and collateral value calculated based on the latest valuation prices after discount according to BOT's criteria was as follows:

Unit : Million Baht

	2018		Collateral value before discount according to BOT's criteria *	Collateral value after discount according to BOT's criteria **
	Debt amounts under original agreements (right obligations)	Loans purchased (equity obligations)		
Loans purchased				
with debt restructuring				
- 0 - 1 month overdue	6,197.53	3,977.68	12,977.11	11,680.47
- Overdue over 1 - 3 months	2,127.53	1,110.31	3,641.25	3,277.21
- Overdue over 3 - 6 months	4,229.15	2,424.65	6,424.98	4,056.08
- Overdue over 6 months	61.71	18.68	85.48	51.41
Total	12,615.92	7,531.32	23,128.82	19,065.17
Loans purchased				
without debt restructuring	442,349.79	74,187.67	169,065.50	117,311.58
Total	442,349.79	74,187.67	169,065.50	117,311.58
Grand total	454,965.71	81,718.99	192,194.32	136,376.75

* This is calculated based on the appraisal price in accordance with the latest resolution of the committee on the appraisal price (notwithstanding the price having already been appraised for more than 3 years). If collateral has been put up for auction sale and has already been purchased, the bidding price less an expense estimate will be placed. Also, the collateral value will be based on the appraisal price before the debt on accrual basis between the Company and a debtor is considered and before the mortgage value is considered.

** This is calculated by the collateral value less discount according to BOT's criteria, and the collateral value shall not be used provided that the appraisal has occurred longer than 3 years from the appraisal price was approved. If collateral has been put up for auction sale and has already been purchased, the bidding price less an expense estimate will be placed. Also, the collateral value will be based on the appraisal price before the debt on accrual basis between the Company and a debtor is considered and before the mortgage value is considered.

7.4.6 Outstanding loans purchased on accrual basis and collateral value (cont.)

Unit : Million Baht

	2017			
	Debt amounts under original agreements (right obligations)	Loans purchased (equity obligations)	Collateral value before discount according to BOT's criteria *	Collateral value after discount according to BOT's criteria **
Loans purchased				
with debt restructuring				
- 0 - 1 month overdue	4,165.66	2,730.21	9,120.62	8,195.36
- Overdue over 1 - 3 months	1,115.53	766.84	2,232.56	2,008.59
- Overdue over 3 - 6 months	4,154.15	1,080.07	4,039.32	2,540.91
- Overdue over 6 months	251.00	91.37	250.39	156.74
Total	9,686.34	4,668.49	15,642.89	12,901.60
Loans purchased				
without debt restructuring	432,366.21	75,160.68	176,344.83	121,033.61
Total	432,366.21	75,160.68	176,344.83	121,033.61
Grand total	442,052.55	79,829.17	191,987.72	133,935.21

* This is calculated based on the appraisal price in accordance with the latest resolution of the committee on the appraisal price (notwithstanding the price having already been appraised for more than 3 years). If collateral has been put up for auction sale and has already been purchased, the bidding price less an expense estimate will be placed. Also, the collateral value will be based on the appraisal price before the debt on accrual basis between the Company and a debtor is considered and before the mortgage value is considered.

** This is calculated by the collateral value less discount according to BOT's criteria, and the collateral value shall not be used provided that the appraisal has occurred longer than 3 years from the appraisal price was approved. If collateral has been put up for auction sale and has already been purchased, the bidding price less an expense estimate will be placed. Also, the collateral value will be based on the appraisal price before the debt on accrual basis between the Company and a debtor is considered and before the mortgage value is considered.

7.4.6 Outstanding loans purchased on accrual basis and collateral value (cont.)

Unit : Million Baht

	2016			
	Debt amounts under original agreements (right obligations)	Loans purchased (equity obligations)	Collateral value before discount according to BOT's criteria *	Collateral value after discount according to BOT's criteria **
Loans purchased				
with debt restructuring				
- 0 - 1 month overdue	3,668.80	1,998.83	7,336.83	6,574.32
- Overdue over 1 - 3 months	784.44	546.94	1,670.58	1,502.81
- Overdue over 3 - 6 months	3,671.83	875.65	3,111.80	1,968.35
- Overdue over 6 months	617.23	148.33	509.39	318.78
Total	8,742.30	3,569.75	12,628.60	10,364.26
Loans purchased				
without debt restructuring	430,744.13	74,405.35	175,480.67	118,959.43
Total	430,744.13	74,405.35	175,480.67	118,959.43
Grand total	439,486.43	77,975.10	188,109.27	129,323.69

* This is calculated based on the appraisal price in accordance with the latest resolution of the committee on the appraisal price (notwithstanding the price having already been appraised for more than 3 years). If collateral has been put up for auction sale and has already been purchased, the bidding price less an expense estimate will be placed. Also, the collateral value will be based on the appraisal price before the debt on accrual basis between the Company and a debtor is considered and before the mortgage value is considered.

** This is calculated by the collateral value less discount according to BOT's criteria, and the collateral value shall not be used provided that the appraisal has occurred longer than 3 years from the appraisal price was approved. If collateral has been put up for auction sale and has already been purchased, the bidding price less an expense estimate will be placed. Also, the collateral value will be based on the appraisal price before the debt on accrual basis between the Company and a debtor is considered and before the mortgage value is considered.

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7.5 Installment sale receivables

	Unit : Million Baht		
	2018	2017	2016
Beginning balance of the year	1,164.80	2,398.94	3,054.12
<u>Add</u> Additional items during the year	670.03	103.09	449.46
<u>Less</u> Received during the year	(366.41)	(1,018.61)	(1,080.43)
<u>Less</u> Sale cancellation	(15.58)	(318.62)	(24.21)
Ending balance of the year	1,452.84	1,164.80	2,398.94
<u>Less</u> Deferred gross margin from installment sale receivables	(742.33)	(523.85)	(836.93)
<u>Less</u> Allowance for doubtful accounts - installment sale receivables	(2.21)	-	-
Installment sale receivables - net	708.30	640.95	1,562.01

In 2017, the Company canceled one large installment sale receivable in the amount of 296.60 million Baht and recognized the amount of payment received from such receivable as other income.

As at December 31, 2018, 2017 and 2016, installment sale receivables classified by overdue period were as below:

	Unit : Million Baht		
	2018	2017	2016
Overdue period			
Not overdue	797.30	817.18	1,868.51
Overdue 1 - 30 days	413.24	49.92	154.09
Overdue 31 - 90 days	200.76	56.06	32.13
Overdue 91 - 180 days	30.48	21.24	31.69
Overdue 181 days - 12 months	4.66	218.96	10.04
Overdue for more than 12 months	6.40	1.44	302.48
Total	1,452.84	1,164.80	2,398.94

7.5.1 Debt restructuring

During the years ended December 31, 2018, 2017 and 2016, the Company entered into debt restructuring agreements for installment sale receivables in various forms with details as below:

Unit : Million Baht

		2018		
Debt restructuring form		Number of	Balance before debt	Balance after debt
		debtors	restructuring	restructuring
Change in debt payment conditions		54	581.67	581.67
Total		54	581.67	581.67

Unit : Million Baht

		2017		
Debt restructuring form		Number of	Balance before debt	Balance after debt
		debtors	restructuring	restructuring
Change in debt payment conditions		51	1,285.67	1,285.67
Total		51	1,285.67	1,285.67

Unit : Million Baht

		2016		
Debt restructuring form		Number of	Balance before debt	Balance after debt
		debtors	restructuring	restructuring
Change in debt payment conditions		28	2,244.36	2,244.36
Total		28	2,244.36	2,244.36

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7.5.1 Debt restructuring (cont.)

Installment sale receivables with debt restructuring agreements during the years 2018, 2017 and 2016 with contractual term counting from remaining tenor of debts were as follows:

	2018		2017		2016	
	Number	Balance after	Number	Balance after	Number	Balance after
	of debtors	debt restructuring	of debtors	debt restructuring	of debtors	debt restructuring
- Account closed	14	1.46	13	658.83	5	468.27
- Payment due						
Less than 5 years	33	578.28	33	623.57	20	1,502.90
5-10 years	7	1.93	5	3.27	3	273.19
Total	54	581.67	51	1,285.67	28	2,244.36

Installment sale receivables with debt restructuring for the years 2018, 2017 and 2016 were classified by installment payment period under the debt restructuring agreements as follows:

	2018		2017		2016	
	Number	Balance after	Number	Balance after	Number	Balance after
	of debtors	debt restructuring	of debtors	debt restructuring	of debtors	debt restructuring
Installment payment tenor according to debt restructuring agreement						
Less than 5 years	47	579.74	43	1,281.54	24	1,970.75
5 - 10 years	7	1.93	8	4.13	4	273.61
Total	54	581.67	51	1,285.67	28	2,244.36

Data for the years ended December 31, 2018, 2017 and 2016 regarding installment sale receivables with debt restructuring was as follows:

	Unit : Million Baht		
	2018	2017	2016
Interest income from installment sale receivables	64.03	79.80	123.93
Gain on installment sales	14.28	151.19	505.39
Cash received from installment sale receivables	200.26	1,009.92	1,207.03

7.5.1 Debt restructuring (cont.)

The Company had remaining installment sale receivables after debt restructuring at end of year as follows:

	Total debtors		
	2018	2017	2016
Number of debtors (debtors)	1,734	1,398	1,407
Outstanding balance of installment sale receivables (million Baht)	1,452.84	1,164.80	2,398.94

	Debtors with debt restructuring		
	2018	2017	2016
Number of debtors (debtors)	76	74	70
Outstanding balance of installment sale receivables (million Baht)	849.57	654.52	1,798.24

7.6 Properties for sale - net

Properties for sale consisted of immovable and movable properties acquired from debt settlement by debtors and purchased from asset management companies and financial institutions, as follows:

Unit : Million Baht

	2018			
	Bid from financial institutions	Transfer of properties for debt repayment/ Bid from debtors	Branches not in operation	Total
7.6.1 Immovable properties				
Beginning balance	5,391.46	17,475.17	-	22,866.63
Increase	1,117.06	5,914.09	25.57	7,056.72
Decrease	(851.75)	(2,395.18)	-	(3,246.93)
Ending balance	5,656.77	20,994.08	25.57	26,676.42
7.6.2 Movable properties				
Beginning balance	3.97	290.39	-	294.36
Increase	-	53.15	-	53.15
Ending balance	3.97	343.54	-	347.51
Total ending balance	5,660.74	21,337.62	25.57	27,023.93
<u>Less</u> Revaluation of properties for sale				(5,905.55)
<u>Less</u> Allowance for impairment of properties for sale				(522.56)
Properties for sale - net				20,595.82

7.6 Properties for sale - net (cont.)

Unit : Million Baht

		2017	
		Bid from financial institutions	Transfer of properties for debt repayment/Bid from debtors
			Total
7.6.1	Immovable properties		
	Beginning balance	5,601.98	13,621.28
	Increase	269.64	5,101.14
	Decrease	(480.16)	(1,247.25)
	Ending balance	5,391.46	17,475.17
7.6.2	Movable properties		
	Beginning balance	3.97	133.39
	Increase	-	157.00
	Ending balance	3.97	290.39
	Total ending balance	5,395.43	17,765.56
	<u>Less</u> Revaluation of properties for sale		(4,882.75)
	<u>Less</u> Allowance for impairment of properties for sale		(543.06)
	Properties for sale - net		17,735.18

Unit : Million Baht

		2016	
		Bid from financial institutions	Transfer of properties for debt repayment/Bid from debtors
			Total
7.6.1	Immovable properties		
	Beginning balance	5,975.48	11,312.30
	Increase	379.50	4,255.74
	Decrease	(753.00)	(1,946.76)
	Ending balance	5,601.98	13,621.28
7.6.2	Movable properties		
	Beginning balance	3.97	130.03
	Increase	-	3.54
	Decrease	-	(0.18)
	Ending balance	3.97	133.39
	Total ending balance	5,605.95	13,754.67
	<u>Less</u> Revaluation of properties for sale		(3,666.04)
	<u>Less</u> Allowance for impairment of properties for sale		(612.40)
	Properties for sale - net		15,082.18

7.6 Properties for sale - net (cont.)

As at December 31, 2018, the appraised value of the immovable and movable properties for sale was 48,024.43 million Baht and 458.21 million Baht respectively (December 31, 2017: 43,668.23 million Baht and 412.81 million Baht; December 31, 2016: 37,655.86 million Baht and 389.88 million Baht respectively).

As at December 31, 2018, the Company granted debtors the buyback rights for the properties for sale of 213.09 million Baht (December 31, 2017: 189.63 million Baht; December 31, 2016: 205.43 million Baht).

Properties for sale on the part appraised by an external appraiser and that by the internal appraiser as at December 31, 2018, 2017 and 2016 were as follows:

	Unit : Million Baht		
	2018	2017	2016
Appraised by external appraiser	23,911.56	20,003.54	16,745.08
Appraised by internal appraiser	3,112.37	3,157.45	2,615.54
Total	27,023.93	23,160.99	19,360.62

7.7 Accrued income from auction sale - net

	Unit : Million Baht		
	2018	2017	2016
External buyers	5,463.42	4,215.25	2,640.74
<u>Less</u> Estimated auction sale expenses	(390.67)	(298.93)	(205.52)
External buyers - net	5,072.75	3,916.32	2,435.22
The Company as buyer	2,042.70	1,065.17	590.82
Accrued income from auction sale - net	7,115.45	4,981.49	3,026.04

As at December 31, 2018, 2017 and 2016, accrued income from auction sale classified by outstanding period was as follows:

	Unit : Million Baht		
	2018		
	External buyers *	The Company as buyer	Total
Overdue period			
Within 1 year	1,550.51	1,161.14	2,711.65
Over 1 year but not over 3 years	2,073.94	814.30	2,888.24
Over 3 years but not over 5 years	758.92	66.18	825.10
Over 5 years	1,080.05	1.08	1,081.13
Total	5,463.42	2,042.70	7,506.12

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7.7 Accrued income from auction sale - net (cont.)

Unit : Million Baht

2017			
	External buyers *	The Company as buyer	Total
Overdue period			
Within 1 year	1,567.00	641.11	2,208.11
Over 1 year but not over 3 years	1,124.17	422.99	1,547.16
Over 3 years but not over 5 years	876.62	-	876.62
Over 5 years	647.46	1.07	648.53
Total	4,215.25	1,065.17	5,280.42

Unit : Million Baht

2016			
	External buyers *	The Company as buyer	Total
Overdue period			
Within 1 year	857.07	472.28	1,329.35
Over 1 year but not over 3 years	988.47	118.54	1,107.01
Over 3 years but not over 5 years	320.12	-	320.12
Over 5 years	475.08	-	475.08
Total	2,640.74	590.82	3,231.56

* The Company will record accrued income from auction sale on the day when the buyer has made full payment to Legal Execution Department.

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7.8 Premises and equipment - net

Premises and equipment as at December 31, 2018, 2017 and 2016 consisted of:

Unit : Million Baht

Items	2018								Net book value
	Cost				Accumulated depreciation				
	Beginning	Increased/	Disposed/	Ending	Beginning	Depreciation	Disposed	Ending	
	balance	Received	Transfer	balance	balance			balance	
		from transfer							
1. Land	780.03	20.79	22.62	778.20	-	-	-	-	778.20
2. Buildings	434.07	4.35	6.50	431.92	227.55	21.57	3.55	245.57	186.35
3. Building improvement	415.28	44.14	9.45	449.97	248.30	49.94	9.45	288.79	161.18
4. Equipment	619.17	33.42	41.20	611.39	461.37	65.83	41.20	486.00	125.39
5. Work in process	20.72	20.68	40.98	0.42	-	-	-	-	0.42
Total	2,269.27	123.38	120.75	2,271.90	937.22	137.34	54.20	1,020.36	1,251.54

Unit : Million Baht

Items	2017								Net book value
	Cost				Accumulated depreciation				
	Beginning	Increased/	Disposed/	Ending	Beginning	Depreciation	Disposed	Ending	
	balance	Received from transfer	Transfer	balance	balance				
1. Land	780.03	-	-	780.03	-	-	-	-	780.03
2. Buildings	434.07	-	-	434.07	205.84	21.71	-	227.55	206.52
3. Building improvement	400.83	17.15	2.70	415.28	201.07	48.31	1.08	248.30	166.98
4. Equipment	563.10	64.16	8.09	619.17	395.12	74.34	8.09	461.37	157.80
5. Work in process	1.13	36.24	16.65	20.72	-	-	-	-	20.72
Total	2,179.16	117.55	27.44	2,269.27	802.03	144.36	9.17	937.22	1,332.05

Unit : Million Baht

Items	2016								Net book value
	Cost				Accumulated depreciation				
	Beginning balance	Increased/	Disposed/ Transfer	Ending balance	Beginning balance	Depreciation	Disposed	Ending balance	
		Received from transfer							
1. Land	755.14	24.89	-	780.03	-	-	-	-	780.03
2. Buildings	427.25	6.82	-	434.07	184.41	21.43	-	205.84	228.23
3. Building improvement	328.79	72.40	0.36	400.83	150.48	50.62	0.03	201.07	199.76
4. Equipment	572.84	52.70	62.44	563.10	383.57	73.96	62.41	395.12	167.98
5. Work in process	31.34	40.00	70.21	1.13	-	-	-	-	1.13
Total	2,115.36	196.81	133.01	2,179.16	718.46	146.01	62.44	802.03	1,377.13

As at December 31, 2018, 2017 and 2016, the Company had amount of building improvement, equipment and vehicles which had fully been depreciated but they were still in use. The cost before accumulated depreciation amounted to 395.91 million Baht, 359.14 million Baht and 272.88 million Baht respectively.

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7.9 Intangible assets - net

Intangible assets as at December 31, 2018, 2017 and 2016 comprised:

Unit : Million Baht

Items	2018								Net book value
	Cost				Accumulated amortization				
	Increased/								
	Beginning	Received	Disposed/	Ending	Beginning	Amortization	Disposed/	Ending	
	balance	from	Transfer	balance	balance		Transfer	balance	
		transfer							
1. Computer software	69.02	5.45	-	74.47	58.37	3.97	-	62.34	12.13
2. Work in process	-	1.84	0.69	1.15	-	-	-	-	1.15
Total	69.02	7.29	0.69	75.62	58.37	3.97	-	62.34	13.28

Unit : Million Baht

Items	2017								Net book value
	Cost				Accumulated amortization				
	Increased/								
	Beginning	Received	Disposed/	Ending	Beginning	Amortization	Disposed/	Ending	
	balance	from	Transfer	balance	balance		Transfer	balance	
		transfer							
1. Computer software	66.01	3.01	-	69.02	54.33	4.04	-	58.37	10.65
2. Work in process	0.22	0.25	0.47	-	-	-	-	-	-
Total	66.23	3.26	0.47	69.02	54.33	4.04	-	58.37	10.65

Unit : Million Baht

Items	2016								Net book value
	Cost				Accumulated amortization				
	Increased/								
	Beginning	Received	Disposed/	Ending	Beginning	Amortization	Disposed/	Ending	
	balance	from	Transfer	balance	balance		Transfer	balance	
		transfer							
1. Computer software	60.74	5.28	0.01	66.01	49.88	4.45	-	54.33	11.68
2. Work in process	0.36	0.95	1.09	0.22	-	-	-	-	0.22
Total	61.10	6.23	1.10	66.23	49.88	4.45	-	54.33	11.90

As at December 31, 2018, 2017 and 2016, the Company had amount of intangible assets which had fully been amortized but they were still in use. The cost value before accumulated amortization was amounted to 50.77 million Baht, 49.36 million Baht and 42.79 million Baht respectively.

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7.10 Other assets

Other assets as at December 31, 2018, 2017 and 2016 were as below:

	Unit : Million Baht		
	2018	2017	2016
Prepaid expenses and deferred expenses	57.11	57.54	54.31
Accrued income, interest and dividend receivables	36.20	42.95	36.69
Advance for litigation expenses	18.91	36.71	25.57
Advance for expenses on asset acquisition, registration fees and others	1,217.28	825.16	721.55
Employee welfare receivables	58.43	68.50	75.90
Others	17.39	14.06	19.48
Total	1,405.32	1,044.92	933.50

7.11 Classified assets/asset quality

As at December 31, 2018, 2017 and 2016, the Company's classified assets consisted of investment in securities, loans purchased, installment sale receivables and properties for sale which were classified according to the BOT's criteria, including analysis of debtors of each type and assessment of each debtor's status, as follows:

	Unit : Million Baht				
	2018				
	Investment in securities	Loans purchased	Installment sale receivables	Properties for sale	Total
Asset classification					
Pass	-	3,977.68	1,210.54	-	5,188.22
Special mention	-	1,110.31	200.76	-	1,311.07
Substandard	-	2,424.65	30.48	-	2,455.13
Doubtful	-	17.37	4.66	-	22.03
Doubtful of loss	416.74	74,188.98	6.40	522.56	75,134.68
Total	416.74	81,718.99	1,452.84	522.56	84,111.13

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7.11 Classified assets/asset quality (cont.)

Unit : Million Baht

2017					
	Investment in securities	Loans purchased	Installment sale receivables	Properties for sale	Total
Asset classification					
Pass	-	2,730.21	867.10	-	3,597.31
Special mention	-	766.84	56.06	-	822.90
Substandard	-	1,080.07	21.24	-	1,101.31
Doubtful	-	85.76	218.96	-	304.72
Doubtful of loss	394.95	75,166.29	1.44	543.06	76,105.74
Total	394.95	79,829.17	1,164.80	543.06	81,931.98

Unit : Million Baht

2016					
	Investment in securities	Loans purchased	Installment sale receivables	Properties for sale	Total
Asset classification					
Pass	-	1,998.83	2,022.60	-	4,021.43
Special mention	-	546.94	32.13	-	579.07
Substandard	-	875.65	31.69	-	907.34
Doubtful	-	69.65	10.04	-	79.69
Doubtful of loss	382.82	74,484.03	302.48	612.40	75,781.73
Total	382.82	77,975.10	2,398.94	612.40	81,369.26

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7.12 Debt issued and borrowings

As at December 31, 2018, 2017 and 2016, notes payable, borrowings and debentures were classified by type and maturity as follows:

Unit : Million Baht

<u>2018</u>				
	<u>Interest rate</u>	<u>Maturity</u>	<u>Interest payment</u>	<u>Amount</u>
	<u>(Percentage)</u>			
<u>Notes payable</u>				
Short term	0 - 2.30	2019	Interest payment upon maturity	2,281.40
Long term	0 - 2.30	2020 - 2026	Interest payment upon maturity	2,259.39
<u>Less</u> Deferred interest expense				(220.40)
Notes payable aval expense				(7.79)
Total notes payable				<u>4,312.60</u>
<u>Borrowings</u>				
Short term	2.70 - 3.55	2019	Interest payment every month- end/upon maturity/every 3 months/every 6 months	9,547.45
Long term	2.70 - 3.55	2020 - 2023	Interest payment every month- end/upon maturity/every 3 months/every 6 months	11,686.44
<u>Less</u> Deferred credit fee				(1.65)
Total borrowings				<u>21,232.24</u>
Total notes payable and borrowings				<u>25,544.84</u>
<u>Debentures</u>				
Series of 1/2016	Fixed 2.71 and 3.79	22 Dec 19 and 23	Interest payment every 6 months	2,100.00
Series of 1/2017	Fixed 2.38, 3.41, 3.64 and 3.92	23 Jun 20, 22, 24 and 27	Interest payment every 6 months	5,100.00
Series of 2/2017	Fixed 2.03, 2.53, 3.44, 3.73 and 3.91	8 Mar 19, 8 Sep 21, 23, 25 and 27	Interest payment every 6 months	17,000.00
Series of 1/2018	Fixed 2.18, 2.50, 3.88 and 4.30	21 Dec 19, 21 Jun 21, 25 and 28	Interest payment every 6 months	8,000.00
Total				<u>32,200.00</u>
<u>Less</u> Debenture issue expense				(35.56)
Total debentures				<u>32,164.44</u>
Grand total				<u>57,709.28</u>

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7.12 Debt issued and borrowings (cont.)

Unit : Million Baht

		2017		
	<u>Interest rate</u>	<u>Maturity</u>	<u>Interest payment</u>	<u>Amount</u>
	<u>(Percentage)</u>			
<u>Notes payable</u>				
Short term	0 - 2.50	2018	Interest payment upon maturity	2,534.22
Long term	0 - 2.30	2019 - 2026	Interest payment upon maturity	2,163.99
<u>Less</u> Deferred interest expense				(138.27)
Notes payable aval expense				(24.81)
Total notes payable				<u>4,535.13</u>
<u>Borrowings</u>				
Short term	2.00 - 3.50	2018	Interest payment every month- end/upon maturity /every 3 months/every 6 months	10,812.47
Long term	2.85 - 3.50	2019-2021	Interest payment every month- end/upon maturity /every 3 months/every 6 months	10,761.22
<u>Less</u> Deferred credit fee				(2.99)
Total borrowings				<u>21,570.70</u>
Total notes payable and borrowings				<u>26,105.83</u>
<u>Debentures</u>				
Series of 1/2015	Fixed 2.75	17 Dec 18	Interest payment every 6 months	1,800.00
Series of 1/2016	Fixed 2.41, 2.71 and 3.79	22 Jun 18, 22 Dec 19 and 23	Interest payment every 6 months	6,400.00
Series of 1/2017	Fixed 2.17, 2.38, 3.41, 3.64 and 3.92	23 Dec 18, 23 Jun 20, 22, 24 and 27	Interest payment every 6 months	5,600.00
Series of 2/2017	Fixed 2.03, 2.53, 3.44, 3.73 and 3.91	8 Mar 19, 8 Sep 21, 23, 25 and 27	Interest payment every 6 months	17,000.00
Total				30,800.00
<u>Less</u> Debenture issue expense				(37.36)
Total debentures				<u>30,762.64</u>
Grand total				<u>56,868.47</u>

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7.12 Debt issued and borrowings (cont.)

Unit : Million Baht

		<u>2016</u>		
	<u>Interest rate</u> (Percentage)	<u>Maturity</u>	<u>Interest payment</u>	<u>Amount</u>
<u>Notes payable</u>				
Short term	0 - 4.065	2017	Interest payment upon maturity/every 6 months	4,977.64
Long term	0 - 3.250	2018 - 2025	Interest payment upon maturity/every 6 months	1,021.31
<u>Less</u> Deferred interest expense				(129.24)
Notes payable aval expense				(10.69)
Discount on promissory notes				(1.50)
Total notes payable				<u>5,857.52</u>
<u>Borrowings</u>				
Short term	2.30 - 3.50	2017	Interest payment every month-end/every 3 months/every 6 months	12,343.10
Long term	2.85 - 3.50	2018 - 2020	Interest payment every month-end/every 3 months/every 6 months	15,551.02
<u>Less</u> Deferred credit fee				(4.40)
Total borrowings				<u>27,889.72</u>
Total notes payable and borrowings				<u>33,747.24</u>
<u>Debentures</u>				
Series of 1/2014	Fixed 3.33	12 Dec 17	Interest payment every 6 months	4,500.00
Series of 1/2015	Fixed 2.59 and 2.75	17 Dec 17 and 18	Interest payment every 6 months	5,700.00
Series of 1/2016	Fixed 2.41, 2.71 and 3.79	22 Jun 18, 22 Dec 19 and 23	Interest payment every 6 months	6,400.00
Total				<u>16,600.00</u>
<u>Less</u> Debenture issue expense				(18.13)
Total debentures				<u>16,581.87</u>
Grand total				<u>50,329.11</u>

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7.12 Debt issued and borrowings (cont.)

As at December 31, 2018, 2017 and 2016, the Company had name-registered, non-subordinated, unsecured debentures, with no debenture holders' representative, issued with a par value of 1,000.00 Baht per unit, comprising:

2018							
Series	No.	Number	Amount issued (Million Baht)	Issuance date	Maturity period	Redemption date	Interest
		issued (Million units)					rate (% p.a.)
1/2016	2	1.00	1,000.00	22 December 2016	3 years	22 December 2019	2.71
1/2016	3	1.10	1,100.00	22 December 2016	7 years	22 December 2023	3.79
1/2017	2	0.80	800.00	23 June 2017	3 years	23 June 2020	2.38
1/2017	3	1.40	1,400.00	23 June 2017	5 years	23 June 2022	3.41
1/2017	4	1.40	1,400.00	23 June 2017	7 years	23 June 2024	3.64
1/2017	5	1.50	1,500.00	23 June 2017	10 years	23 June 2027	3.92
2/2017	1	4.00	4,000.00	8 September 2017	1 year 6 months	8 March 2019	2.03
2/2017	2	1.00	1,000.00	8 September 2017	4 years	8 September 2021	2.53
2/2017	3	3.80	3,800.00	8 September 2017	6 years	8 September 2023	3.44
2/2017	4	3.20	3,200.00	8 September 2017	8 years	8 September 2025	3.73
2/2017	5	5.00	5,000.00	8 September 2017	10 years	8 September 2027	3.91
1/2018	1	2.23	2,230.00	21 June 2018	1 year 6 months	21 December 2019	2.18
1/2018	2	3.00	3,000.00	21 June 2018	3 years	21 June 2021	2.50
1/2018	3	0.37	370.00	21 June 2018	7 years	21 June 2025	3.88
1/2018	4	2.40	2,400.00	21 June 2018	10 years	21 June 2028	4.30
			<u>32,200.00</u>				
2017							
Series	No.	Number	Amount issued (Million Baht)	Issuance date	Maturity period	Redemption date	Interest
		issued (Million units)					rate (% p.a.)
1/2015	2	1.80	1,800.00	17 December 2015	3 years	17 December 2018	2.75
1/2016	1	4.30	4,300.00	22 December 2016	1 year 6 months	22 June 2018	2.41
1/2016	2	1.00	1,000.00	22 December 2016	3 years	22 December 2019	2.71
1/2016	3	1.10	1,100.00	22 December 2016	7 years	22 December 2023	3.79
1/2017	1	0.50	500.00	23 June 2017	1 year 6 months	23 December 2018	2.17
1/2017	2	0.80	800.00	23 June 2017	3 years	23 June 2020	2.38
1/2017	3	1.40	1,400.00	23 June 2017	5 years	23 June 2022	3.41
1/2017	4	1.40	1,400.00	23 June 2017	7 years	23 June 2024	3.64
1/2017	5	1.50	1,500.00	23 June 2017	10 years	23 June 2027	3.92
2/2017	1	4.00	4,000.00	8 September 2017	1 year 6 months	8 March 2019	2.03
2/2017	2	1.00	1,000.00	8 September 2017	4 years	8 September 2021	2.53
2/2017	3	3.80	3,800.00	8 September 2017	6 years	8 September 2023	3.44
2/2017	4	3.20	3,200.00	8 September 2017	8 years	8 September 2025	3.73
2/2017	5	5.00	5,000.00	8 September 2017	10 years	8 September 2027	3.91
			<u>30,800.00</u>				

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7.12 Debt issued and borrowings (cont.)

2016

Series	No.	Number issued (Million units)	Amount issued (Million Baht)	Issuance date	Maturity period	Redemption date	Interest rate (% p.a.)
1/2014	-	4.50	4,500.00	12 December 2014	3 years	12 December 2017	3.33
1/2015	1	3.90	3,900.00	17 December 2015	2 years	17 December 2017	2.59
1/2015	2	1.80	1,800.00	17 December 2015	3 years	17 December 2018	2.75
1/2016	1	4.30	4,300.00	22 December 2016	1 year 6 months	22 June 2018	2.41
1/2016	2	1.00	1,000.00	22 December 2016	3 years	22 December 2019	2.71
1/2016	3	1.10	1,100.00	22 December 2016	7 years	22 December 2023	3.79
			<u>16,600.00</u>				

7.13 Accrued interest payable

Unit : Million Baht

	2018	2017	2016
Promissory notes	4.14	18.64	27.95
Loans	53.77	73.25	93.01
Debentures	187.45	185.32	19.12
Total	<u>245.36</u>	<u>277.21</u>	<u>140.08</u>

7.14 Provisions

As at December 31, 2018, 2017 and 2016, provisions consisted of:

Unit : Million Baht

	2018	2017	2016
Provisions for employee benefits	744.05	726.29	705.99
Provisions for litigation cases	25.47	25.47	20.20
Total	<u>769.52</u>	<u>751.76</u>	<u>726.19</u>

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7.14.1 Provisions for employee benefits

Provisions for long-term employee benefits which are post-employment compensation for employees were presented as below:

	Unit : Million Baht		
	2018	2017	2016
Provisions for long-term employee benefits in beginning of the year	726.29	705.99	591.81
Recognized to profit or loss:			
Current service cost	44.81	45.16	39.40
Interest cost	21.28	20.71	23.72
Past service cost and profit/loss arising from benefit payment	-	-	21.34
Recognized to other comprehensive income:			
(Gain) Loss by actuarial estimates			
Portion arising from change in demographic assumptions	-	-	9.06
Portion arising from change in financial assumptions	-	-	62.36
Portion arising from experience-based adjustment	-	-	(4.00)
Benefit paid during the year	(48.33)	(45.57)	(37.70)
Provisions for long-term employee benefits in ending of the year	744.05	726.29	705.99

The Company had put in place an employee benefit project under which post-employment compensation was paid to its employees according to the employment agreement. Provisions for employee benefits were calculated by an actuary by the projected unit credit method, using statistical data as a factor in estimating present value of cash flow of future benefits payable and using a discount rate based on the yield of government bond that had the duration period compatible with the period of such provisions. The calculated amount was presented as part of the provisions. The actuarial gains (losses) were recognized in the statement of other comprehensive income.

Key assumptions for actuarial estimates could be summarized below:

	Unit : % per year		
	2018	2017	2016
Discount rate	3.07	3.07	3.07
Salary increase rate	8.00	8.00	8.00
Inflation rate	2.50	2.50	2.50

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7.14.1 Provisions for employee benefits (cont.)

Employee turnover rates classified by age group were as shown below:

	Unit : % per year		
	2018	2017	2016
less than 30 years	8.00	8.00	8.00
30 years - less than 40 years	2.00	2.00	2.00
40 years - less than 50 years	1.00	1.00	1.00

The Company has expected to pay long-term employee benefits in the next one year in amount of approximately 53.79 million Baht (December 31, 2017: 49.28 million Baht; December 31, 2016: 45.35 million Baht).

As at December 31, 2018, the weighted average period of payment of long-term employee benefits was approximately 10.9 years (December 31, 2017: 10.9 years; December 31, 2016: 11 years).

Effects of the change in key assumptions on the present value of long-term employee benefit obligations as at December 31, 2018, 2017 and 2016 can be summarized as follows:

Unit : Million Baht				
2018				
	Liabilities increase		Liabilities decrease	
Discount rate	Decrease 1%	64.86	Increase 1%	56.41
Salary increase rate	Increase 1%	74.82	Decrease 1%	66.09
Employee turnover rate	Decrease 20%	5.11	Increase 20%	4.92
Unit : Million Baht				
2017				
	Liabilities increase		Liabilities decrease	
Discount rate	Decrease 1%	65.45	Increase 1%	56.88
Salary increase rate	Increase 1%	67.85	Decrease 1%	60.18
Employee turnover rate	Decrease 20%	4.37	Increase 20%	4.22
Unit : Million Baht				
2016				
	Liabilities increase		Liabilities decrease	
Discount rate	Decrease 1%	65.83	Increase 1%	57.11
Salary increase rate	Increase 1%	61.03	Decrease 1%	54.29
Employee turnover rate	Decrease 20%	3.70	Increase 20%	3.59

7.14.1 Provisions for employee benefits (cont.)

However, there are risks or special incidents that could be crucial to the estimation such as a significant change or movement in the number of employees and change in economic conditions that could affect the government bond yield and the discount rate used in the estimation. In case of such special incident, the Company will re-estimate the employee benefit obligations in order to identify the impact thereof on its financial statements.

Moreover, the Company established Sinthavi Provident Fund, which was registered on May 13, 1999, according to Provident Fund Act B.E. 2530, as another type of welfare for its employees, with BBL Asset Management Co., Ltd. as the Fund manager. Based on the Fund's regulation, the Company's employees may voluntarily apply for the Fund membership upon being employed as permanent staff. Fund member has to make monthly contribution to the Fund at a rate of 3%-15% of his/her monthly salary depending on his/her years of service. The Company later co-established K Master Pooled Fund, registered on May 1, 2014, with Kasikorn Asset Management Co., Ltd. as the Fund manager. Such Fund allows members to select more than one investment policy to best meet their individual requirements, hence another option for the employees. The Company and the employees make contributions to the Fund at the designated rates. The employees will obtain benefits according to the Fund regulation.

As at December 31, 2018, the Company paid 95.08 million Baht to the provident funds, regarded as expenses on the statements of profit or loss (December 31, 2017: 94.04 million Baht; and December 31, 2016: 83.66 million Baht).

7.14.2 Provisions for litigation cases

	Unit : Million Baht		
	2018	2017	2016
Beginning balance of the year	25.47	20.20	20.20
Additional provisions	-	5.27	-
Ending balance of the year	25.47	25.47	20.20

7.15 Unearned income from auction sale

On July 31, 2018, the Company received proceeds of 5,342.01 million Baht from an auction sale of collateral assets of one of its debtors from Legal Execution Department. The Company, as the preferential creditor, had submitted a request to receive the proceeds from the auction of such collateral assets because the debtor and two other creditors (Creditor No. 3 and Creditor No. 150) had filed a petition for withdrawal of such auction with the Central Bankruptcy Court.

However, payment to the Company, Legal Execution Department imposed a condition requiring the Company to issue a written confirmation that, in the event that the court orders the withdrawal of such auction, the Company shall return such proceeds to the debtor property fund (Legal Execution Department) by the designated date. The Company already issued and submitted the letter of confirmation to abide by such condition to Legal Execution Department.

Later on, the Court of First Instance ordered a dismissal of the petition for withdrawal of the auction lodged by the debtor and two other creditors. However, the debtor and two other creditors can seek permission to file an appeal to the Appeal/Supreme Court. The Company is currently getting updates on the result of the Court's consideration.

Therefore, The Company's Management views that the legal process cannot be deemed complete until documents indicating the completion are received.

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7.16 Other liabilities

Unit : Million Baht

	2018	2017	2016
Tax payable and accrued expenses	734.83	380.15	345.64
Deposit and marginal deposit	297.68	110.13	97.04
Liabilities between Bangkok Commerce Plc. and the Company	19.16	19.16	19.16
Suspense account and clearing cheque	154.96	96.32	128.77
Suspense account for debt repayment	145.95	351.58	375.82
Financial creditors selling right to claim	364.64	-	939.52
Others	20.60	19.27	12.69
Total	1,737.82	976.61	1,918.64

As at December 31, 2018, 2017 and 2016, part of deposit and marginal deposit of 89.17 million Baht, 103.41 million Baht and 88.07 million Baht respectively was deposit from sale of properties for sale.

As at December 31, 2018, the financial creditor selling right to claim totaling 364.64 million Baht was the outstanding amount payable for purchase of NPLs under the asset transfer agreement dated December 25, 2018, with 5% of the payment by cash on the execution date thereof and the remaining payable by promissory notes within 45 days from the execution date thereof.

7.17 Share capital

As at December 31, 2018, 2017 and 2016, the Company had registered and paid-up capital as follows:

	2018		2017		2016	
	Number of shares	Amount	Number of shares	Amount	Number of shares	Amount
	(Million shares)	(Million Baht)	(Million shares)	(Million Baht)	(Million shares)	(Million Baht)
Authorized share capital						
Registered capital at beginning of the year	3,245	16,225	3,245	16,225	3,245	16,225
Registered capital at ending of the year	3,245	16,225	3,245	16,225	3,245	16,225
Issued and paid-up share capital						
Issued and paid-up share capital at beginning of the year	2,735	13,675	2,735	13,675	2,735	13,675
Issued and paid-up share capital at ending of the year	2,735	13,675	2,735	13,675	2,735	13,675

7.18 Legal reserve

Under Section 116 of Public Limited Company Act B.E. 2535, the Company is required to set aside an annual net profit as reserves of not less than 5% of annual net profit less accumulated loss brought forward (if any) until the reserves become not less than 10% of its registered capital. Such legal reserve cannot be used for dividend payment. At present, the Company has made appropriation to the legal reserve in full.

7.19 Profit appropriation and dividend payment

Dividend	Approved by	Dividend paid (Million Baht)	Dividend paid per share (Baht)
Special dividend	Annual General Meeting 2018 on April 27, 2018	1,700.08	0.6216
Dividend for the year 2017	Annual General Meeting 2018 on April 27, 2018	2,700.54	0.9874
		<u>4,400.62</u>	
Special dividend	Extraordinary General Meeting No. 2/2017 on November 14, 2017	1,000.19	0.3657
Dividend for the year 2016	Annual General Meeting 2017 on April 29, 2017	2,961.46	1.0828
		<u>3,961.65</u>	
Dividend for the year 2015	Annual General Meeting 2016 on April 29, 2016	3,842.68	1.4050
		<u>3,842.68</u>	

7.20 Capital management

The main objective of capital management is to ensure an appropriate capital structure to support the Company's business operation and enhance the shareholding value for the shareholders. As at December 31, 2018, the Company had the debt to equity ratio of 1.57 : 1 (December 31, 2017: 1.43 : 1 and December 31, 2016: 1.31 : 1).

7.21 Income tax expenses

Income tax expenses for the years ended December 31, 2018, 2017 and 2016 can be summarized below:

	Unit : Million Baht		
	2018	2017	2016
Current income tax expenses :			
Corporate income tax for the year	7.28	8.21	12.24
Income tax expenses stated in statements of profit or loss and other comprehensive income	7.28	8.21	12.24

Reconciliation between the income tax expenses and the accounting profit multiplied by tax rate applicable for the years ended December 31, 2018, 2017 and 2016 is presented below:

	Unit : Million Baht		
	2018		
	Tax-exempted profit	Taxable profit	Total
Profit before corporate income tax	5,154.46	54.85	5,209.31
Corporate income tax rate		20%	
Profit before corporate income tax multiplied by tax	-	10.97	10.97
Tax impact in case of			
Prohibited expenses	-	0.04	0.04
Additional deductible expenses	-	(0.04)	(0.04)
Tax-exempted income	-	(3.69)	(3.69)
Income tax expenses in statements of profit or loss and other comprehensive income	-	7.28	7.28

7.21 Income tax expenses (cont.)

Unit : Million Baht			
2017			
	Tax-exempted profit	Taxable profit	Total
Profit before corporate income tax	4,444.82	64.21	4,509.03
Corporate income tax rate		20%	
Profit before corporate income tax multiplied by tax	-	12.84	12.84
Tax impact in case of			
Prohibited expenses	-	0.16	0.16
Additional deductible expenses	-	(0.04)	(0.04)
Tax-exempted income	-	(4.75)	(4.75)
Income tax expenses in statements of profit or loss and other comprehensive income	-	8.21	8.21

Unit : Million Baht			
2016			
	Tax-exempted profit	Taxable profit	Total
Profit before corporate income tax	4,816.23	99.62	4,915.85
Corporate income tax rate		20%	
Profit before corporate income tax multiplied by tax	-	19.92	19.92
Tax impact in case of			
Prohibited expenses	-	0.24	0.24
Additional deductible expenses	-	(0.04)	(0.04)
Tax-exempted income	-	(7.88)	(7.88)
Income tax expenses in statements of profit or loss and other comprehensive income	-	12.24	12.24

7.21 Income tax expenses (cont.)

For the years ended December 31, 2018, 2017 and 2016, the Company had net Tax-exempted profit of 5,154.46 million Baht, 4,444.82 million Baht and 4,816.23 million Baht respectively which were exempted from corporate income tax pursuant to the Royal Decree issued by virtue of the Revenue Code regarding Tax Exemption (No. 362) B.E. 2542 stating that asset management companies with no less than 95% shareholding by the Financial Institutions Development Fund has been exempted from corporate income tax for net profit earned from management of NPLs/NPAs acquired or transferred from financial institutions.

7.22 Earnings per share

Basic earnings per share is calculated by dividing the annual net profit on the shareholders' portion (excluding other comprehensive income) with the weighted average number of issued ordinary shares during the period.

Calculation of basic earnings per share is presented below:

Earnings for the years ended December 31,			Weighted average number of ordinary shares			Earnings per share		
2018	2017	2016	2018	2017	2016	2018	2017	2016
(Million Baht)	(Million Baht)	(Million Baht)	(Million shares)	(Million shares)	(Million shares)	(Baht)	(Baht)	(Baht)
5,202.02	4,500.82	4,903.61	2,735.00	2,735.00	2,735.00	1.90	1.65	1.79

7.23 Related persons or parties

For the purpose of financial statement preparation, related persons or parties of the Company refer to persons or parties, over whom the Company has direct or indirect controlling power or significant influence with respect to their financial and managerial decisions, or which are under common control or significant influence with the Company. Such relation may be on an individual basis or a corporate basis. In the consideration of each related party transaction, the Company focuses more on the essence of the relation than on the legal form of the relation.

7.23 Related persons or parties (cont.)

Relations between the Company and related entities are as follows:

List of related entities	Relations with the Company
Financial Institutions Development Fund	Major shareholder
Krungthai Bank Plc.	Having common shareholders
KT Zmico Securities Co., Ltd.	Having common shareholders
Krungthai-AXA Life Insurance Plc.	Having common shareholders
Krungthai Panich Insurance Plc.	Having common shareholders
Bahoma Co., Ltd.	Having common shareholders
Big SPV Co., Ltd.	Having common shareholders
Sahatorn Co., Ltd.	Having common shareholders
Thai Asset Management Corporation (TAMC)	Having common shareholders
JAT Leasing Co., Ltd.	Having common shareholders

During the year, the Company had related persons or parties transactions which were undertaken in accordance with trading conditions and criteria agreed upon between the Company and the related persons or parties as in normal course of business, details of which can be summarized below:

Outstanding amounts between the Company and related entities as at December 31, 2018, 2017 and 2016 were as tabulated here:

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7.23 Related persons or parties (cont.)

	Unit : Million Baht		
	2018	2017	2016
<u>Statements of financial position</u>			
Cash at financial institutions			
Common shareholders	16.65	11.94	14.68
Investment in securities - net			
Common shareholders	2.15	2.15	2.15
Other assets - Accrued dividends			
Common shareholders	35.81	42.44	35.81
Debt issued and borrowings - Notes payable and borrowings			
Common shareholders	1,098.18	88.00	107.73
Debt issued and borrowings - Debentures			
Common shareholders	1,107.70	124.90	-
Accrued interest payable			
Common shareholders	2.23	0.79	-
Other liabilities - Rent guarantee			
Common shareholders	0.10	0.10	0.09

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7.23 Related persons or parties (cont.)

	Unit : Million Baht			
	2018	2017	2016	Pricing policy
<u>Statements of profit or loss and other comprehensive income</u>				
Interest income - Cash at financial institutions				As mutually agreed
Common shareholders	0.04	0.04	0.06	
Dividend income				As mutually agreed
Common shareholders	36.77	47.30	72.76	
Other operating income - Rent and utilities				As mutually agreed
Common shareholders	0.52	0.65	0.90	
Gain on sale of properties for sale				As mutually agreed
Related persons*	2.47	-	-	
Interest expenses				As in the prospectus and
Major shareholders	-	-	5.26	as mutually agreed
Common shareholders	22.44	4.72	7.31	

* Related persons refer to those having close relationship with the related persons, directors and executives.

Debt issued and borrowings from related entities

Movements of debt issued and borrowing transactions and financial creditors from purchase of properties for sale between the Company and related parties as at December 31, 2018, 2017 and 2016 were as follows:

	Unit : Million Baht			
	2018			
	Beginning balance	Increase	Decrease	Ending balance
Debt issued and borrowings				
Krungthai Bank Plc.	208.00	1,631.23	195.05	1,644.18
Krungthai-AXA Life Insurance Plc.	4.90	527.00	0.20	531.70
Krungthai Panich Insurance Plc.	-	30.00	-	30.00
Total	212.90	2,188.23	195.25	2,205.88

7.23 Related persons or parties (cont.)**Debt issued and borrowings from related entities (cont.)**

Unit : Million Baht

	2017		
	Beginning balance	Increase	Decrease Ending balance
Debt issued and borrowings			
Krungthai Bank Plc.	107.73	812.98	712.71 208.00
Krungthai-AXA Life Insurance Plc.	-	4.90	- 4.90
Total	107.73	817.88	712.71 212.90

Unit : Million Baht

	2016		
	Beginning balance	Increase	Decrease Ending balance
Debt issued and borrowings			
Financial Institutions Development Fund	948.50	-	948.50 -
Krungthai Bank Plc.	303.03	-	195.30 107.73
Thai Asset Management Corporation (TAMC)	400.87	-	400.87 -
Total	1,652.40	-	1,544.67 107.73

7.24 Directors' remuneration

For the years ended December 31, 2018, 2017 and 2016, remuneration paid to key executives in accordance with TAS 24 (Revised 2017): Related Party Disclosures, comprising directors, executives at Executive Vice President level and higher and executives in accounting or finance function line at department head level and higher, was as follows:

Unit : Million Baht

	2018	2017	2016
Short-term benefits	101.27	76.96	86.53
Post-employment benefits	8.30	7.84	6.87
Total	109.57	84.80	93.40

7.25 Financial position and performance classified by operating segments

The Company's main business is asset management and the business operations are carried out through key geographical operating segments in Thailand. The Board of Directors has the ultimate decision-making authority with regard to the operations. The Company divides its operating segments by products and services as follows:

1. Acquisition and receipt of transfer of NPLs from financial institutions for management, based mainly on debt compromise practices to ensure the optimum benefit for both parties.
2. Acquisition and receipt of transfer of NPAs from financial institutions, receipt of transfer of assets for debt settlement from debtors, and bid for collateralized assets of debtors from Legal Execution Department for management by focusing on improvement of the properties to be in a ready-to-use condition for enhancement of their value added, thereby ensuring the assets will meet the demand of target groups.

(TRANSLATION)

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7.25.1 Financial position classified by operating segments

Unit : Million Baht

	2018		
	Asset Management Business		
	NPLs	NPAs and investment in securities	Total
Investment in securities - net	-	93.94	93.94
Loans purchased - net	75,433.94	-	75,433.94
Installment sale receivables - net	-	708.30	708.30
Properties for sale - net	-	20,595.82	20,595.82
Total	75,433.94	21,398.06	96,832.00
Cash			3.61
Cash at financial institutions			1,031.80
Accrued income from auction sale - net			7,115.45
Premises and equipment - net			1,251.54
Intangible assets - net			13.28
Other assets			1,405.32
Total assets			107,653.00
Debt issued and borrowings			57,709.28
Accrued interest payable			245.36
Provisions			769.52
Unearned income from auction sale			5,342.01
Other liabilities			1,737.82
Total liabilities			65,803.99

(TRANSLATION)

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7.25.1 Financial position classified by operating segments (cont.)

Unit : Million Baht

	2017		
	Asset Management Business		
	NPLs	NPAs and investment in securities	Total
Investment in securities - net	-	139.57	139.57
Loans purchased - net	72,885.78	-	72,885.78
Installment sale receivables - net	-	640.95	640.95
Properties for sale - net	-	17,735.18	17,735.18
Total	72,885.78	18,515.70	91,401.48
Cash			4.30
Cash at financial institutions			1,158.51
Accrued income from auction sale - net			4,981.49
Premises and equipment - net			1,332.05
Intangible assets - net			10.65
Other assets			1,044.92
Total assets			99,933.40
Debt issued and borrowings			56,868.47
Accrued interest payable			277.21
Provisions			751.76
Other liabilities			976.61
Total liabilities			58,874.05

(TRANSLATION)

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7.25.1 Financial position classified by operating segments (cont.)

Unit : Million Baht

	2016		
	Asset Management Business		
	NPLs	NPAs and investment in securities	Total
Investment in securities - net	-	146.24	146.24
Loans purchased - net	69,886.93	-	69,886.93
Installment sale receivables - net	-	1,562.01	1,562.01
Properties for sale - net	-	15,082.19	15,082.19
Total	69,886.93	16,790.44	86,677.37
Cash			3.26
Cash at financial institutions			1,607.50
Accrued income from auction sale - net			3,026.04
Premises and equipment - net			1,377.13
Intangible assets - net			11.89
Other assets			933.51
Total assets			93,636.70
Debt issued and borrowings			50,329.11
Accrued interest payable			140.08
Provisions			726.19
Other liabilities			1,918.64
Total liabilities			53,114.02

7.25.2 Performance classified by operating segments

Unit : Million Baht

	2018			
	Performance of NPLs	Performance of NPAs and investment in securities	Other performance	Total
Interest income	1,856.82	92.92	25.85	1,975.59
Loss on investment in securities	-	(30.31)	-	(30.31)
Gain on loans purchased	4,438.35	-	-	4,438.35
Gain on sale of properties for sale	-	3,105.51	-	3,105.51
Gain on installment sale	-	115.21	-	115.21
Other operating income	57.87	73.50	15.42	146.79
Total operating income	6,353.04	3,356.83	41.27	9,751.14
Interest expenses	1,155.95	613.46	-	1,769.41
Other operating expenses				
Impairment loss of properties for sale (reversal)	-	(20.50)	-	(20.50)
Other operating expenses	1,929.15	1,023.77	2.20	2,955.12
Total operating expenses	3,085.10	1,616.73	2.20	4,704.03
Bad debts and doubtful accounts	(162.19)	-	-	(162.19)
Profit from operating before income tax expenses	3,430.13	1,740.10	39.07	5,209.30
Income tax expenses	-	-	7.28	7.28
Net profit	3,430.13	1,740.10	31.79	5,202.02

(TRANSLATION)

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7.25.2 Performance classified by operating segments (cont.)

Unit : Million Baht

	2017			
	Performance of NPLs	Performance of NPAs and investment in securities	Other performance	Total
Interest income	1,877.52	117.29	33.23	2,028.04
Loss on investment in securities	-	(2.56)	-	(2.56)
Gain on loans purchased	3,509.15	-	-	3,509.15
Gain on sale of properties for sale	-	1,740.89	-	1,740.89
Gain on installment sale	-	184.44	-	184.44
Other operating income	14.48	141.17	10.23	165.88
Total operating income	5,401.15	2,181.23	43.46	7,625.84
Interest expenses	1,162.52	459.47	-	1,621.99
Other operating expenses				
Impairment loss of properties for sale (reversal)	-	(69.34)	-	(69.34)
Other operating expenses	1,850.57	731.42	7.10	2,589.09
Total operating expenses	3,013.09	1,121.55	7.10	4,141.74
Bad debts and doubtful accounts	(1,024.93)	-	-	(1,024.93)
Profit from operating before income tax expenses	3,412.99	1,059.68	36.36	4,509.03
Income tax expenses	-	-	8.21	8.21
Net profit	3,412.99	1,059.68	28.15	4,500.82

7.25.2 Performance classified by operating segments (cont.)

Unit : Million Baht

	2016			
	Performance of NPLs	Performance of NPAs and investment in securities	Other performance	Total
Interest income	1,232.30	150.35	19.73	1,402.38
Gain on investment in securities	-	20.04	-	20.04
Gain on loans purchased	4,224.33	-	-	4,224.33
Gain on sale of properties for sale	-	2,362.61	-	2,362.61
Gain on installment sale	-	584.10	-	584.10
Other operating income	11.80	128.29	29.38	169.47
Total operating income	5,468.43	3,245.39	49.11	8,762.93
Interest expenses	791.30	452.86	-	1,244.16
Other operating expenses				
Impairment loss of properties for sale	-	82.72	-	82.72
Other operating expenses	1,585.97	907.65	5.51	2,499.13
Total operating expenses	2,377.27	1,443.23	5.51	3,826.01
Bad debts and doubtful accounts	21.07	-	-	21.07
Profit from operating before income tax expenses	3,070.09	1,802.16	43.60	4,915.85
Income tax expenses	-	-	12.24	12.24
Net profit	3,070.09	1,802.16	31.36	4,903.61

Information on geographical region

The Company operates business in one geographical region which is Thailand. As such, income and assets presented in the financial statements are regarded as reporting according to the geographical region.

Information on major customers

As of December 31, 2018, the Company had income of 1,073 million Baht (the amount equal to or exceeding 10% of the Company's income) from one major customer as a result of the operation of non-performing loans (NPLs) (2017 and 2016: The Company had no income from any customer in the amount equal to or exceeding 10% of the Company's income.)

7.26 Additional information about cash and significant non-cash items**7.26.1 Cash and cash equivalents in statements of cash flows**

Unit : Million Baht

	2018	2017	2016
Cash	3.61	4.30	3.26
Deposits in transit	9.89	3.37	5.06
Current, saving, and fixed deposits	1,021.81	1,154.97	1,601.82
<u>Less</u> Deposits under guarantee obligation	(3.74)	(3.78)	(3.78)
Cash and cash equivalent items in statement of cash flows	<u>1,031.57</u>	<u>1,158.86</u>	<u>1,606.36</u>

7.26.2 Cash paid for premises and equipment

Unit : Million Baht

	2018	2017	2016
Payable from purchase of premises and equipment brought forward	4.85	3.32	0.53
Purchase of premises and equipment	76.02	100.90	126.60
<u>Less</u> Cash paid for premises and equipment	(78.58)	(99.37)	(123.81)
Payable from purchase of premises and equipment carried forward	<u>2.29</u>	<u>4.85</u>	<u>3.32</u>

7.26.3 Cash paid for intangible assets

Unit : Million Baht

	2018	2017	2016
Payable from purchase of intangible assets brought forward	1.28	0.21	0.28
Purchase of intangible assets	6.60	2.79	5.14
<u>Less</u> Cash paid for intangible assets	(3.05)	(1.72)	(5.21)
Payable from purchase of intangible assets carried forward	<u>4.83</u>	<u>1.28</u>	<u>0.21</u>

7.27 Assets with obligations**7.27.1 Obligations on operating lease agreements and long-term service agreements**

The Company entered into operating lease agreements in relation to lease of land, building space and office equipment. Contractual terms range from 1 to 10 years.

As at December 31, 2018, 2017 and 2016, the Company had future payment obligation under the operating lease agreements which cannot be terminated in the minimum amount, as below:

	Unit : Million Baht		
	2018	2017	2016
Payment			
Within 1 year	5.41	3.22	3.83
Over 1 year but not over 5 years	1.39	2.24	3.28
Total	6.80	5.46	7.11

7.27.2 Obligations on capital expenditure

As at December 31, 2018, 2017 and 2016, the Company had obligations on capital expenditure with the contractual term of over 1 year as shown below:

	Unit : Million Baht		
	2018	2017	2016
Payment			
Within 1 year	-	18.19	18.19
Total	-	18.19	18.19

7.28 Guarantee

As at December 31, 2018, the Company had letters of guarantee issued by banks under the name of the Company in a total amount of 3.74 million Baht (December 31, 2017: 3.78 million Baht; and December 31, 2016: 3.78 million Baht) to guarantee use of electricity and others.

7.29 Contingent liabilities

As at December 31, 2018, the Company faced lawsuits with a total disputed amount of 779.40 million Baht (December 31, 2017: 5,626.07 million Baht; and December 31, 2016: 4,946.11 million Baht). Such lawsuits are civil cases involving claims for damages, which resulted from the Company's normal course of business. The Company believes that when these cases have become final, they will not materially affect its financial position and operation. Therefore, the Company has not yet recognized such potential consequential damages as its expenses.

7.30 Fair value measurement of financial instruments**7.30.1 Fair value hierarchy**

To adopt fair value measurement technique, the business must use noticeable information related to assets or liabilities aimed for fair value measurement as much as possible. TFRS 13 regarding fair value measurement has classified fair value into three levels according to type of data used for measuring fair value as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Other observable inputs of assets or liabilities, directly or indirectly

Level 3 Unobservable inputs such as data on projected future cash flows

7.30.2 Assets and liabilities presented in fair value

As at December 31, 2018, 2017 and 2016, the Company had assets presented in fair value, classified by fair value hierarchy, as follows:

					Unit : Million Baht
					2018
	Net book value	Fair value			Total
		Level 1	Level 2	Level 3	
Asset presented in fair value					
Investment in securities					
Marketable demand equity securities - domestic	88.15	88.15	-	-	88.15

(TRANSLATION)

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7.30.2 Assets and liabilities presented in fair value (cont.)

Unit : Million Baht

	2017				
	Net book	Fair value			
	value	Level 1	Level 2	Level 3	Total
Asset presented in fair value					
Investment in securities					
Marketable demand equity securities - domestic	109.14	109.14	-	-	109.14

Unit : Million Baht

	2016				
	Net book	Fair value			
	value	Level 1	Level 2	Level 3	Total
Asset presented in fair value					
Investment in securities					
Marketable demand equity securities - domestic	111.88	111.88	-	-	111.88

During the current period, there has been no transfer of transactions along the fair value hierarchy.

As at December 31, 2018, 2017 and 2016, the Company had financial assets and liabilities presented at cost with fair value presentation, classified by fair value hierarchy as below:

Unit : Million Baht

	2018				
	Net book value	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets with fair value disclosure					
Cash	3.61	3.61	-	-	3.61
Cash at financial institutions	1,031.80	1,031.80	-	-	1,031.80
Investment in securities - net					
General investment	5.79	-	-	653.07	653.07
Loans purchased - net	75,433.94	-	-	116,566.13	116,566.13
Installment sale receivables - net	708.30	-	-	1,632.40	1,632.40
Accrued income from auction sale - net	7,115.45	-	-	7,115.45	7,115.45
Financial liabilities with fair value disclosure					
Debt issued and borrowings	57,709.28	-	-	58,064.18	58,064.18

(TRANSLATION)

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7.30.2 Assets and liabilities presented in fair value (cont.)

Unit : Million Baht

	2017				
	Net book	Fair value			
	value	Level 1	Level 2	Level 3	Total
Financial assets with fair value disclosure					
Cash	4.30	4.30	-	-	4.30
Cash at financial institutions	1,158.51	1,158.51	-	-	1,158.51
Investment in securities - net					
General investment	30.43	-	-	615.16	615.16
Loans purchased - net	72,885.78	-	-	116,436.21	116,436.21
Installment sale receivables - net	640.95	-	-	1,384.41	1,384.41
Accrued income from auction sale - net	4,981.49	-	-	4,981.49	4,981.49
Financial liabilities with fair value disclosure					
Debt issued and borrowings	56,868.47	-	-	57,385.78	57,385.78

Unit : Million Baht

	2016				
	Net book	Fair value			
	value	Level 1	Level 2	Level 3	Total
Financial assets with fair value disclosure					
Cash	3.26	3.26	-	-	3.26
Cash at financial institutions	1,607.51	1,607.51	-	-	1,607.51
Investment in securities - net					
General investment	34.36	-	-	518.53	518.53
Loans purchased - net	69,886.93	-	-	105,800.82	105,800.82
Installment sale receivables - net	1,562.01	-	-	2,585.11	2,585.11
Accrued income from auction sale - net	3,026.04	-	-	3,026.04	3,026.04
Financial liabilities with fair value disclosure					
Debt issued and borrowings	50,329.11	-	-	50,429.19	50,429.19

7.30.3 Financial Assets and liabilities disclosed in fair value

The Company has estimated fair value of financial instruments according to the following criteria:

- (a) Financial assets to be matured in a short period of time or financial assets bearing interest rates comparable to market rates include cash, cash at financial institutions and accrued income from auction sale. Fair value of such assets is estimated at book value presented in the statement of financial position as they will be matured in a short period.
- (b) Fair value of loans purchased duly undergoing debt restructuring can be calculated as follows:
 - 1. Classified debtors classes 1 and 2 are calculated from cash flow from debt settlement plan with MLR's discount.
 - 2. Classified debtors classes 3, 4 and 5 are calculated from cash flow from sale of collateral assets. The year in which sale is expected is calculated from litigation status with MLR's discount, provided that the amount to be received must not exceed right obligations.
- (c) For fair value of loans purchased not yet undergoing debt restructuring, present value of future cash flow is calculated from sale of collaterals. The year in which sale is expected is calculated from litigation status with MLR's discount, provided that the amount to be received must not exceed right obligations.
- (d) Fair value of installment sale receivables is calculated as follows:
 - 1. Installment sale receivables with 0-3 months overdue payment are estimated from cash flow from debt settlement plan with MLR's discount.
 - 2. Installment sale receivables with over 3 months overdue payment are estimated from cash flow from sale of collaterals. The year in which sale is expected is calculated based on past sale experience with MLR's discount.
- (e) Fair value of debt issued and borrowings in the type of subordinated and unsubordinated debts is calculated by using return rate announced by the Thai Bond Market Association. Fair value of issued debt instruments and floating interest-bearing loans will be estimated with reference to book value of those with fixed interest-bearing and calculated based on present value of projected paid cash flow in future discounted by estimated interest rate in the current market for loans with similar conditions.
- (f) Fair value of securities not listed on the stock market will be calculated using book value (BV) in the latest financial statement.

(TRANSLATION)

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7.31 Approval of the financial statements

These financial statements were approved for issuing by the Board of Directors of the Company on July 5, 2019.

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Final Report

Market Landscape and Competitive Analysis of the Distressed Asset Management Industry in Thailand

Ipsos Business Consulting

November 2019

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Part I: Thailand's Economic Performance and Growth

1.1 The Current Situation of the Thai Economy

In the third quarter of 2019, Thailand's real GDP grew by 2.4 percent from the previous quarter due to several supporting factors, including: (1) the growth in private consumption within the country from the low inflation rate and low unemployment rate comparing to other country and the government's welfare card scheme to help the poor; (2) the growth in government expenditure from the increase of labor wage, the depreciation on fixed assets and the increase of the transfer of non-monetary welfare; (3) the growth in total investment which includes both public investment and private investment. The growth of public investment was from the increase of government investment. While the growth of private investment supported by increased investment in machines, equipment and buildings within the private sector, along with an increase in applications for investment promotion, especially in the Eastern Economic Corridor (EEC); (4) the growth in construction sector, which drove by the expansion of public construction; (5) the increase in agriculture production from previous quarter after the prolonged periods of drought and no rainfall; (6) the growth in electricity, gas, steam and air conditioning supply sector supported by the growth in gas separation sector. While electricity sector slowdown from the decrease in demand for electricity in industrial sector; (7) the growth in land transportation sector, air transportation sector, postal service sector and other related services; (8) the growth in accommodation and food service activities from the rise of foreign tourists from the previous quarter and from the extension of Visa-on-arrival fee waiver for visitors from 21 countries until 30 April 2020 and (9) the growth in wholesale, retail sales sector and the repair of mother vehicles and motorcycles sector, which has been slowdown from the decline in household spending, but still be able to supported the growth of Thailand's real GDP.

However, several factors added pressures on the growth of Thailand's real GDP in the third quarter of 2019 including: (1) the unchanged export value in the third quarter of 2019 (grew by 0.0 percent from the previous quarter) and the decrease in export volume (decreased by 0.4 percent from the previous quarter). In the first-nine months of 2019, Thailand's export value and export volume dropped by 2.7 percent and 3.0 percent from 2018 respectively. The decline in export value and volume resulted from the economic slowdown in key trading partner countries and the uplift of trade barriers; (2) the slowdown in manufacturing production following the decline in export value, which resulted in the falling in manufacturing production index and capacity utilization rate from the previous quarter; and (3) the decrease in water transportation sector from the decrease in demand for international shipping and the decrease in manufacturing production. Because of these negative factors, Office of the National Economic and Social Development Board (NESDB) revised the economic projection for 2019 by cutting the forecast Thailand's real GDP growth rate from 3.6 percent (with the range of 3.3 to 3.8 percent) to 3.0 percent (with the range of 2.7 to 3.2 percent) in August 2019, and later adjusted to 2.6 percent in 18 November 2019.

Thailand's economy expanded slower than the expected growth rate in the first-half of 2019 resulted in the deceleration of domestic demand. Also, Headline inflation was projected to be lower than the inflation target. As a result, the Monetary Policy Committee (MPC) cut the policy interest rate from 1.75 percent to 1.5 percent in August 2019. Then, the Monetary Policy Committee (MPC) cut the policy interest once again



from 1.5 percent to 1.25 percent rate in November 2019. The decreased policy interest rate is expected to raise the headline inflation rate toward the target and support Thailand's economic growth.

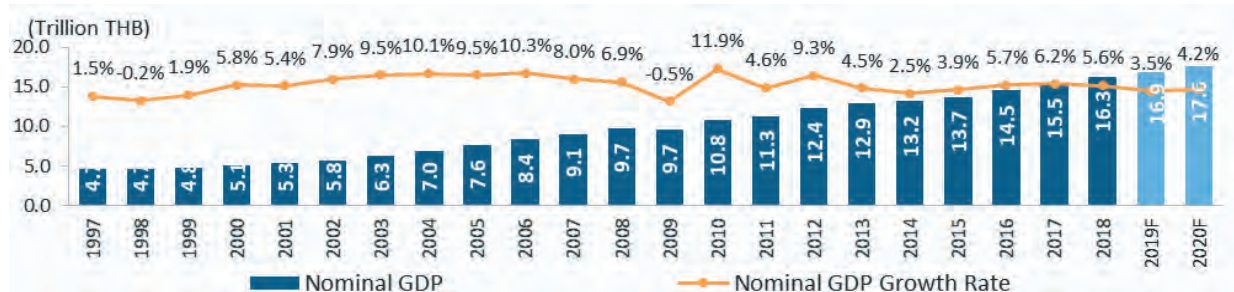
The growth of private loans (including corporate loan and consumer loan) decelerated in the third quarter of 2019, especially corporate loan from the volatility of world economy. The deceleration of consumer loan was mainly from the loan-to-value (LTV) regulations that tightened housing loans. Moreover, financial institutions have tightened credit standard because of the deteriorated loan quality and the rise in NPL to total loans.

In the third quarter of 2019, Thai baht appreciated from the previous quarter partly from the foreign direct investment to stock market and bond market. At the same time, the currency of other countries in the region depreciated. The capital and financial account recorded the net inflow for the first time in the past 8 quarters from the inflow from Thai investors in term of cash equivalents and deposits and from the inflow from foreign investors who continuously invested in Thailand. The current account registered a surplus in the third quarter of 2019, which was higher than the same period in 2018.

Thailand's overall financial stability remained sound in the third quarter of 2019 as the unemployment rate and the inflation rate remained low. However, Thailand's real GDP growth rate that is lower than the expected growth rate, the increase in the level of household debt to GDP, and the appreciation of Thai Baht resulted in added pressure on the Thai economy.

1.2 Thailand's Gross Domestic Product (GDP), GDP Growth Rate and GDP per Capita

Nominal GDP (at current prices: trillion THB) and Nominal GDP Growth Rate, 1997-2020F

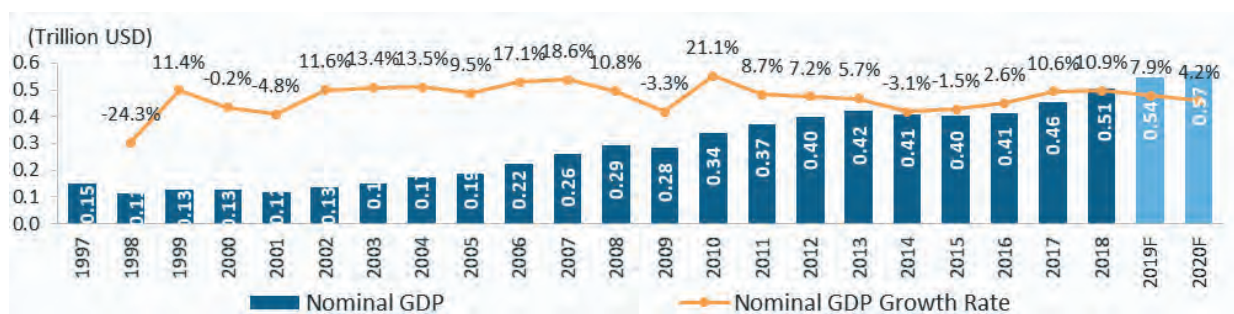


Source: Office of the National Economic and Social Development Board

F = Estimate

Remark: 2019 Nominal GDP estimate was calculated on 18th November 2019 by Office of the National Economic and Social Development Board.

Nominal GDP (at current prices: trillion USD) and Nominal GDP Growth Rate, 1997-2020F



Source: World Bank, Office of the National Economic and Social Development Board

F = Estimate

Remark: 2019 Nominal GDP estimate was calculated on 18th November 2019 by Office of the National Economic and Social Development Board.

Real GDP (Reference year = 2002: trillion THB) and Real GDP Growth Rate, 1997-2020F

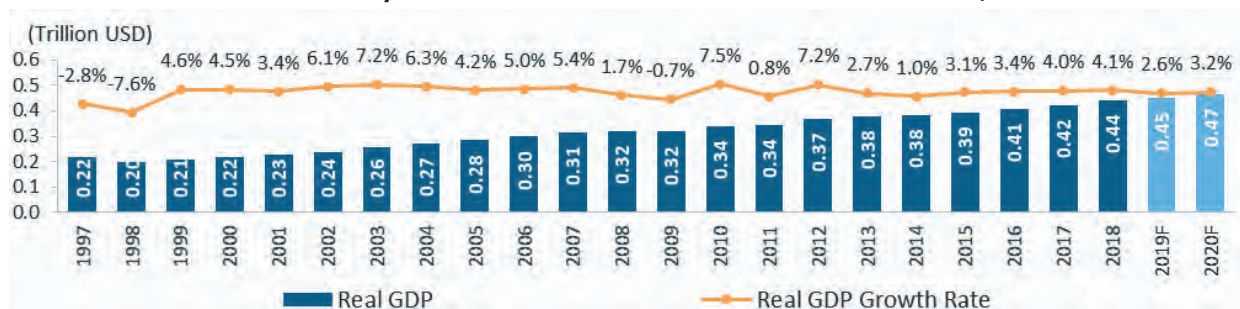


Source: Office of the National Economic and Social Development Board

F = Estimate

Remark: (1) Real GDP, chain volume measures. (Reference year = 2002)

(2) 2019 and 2020 Real GDP estimate was calculated on 18th November 2019 by Office of the National Economic and Social Development Board.

Real GDP (Reference year = 2010: trillion USD) and Real GDP Growth Rate, 1997-2020F


Source: World Bank, Office of the National Economic and Social Development Board

F = Estimate

Remark: (1) Real GDP, chain volume measures. (Reference year = 2010)

(2) 2019 and 2020 Real GDP estimate was calculated on 18th November 2019 by Office of the National Economic and Social Development Board.

GDP Per Capita and GDP Per Capita Growth Rate, 2014-2019F

GDP per capita	2014	2015	2016	2017	2018	2019F
GDP per capita at the current price (THB)	197,458.40	204,406.30	215,767.10	228,398.30	240,568.7	248,406.5
- Growth Rate (%)		3.5%	5.6%	5.9%	5.3%	3.3%
GDP per capita at the reference year price (THB)	137,786.16	141,611.73	145,889.76	151,315.12	157,150.88	160,859.4
- Growth Rate (%)		2.8%	3.0%	3.7%	3.9%	2.3%

Source: Office of the National Economic and Social Development Board, Ipsos Business Consulting

Remark: (1) 2019 GDP Per Capita estimate was calculated on 18th November 2019 by Office of the National Economic and Social Development Board

(2) GDP per capita at the reference year price is analysed based on Real GDP calculated from chain volume measures. (Reference year = 2002)

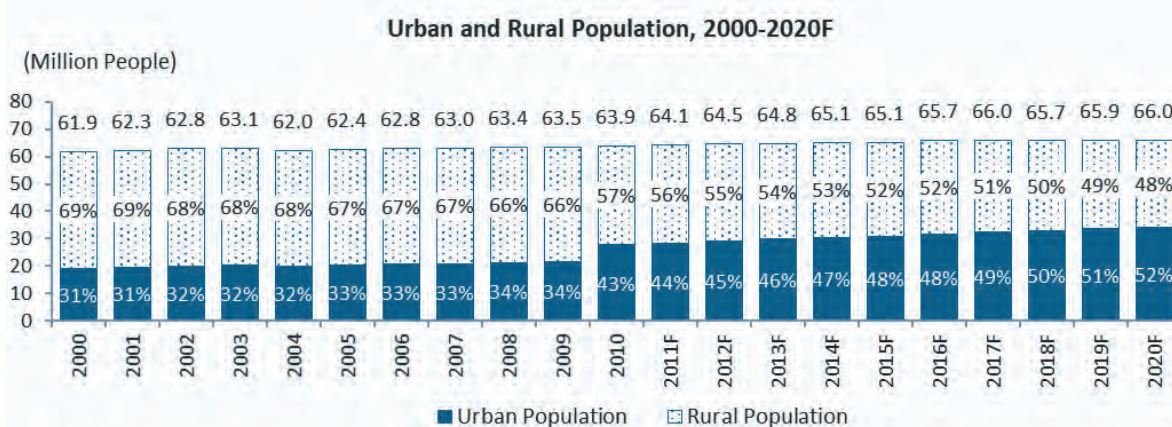
(3) GDP per capita at the reference year price in 2019 was from Ipsos Business Consulting Analysis

In the third quarter of 2019, Thailand's real GDP growth rate was 2.4 percent, slightly increased from the second quarter of 2019. Thailand's real GDP growth rate in the second quarter of 2019 was 2.3 percent, which was the lowest growth rate in the past 5 years due to the decrease of export value and export volume caused by the economic slowdown of main trading partner countries and the escalating trade protection measures.

As Thailand's real GDP grew lower than the expected growth rate from the deceleration in export sector, several institutions slashed the forecast of Thailand's real GDP growth rate in 2019. In November 2019, Office of the National Economic and Social Development Board forecasted that Thailand's real GDP will grow by 2.6 percent in 2019.

Office of the National Economic and Social Development Board (NESDB) forecasted that Thailand's GDP per capita will increase to 248,406.5 baht in 2019, a 3.3 percent increase from 240,568.7 baht in 2018 (forecasted on 18th November 2019). An increase in GDP per capita indicated the improvement in standard of living of Thailand's population.

1.3 Population Growth (Urban and Rural Population) and Urbanisation



Source: National Economic and Social Development Board

F = Forecast by NESDB

Remark:

- 1) Urban and rural population is observed every 10 years (most recently in 2000 and 2010). The percentage breakdown of urban-rural population of 2001-2009 and 2011-2020 are estimated percentages.
- 2) Total population numbers are recorded every year.
- 3) Definition of urban and rural population is given in Appendix I.

	2000-2004	2005-2009	2010-2014	2015F-2019F	2020F-2024F
Urbanisation Rate	1.0%	1.0%	1.9%	1.7%	1.6%

Sources: National Economic and Social Development Board, Ipsos Consulting Analysis

F = Forecast by NESDB

Remark: Urbanisation rate is calculated as the rate of growth of the urban population minus that of the total population. Positive rates of urbanisation result when the urban population grows at a faster rate than the total population.

Thailand is an ageing society, like other countries in the region such as Japan and Singapore. The total population number has been growing at a decreasing rate, approximately 0.3 percent per annum from 2015 to 2020. This trend is expected to have a direct effect on future economic performance. The workforce will shrink as the proportion of young people making up the population falls, putting economic productivity into decline along with average income per capita. Tax receipts will also contract at the same time that caring for the increasingly elderly population becomes more expensive. This demographic shift will also affect the population's financial status, as older people generate little or no income while working-age people will have to shoulder most of the cost of the ageing society.

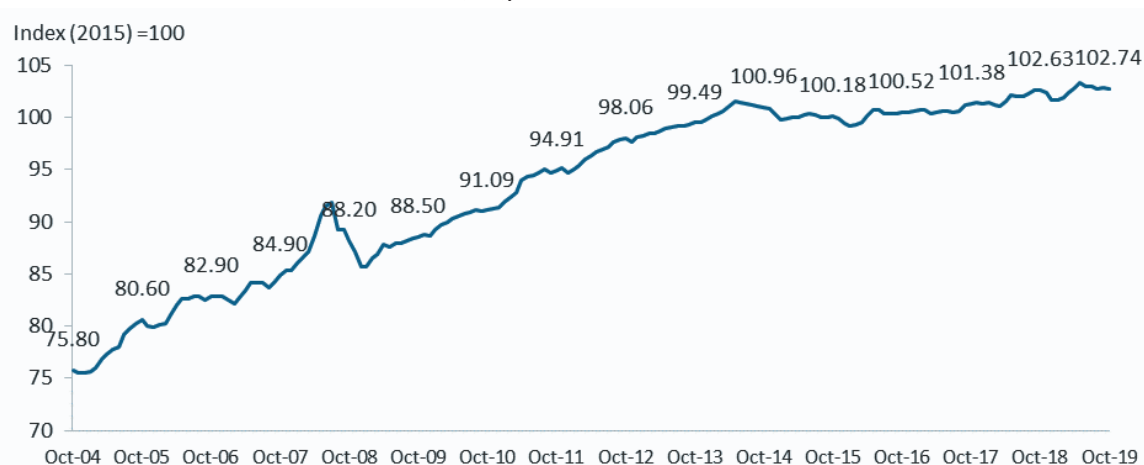
About 51 percent of Thai population is expected to live in urban areas in 2020, with the remaining 49 percent in rural areas. Thailand's urban population has grown faster because of industrialisation. The rate of urbanisation is estimated to average 1.7 percent a year from 2015 to 2019.

Most of Thailand's urban development is concentrated in the Bangkok area. The trend of urban-rural migration has caused certain problems related to the loss of economic potential in the countryside, particularly when educated and skilled workers move from rural areas to major towns and cities to seek

better opportunities. As a result, the population in Bangkok and its vicinity is expected to increase while the population in other provinces is expected to decrease.

1.4 Consumer Price Index (CPI)

Consumer Price Index (CPI), From October 2004 to October 2019



Source: Ministry of Commerce, Thailand

Remark:

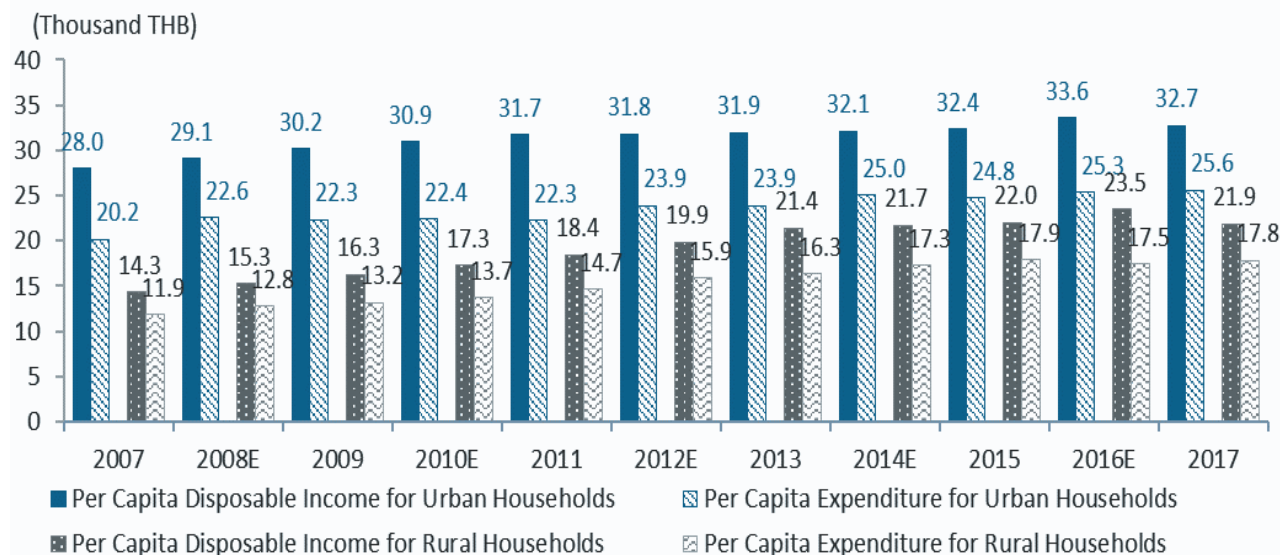
- 1) CPI shown in the figure reflects CPI in October of each year.
- 2) Explanation of CPI base year adjustment is given in Appendix I.

Thailand's consumer price index (CPI) gradually recovered. In October 2019, Thailand's CPI was 102.74, decreased by 0.16 percent from the previous month and increased by 0.11 percent from the same period last year. The increase of CPI by 0.11 percent was the lowest growth rate within 28 months since June 2017. The main reason for the slowdown of CPI was the decrease in retail gasoline price. Even though the price of some food products increased in October 2019 which could lead CPI to increase, the decline of retail gasoline price decelerated the increase in CPI.

However, the volatility of the world economy, the decrease of oil prices, and the appreciation of Thai Baht continue to put pressure on the outlook for consumption.

1.5 Per Capita Disposable Income and Expenditure for Urban and Rural Households

Monthly Per Capita Disposable Income and Expenditure for Households, 2007-2017



Source: National Statistical Office of Thailand

E = Estimated

Remark:

1) Per capita household income is observed every 2 years.

2) Explanation of income estimation in even-numbered years is given in Appendix II.

Monthly disposable income and expenditure for households living in urban areas was higher than those of households living in rural areas. Households' monthly disposable income and expenditure have gradually increased since 2007. In 2017, per capita disposable income for urban households was 32,744 baht per month and per capita expenditure for urban households was 25,581 baht per month. At the same time, per capita disposable income for rural households was 21,862 baht per month and per capita expenditure for rural households was 17,802 baht per month. In 2017, per capita disposable income for households in both urban and rural areas slightly decreased from 2016, while per capita expenditure increased.

Percentage Breakdown of Household Expenditure, 2007 - 2017

Household Expenditure	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Food and non-alcoholic beverages expense	31.0%	32.0%	32.1%	32.5%	32.5%	32.2%	32.7%	33.9%	33.7%	36.1%	35.1%
Housing and housing-related expense	20.1%	19.1%	20.1%	19.4%	20.4%	20.0%	19.2%	20.0%	20.4%	19.7%	20.3%
Transportation, vehicle and travel expense	18.2%	19.3%	17.7%	18.9%	18.9%	19.4%	20.0%	19.5%	18.3%	17.4%	17.4%
Other expenses	30.7%	29.6%	30.1%	29.2%	28.2%	28.4%	28.1%	26.6%	27.6%	26.8%	27.2%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: National Statistical Office of Thailand

The largest expense for Thai households in 2017 was for food and non-alcoholic beverages, which accounted for 35 percent of their total expenditure for the year. This was followed by housing and housing-related expenses, and then transportation, vehicle and travel expenses which accounted for 20 percent and 17 percent of total expenditure respectively.

1.6 Unemployment Rate

Unemployment Rate (Unemployed Persons as a Percentage of Labour Force), 2002-2019Q3



Source: Department of Provincial Administration, National Statistical Office of Thailand, and Office of the National Economic and Social Development Board

Thailand's unemployment rate in the third quarter of 2019 was 1.1 percent, increasing from 1.0 percent in the second quarter of 2019. Thailand's unemployment rate has undergone a modest increase over the past few years due to structural changes such as the advancement of manufacturing technology to replace labour, decreasing labour requirements in the agricultural sector, and the deceleration of Thailand's export caused by the economic slowdown of trading partner countries and the uplift of trade protection measures. However, Thailand's unemployment rate remains low compared to that of other countries in the world.

In 2018, the Thai government implemented an adjusted daily minimum wage policy whose details varied by location. In accordance with the new daily minimum wage policy, Chonburi, Phuket and Rayong had the highest daily minimum wage at 330 baht a day, followed by Bangkok and its vicinity at 325 baht a day. Narathiwat, Pattani and Yala had the lowest daily minimum wage at 308 baht a day. The change in daily minimum wage has had a negative impact on labour intensive industries (such as the agricultural industry and the textile industry) as well as small and medium-sized enterprises (SMEs). However, the effect on these industries from increasing the minimum wage is expected to be limited, due to other forms of government support which lessen the impact. Policies such as tax reduction or low interest rates could help such industries reduce their expenditures. After the adjustment of daily minimum wage in 2018, government has launched relief measures to help business operators that were affected from the increase in labour cost. The measures include tax incentives that allow SMEs to deduct tax expense for minimum daily wage paid to employees up to 1.15 times. To get the tax deduction, SMEs must earn no more than 100 million baht with no more than 200 workers. Tax deduction helps ease the impact of wage hike on SMEs.

1.7 Foreign Direct Investment

Foreign Direct Investment, 2005-2019Q2

FDI (Billion THB)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019 Q1	2019 Q2
Financial and insurance activities	153.9	15.4	52.1	58.7	(6.5)	205.6	(13.2)	57.8	99.9	57.7	99.4	37.5	114.2	134.8	(61.1)	17.4
Real estate activities	2.5	52.9	47.8	38.7	44.6	33.0	35.2	32.3	48.9	41.8	44.4	50.5	61.0	73.2	19.7	15.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	21.1	26.8	4.5	26.5	70.3	15.5	8.1	(5.4)	41.1	16.3	54.1	(38.1)	35.1	58.5	16.1	17.4
Manufacture of computer, electronic and optical products	12.7	30.0	39.6	(3.0)	106.5	42.8	20.1	2.0	20.3	4.2	46.9	(13.3)	26.4	27.4	8.3	16.8
Manufacture of motor vehicles, trailers and semi-trailers	5.5	5.9	7.7	2.5	4.3	8.2	11.8	(3.9)	0.9	2.2	6.2	24.9	9.5	1.2	5.8	(2.3)
Manufacture of food products	15.6	22.7	11.3	11.8	7.0	11.5	13.5	16.1	17.4	8.8	27.9	10.2	2.8	(1.5)	1.0	2.0
Manufacture of rubber and plastics products	16.5	6.9	(3.8)	17.1	52.4	35.1	12.2	30.6	11.5	14.8	38.5	(8.2)	(5.8)	20.8	10.1	1.4
Others	103.2	179.2	138.7	136.0	(54.3)	114.4	(17.2)	271.4	254.5	15.5	(12.1)	39.2	30.1	112.6	20.9	(5.3)
Total	331.0	339.7	297.9	288.3	224.3	466.1	70.4	400.9	494.5	161.3	305.3	102.7	273.3	427.0	20.8	63.3

Source: Bank of Thailand

Remark: 1) Others: Mining and quarrying; Manufacture of machinery and equipment; Manufacture of beverages; Manufacture of basic pharmaceutical products and pharmaceutical preparations; Manufacture of electrical equipment; Agriculture, forestry and fishing; Manufacture of furniture; Construction; Manufacture of paper and paper products; Manufacture of coke and refined petroleum products; Electricity, gas, steam and air conditioning supply; Transportation and storage; Manufacture of chemicals and chemical products.

2) See Appendix III for graph definition.

Thailand's direct foreign investment (FDI) increased from 20.8 billion baht in the first quarter of 2019 to 63.3 billion baht in the second quarter of 2019. The financial and insurance sector and wholesale and retail trade; repair of motor vehicles and motorcycles sector proved to be the most attractive for foreign investors, with a net investment inflow of 17.4 billion baht each in the second quarter of 2019. This was followed by the manufacture of computer, electronic and optical products sector, and the real estate sector. These sectors brought in foreign investment totals of 16.8 billion baht, and 15.9 billion baht, respectively.

According to Thailand's Board of Investment (BOI) reports, 689 foreign investment projects applied for investment promotion in the first nine months of 2019 with a total investment value of 203,366 million baht. The value of these projects increased by 69 percent from the total investment value of foreign investment

project in the same period of 2018. In the first nine months of 2019, the digital industry had the highest total number of foreign investment projects applied for investment promotion. While, the electronic and electric appliances industry had the highest total investment value. Japan was the largest foreign investor country of origin, representing the highest number of investment projects (167 projects) and the highest investment value (59,187 million baht). Its investment totals were followed by those of China and Switzerland, whose cumulative investment value amounted to 45,439 million baht and 11,710 million baht respectively.

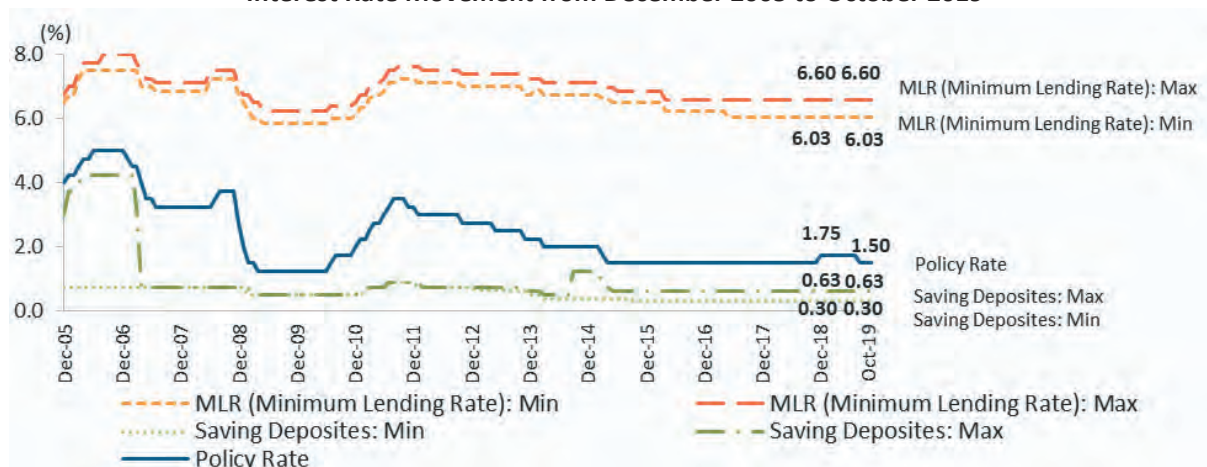
Thailand's Board of Investment (BOI) also cited that there were 360 foreign investment projects in EEC applied for investment promotion in the first nine months of 2019, increasing by 37 percent from the same period of 2018. However, total investment value of foreign investment projects in EEC applied for investment promotion in the first nine months of 2019 was 167,930 million baht, decreasing by 23 percent from the same period of 2018. The reason was that there were mega investment projects in EEC that applied for investment promotion in 2018. One of mega investment projects was Exxon Mobile. Exxon Mobile aims to make Thailand its export hub in Asia and plans to invest 6.3 billion USD in an ethylene cracker facility near its refinery in Chonburi province and near Laem Chabang deep-sea port.

To further promote foreign direct investment, the government announced a policy to launch the EEC in Chachoengsao, Chonburi, and Rayong provinces in 2018. The government expects the EEC to enhance national competitiveness by improving manufacturing facilities and infrastructure to sustainably support Thailand's economy. To attract investment, the government offered investors corporate tax exemptions for up to 13-15 years in exchange for investment in 10 targeted industries in the EEC. These include the Next-Generation Automotive, Smart Electronics, High Wealth and Medical Tourism, Efficient Agriculture and Biotechnology, Food Innovation, Automation and Robotics, Aviation and Logistics, Bio-Energy and Bio-chemicals, Digital, and Medical industries. The government expects a total annual investment of at least 500 billion baht by 2021.

Nevertheless, the significant increase in foreign direct investment resulted in baht appreciation in the past few years. The inflow of foreign direct investment increased the demand for the Thai currency and made the baht appreciate against other currencies such as the US dollar, Euro or Yen. Baht appreciation negatively affected Thai exporters as it reduced Thailand's price competitiveness against other regional peers such as India and Vietnam. Consequently, Thailand's exports, especially the export of agricultural product, is expected to drop in 2019. However, Baht strengthening was a good opportunity for business operators to import capital goods, machinery and equipment at a lower price which can help boosting Thailand's productivity and benefit the Thai economy in the long run.

1.8 Interest Rate Movement

Interest Rate Movement from December 2005 to October 2019



Source: Bank of Thailand

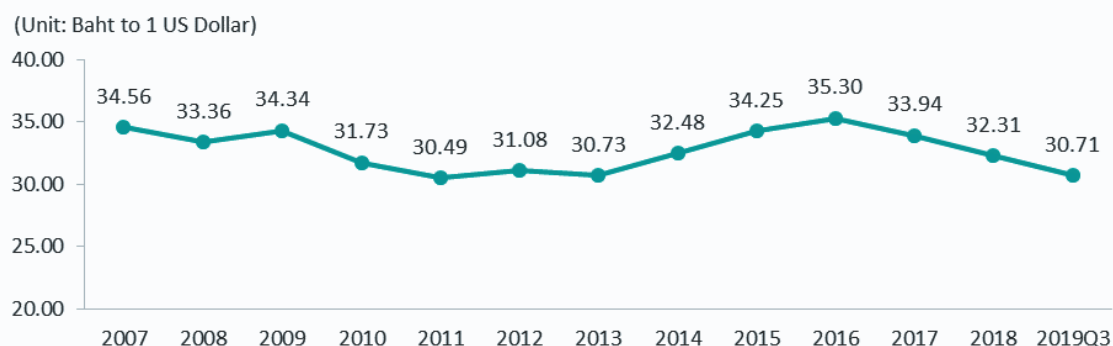
The Monetary Policy Committee (MPC) continued with an expansionary monetary policy by maintaining a low policy interest rate to stimulate economic growth since 2015. Thereby, Thailand's policy interest rate was maintained at 1.50 percent until November 2018. As Thailand's economic continued to grow, the Monetary Policy Committee (MPC) increased a policy interest rate by 0.25 percent to 1.75 percent in December 2018. The committee calculated that the prolonged low policy rate had stimulated the Thai economy to meet the target level. Therefore, the need to maintain the policy rate at 1.50 percent was reduced. The raised policy interest rate is expected to increase financial stability in the country, although the policy rate of 1.75 percent is still relatively low and suitable to support continued economic growth.

However, the Monetary Policy Committee (MPC) cut a policy rate from 1.75 percent to 1.50 percent in August 2019. Later, the Monetary Policy Committee (MPC) adjusted a policy rate by decreasing from 1.50 percent to 1.25 percent in November 2019 as Thailand's economic is expected to growth lower than the expected growth rate from the deceleration of export value and from the slowdown of private consumption in the country. Moreover, the headline inflation rate is expected to lower than the target from the decline in oil price. The Monetary Policy Committee (MPC) expected that the the decreaed policy interest rate could raise the headline inflation rate toward the target and support Thailand's economic growth.

In October 2019, Thailand's MLR ranged from 6.03 percent to 6.60 percent; and the savings deposit rate ranged from 0.3 percent to 0.63 percent. Since Thailand's savings deposit rate remains low, many Thai people and investors are moving their savings account deposits to securities with higher returns. Nevertheless, the MLR and saving deposit rate is expected to increase since the Monetary Policy Committee (MPC) cut the policy interest rate from 1.50 percent to 1.25 percent in November 2019.

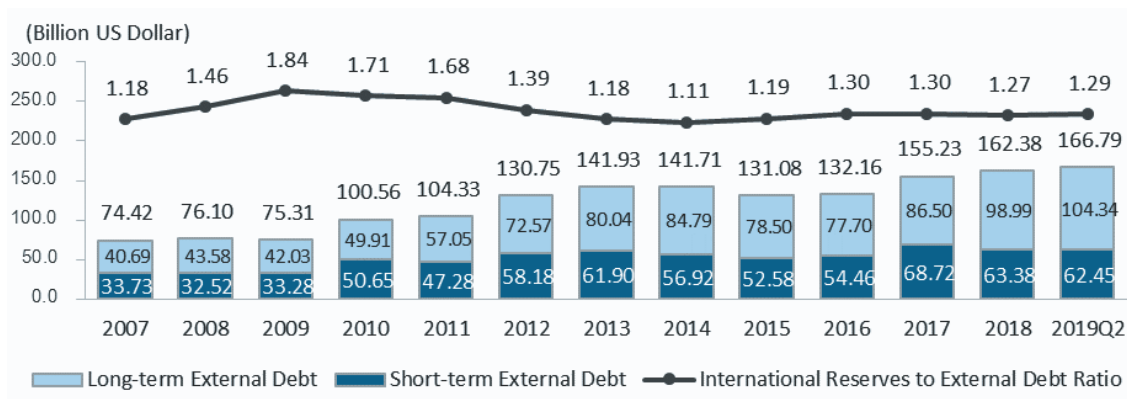
1.9 External Sector

Exchange Rate Movement (Reference Rate: US Dollar (USD)), 2007-2019Q3



Source: Bank of Thailand

External Debt and International Reserves to External Debt Ratio, 2007-2019Q2



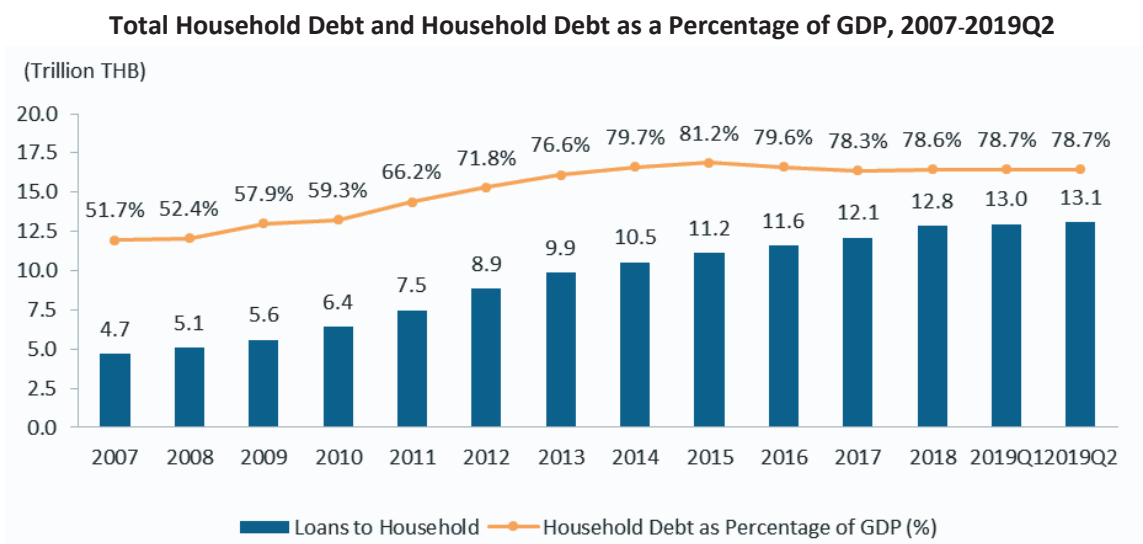
Source: Bank of Thailand

In the third quarter of 2019, Thai baht was at an average of 30.71 baht per US dollar, appreciating from the 2018 average rate of 32.31 baht per US dollar. The appreciation of Thai baht was partly supported by Fed's policy signal that posted uncertainty in future interest rate increase. This was also the major factor causing the US dollar to be depreciated. Besides, Thai baht was also supported by an increase in policy rate and strong economic fundamentals reflecting from a surplus of current account and a foreign inflow in the Thai bond market. Furthermore, the external debt to GDP ratio was considered low by the international standard as the ratio stood at 34.8 percent in the second quarter of 2019. On the other hand, the international reserves remained high at 215.8 billion US dollars in the second quarter of 2019, or at about 3.5 times of short-term external debt or 1.3 times of total external debt, which reflected that the level of international reserves was sufficient to cover external debt burden even in the case where none of the external debt could be rolled over. As a result, Thailand was less affected by the global economic and financial volatility compared to neighboring countries, such as emerging markets (EMs) with fragile economic fundamentals.

According to the Office of National Economic and Social Development Board (NESDB), the average value of Thai baht in 2019 is predicted to be 31.0 baht per US dollar, appreciated from 32.3 baht per US dollar in 2018

from the adopting of the expansionary monetary policy in several major countries and other important countries. Central banks in several countries is expected to cut the policy interest rate because of the slowdown of world economy.

1.10 Household Debt



Source: Bank of Thailand

Thailand's high level of household debt continues to put pressure on the overall economy. The level of household debt increased steadily from 2007 to 2015. In 2015, Thailand's household debt to GDP reached a peak of 81.2 percent, before dropping in 2016 and 2017. However, Thailand's household debt to GDP has since risen to 78.7 percent in the first and second quarter of 2019, up slightly from 78.6 percent in 2018. The level of household debt to GDP in the first and second quarter of 2019 was the highest level in the past two and a half year.

The rapid growth of Thailand's household debt was caused by a combination of factors. These include: (1) the increasingly intense competition in loan acquisition among commercial banks and specialised financial institutions, (2) the massive flood in 2011, and (3) a series of populist policies aimed at stimulating private consumption, namely the first car policy and first house policy which were put into effect in 2012.

The growth of Thailand's household debt has slowed down since 2016, in part because commercial banks became more cautious with their lending decisions. The Bank of Thailand also tightened rules governing credit cards and personal loans in 2017, making it more difficult for households to get credit cards or personal loans. The Bank of Thailand also set a maximum credit line for cardholders, and cut the interest rate ceiling to 18 percent to curb overspending and household debt.

However, the level of household debt to GDP increased in 2019 as the growth rate of household debt level has been higher than the growth rate of GDP since the third quarter of 2019. As a result, the level of household debt to GDP tends to increase.

Household debt problem is one factor that affected Thailand's economic growth as people tend to spend less when they are indebted, which slowdown the private consumption. Moreover, high level of household debt could increase the vulnerability of household to the uncertainty of economy and could affect household's debt servicing ability in the future.

1.11 Investment in Real Estate

The investment in Thai real estate in the first six months of 2019 has declined from 2018. According to GH Bank's Real Estate Informaiton Center (REIC), several real estate developers postponed the opening of new housing projects in the first quarter of 2019 and focused on reducing the outstanding supply before the implementation of the new loan-to-value (LTV) regulations in 1 April 2019. As a result, Thailand's real estate market has grown more than 10 percent as real estate developers and customers accelerated property transfers before the implementing of LTV.

However, the performance of real estate developers in Thailand decreased more than 10 percent in the second quarter of 2019 due to the economic slowdown in both country and global level and supply and the implementation of the new loan-to-value (LTV) regulations. These two factors caused the demand for housing property to drop in both Thai and foreign customers group. Moreover, real estate developers started to open new housing projects in the second quarter of 2019 from the concern on increasing in construction cost and competition in the last six months of 2019. Consequencely, the number of new supply and the number of outstanding supply increased in the second quarter of 2019.

In the last six months of 2019, Thailand's real estate market face increased limitations and downside risks caused by the slowdown of Thailand's economic growth, the volatility of world economy from international trade war, the increase in the level of Thailand's household debt to GDP, and the implementing of LTV. Therefore, the Thai government has relased two housing stimulus measures on 22 October 2019 includes: (1) The temporary reduction of a property transfer fee from 2 percent to 0.01 percent and the temporary cut of a mortgage fee reduction from 1 percent to 0.01 percent until 24 December 2020. The temporary fee reduction only applies to homes priced at no more than 3 million baht; (2) GH bank offers a low-interest rate loan worth 50 billion baht for properties priced at no more than 3 million baht until 24 December 2020. Borrowers will get fixed interest rate (2.5 percent) for the first three years. The housing stimulus measures aim to boost the growth of Thailand's real estate market which has decelerated since the first-half of 2019.

Several institutions analysed that the housing stimulus measures benefits the market of housing property priced at no more than 3 million baht, which is the largest segment of Thailand's overall real estate market. The stimulus package. It could stimulate the demand and supply of housing property priced at no more than 3 million baht. However, since the government stimulus packages did not cover the housing property market at all price levels, together with other factors such as the slowdown of Thailand's economic growth, the increase in Thailand's household debt and the new loan-to-value (LTV) regulations, the implement of housing stimulus packages could support the growth of Thailand's housing market to some extend. But, it could not support Thailand's housing market to recover as much as in the past. Moreover, Thailand's housing market

still gets pressured from the slowdown of the Thai economy and the world economy and need to adjust to the implementation of the LTV.

For the trend of investment in real estate in 2020, many institutions predicted that the growth of Thailand's housing market in 2020 will be higher than 2019. Real Estate Information Center (REIC) forecasted that Thailand's housing market will grow approximately 5 to 10 percent from the recovery of Thai economy and from the government housing stimulus measures which will increase the demand and supply of housing property priced at no more than 3 million baht.

1.12 Economic Outlook

According to Office of the National Economic and Social Development Board (NESDB), Thailand's economy is forecasted to grow by 2.6 percent in 2019, decreasing from 4.1 percent in 2018, due to several reasons (1) the uncertainty of the world economy, (2) the deceleration of Thailand's export value from the economic slowdown in trading partners countries and the uplift of trade protection measure, (3) the appreciation of Thai Baht, (4) the drought and the prolonged periods of no rainfall which affect the agriculture production, (5) the rise in household debt level which increase the vulnerability of Thai households, (6) the slowdown of tourist arrival (7) the delay of FY2020 government budgeting process. Thailand's overall financial stability remained sound in 2019. Headline inflation is forecasted to be 0.8 percent in 2019, decreasing from 1.1 percent in 2018 from the decline in crude oil price.

For Thailand's economy in 2020, Office of the National Economic and Social Development Board (NESDB) forecasts that Thailand's real GDP will grow by 3.2 percent (with the range of 2.7 to 3.7 percent), which is higher than expected real GDP growth rate in 2019 with several supporting factors includes (1) the growth of private consumption (2) the government spending under FY2020 government budgeting process which is expected to be approved in the beginning of the 2020 (3) the increase in public investment (4) the increase in export value. Headline inflation in 2020 is forecasted to be in the range of 0.5 percent to 1.5 percent, increasing from headline inflation in 2019.

However, Thailand's economic growth in the fourth quarter of 2019 and 2020 are likely to face increased limitations and downside risks caused by global economic and financial volatility and the escalating trade protection measures.

Part II: Overview of Thailand's Distressed Asset Management Industry

2.1 Background of Thailand's Distressed Asset Management Industry

The positive economic outlook in early 1990s led the Thai government to attempt to position the country as one of Asia's leading financial hubs, similar to Hong Kong and Singapore. In 1993, the Bangkok International Banking Facility (BIBF) was established with the intention of liberalising the country's financial markets. The Thai government aimed to raise capital from offshore markets by setting high interest rates to attract capital inflows. Under the BIBF, locally incorporated and foreign banks were allowed to run offshore banking operations, and the facility became a channel for acquiring funding from abroad at low interest rates.

The resulting surge in capital inflows in 1995 and 1996 allowed the financial institutions to have easy access to capital. At the same time, Thailand maintained a fixed exchange rate regime, leading most people at the time to believe that they were not exposed to any currency risk as the central bank took all the risk. This belief led financial institutions and people to make high risk transactions including exchange rate risk and maturity risk. Short-term debt levels increased substantially and most of the debts were rolled over for long-term use, leading to currency and maturity mismatches. A substantial portion of capital was invested in non-productive sectors, especially real estate. Demand for property during this period was extraordinarily high, leading to soaring prices.

The economy deteriorated from 1996 to 1997 due to export contraction and current account deficit, leading foreign lenders to concern about the level of Thailand's foreign debt, the potential of Thai's economy and the asset price bubble burst. Oversupply of real estate in the market resulted in more NPLs at financial institutions and a steep deterioration in asset values across the board. Short-term liabilities in foreign currency exceeded foreign exchange reserves. Sudden capital outflows caused a balance-sheet crisis. NPLs doubled in 1996, and then doubled again in the first quarter of 1997. NPLs at financial institutions reached 225 billion baht in 1997.

Extensive forward commitments to defend the value of the baht and the effort to maintain a fixed exchange rate regime gradually exhausted foreign reserves, resulting in the announcement of a managed float of the currency on July 2, 1997 by Prime Minister Chavalit Yongchaiyudh. The move was perceived as the action that started the broader Asian Financial Crisis and resulted in an immediate 18.0 percent devaluation of the baht. The Thai baht currency continued to fall, losing half of its value against the US dollar and reaching a rate of 55.5 baht/US dollar in January 1998.

Thai financial institutions, businesses and corporations suffered greatly as their foreign currency debts soared, leading to skyrocketing leverage ratios and a declining ability to satisfy foreign currency debt obligations of Thai entrepreneurs. In particular, entrepreneurs with a significant amount of foreign currency short-term debts were not only faced with the escalating leverage, but also dangerous liquidity positions. The crisis was not limited to the financial industry and also affected the real estate and other core business sectors in Thailand. The contagion spread to other countries in the APAC region and destabilised markets.

Poor management and insufficient compliance and controls at financial institutions exacerbated the currency crisis. Rising unemployment, widespread bankruptcies and business closures meant many people were unable to service their debts and defaulted. NPLs rose sharply as a result.

The Thai finance sector collapsed as their US dollar debt liabilities increased. By mid-1997, the Bank of Thailand (BOT) suspended the operations of 58 finance companies due to insolvency or lack of liquidity. The biggest creditor was the Financial Institutions Development Fund (FIDF) at about 1.4 trillion baht.

With the depletion of its foreign exchange reserves, the Thai government was constrained from borrowing from the International Monetary Fund (IMF).

2.2 The Development and Evolution of Thailand's Distressed Asset Management Industry

The Evolution of the Industry

In order to receive bailout funds from the IMF, Thailand was required to close illiquid financial institutions in 1997. Of the 58 suspended finance companies, 56 went bankrupt. The government established the Financial Sector Restructuring Authority (FRA) in October 1997 to review rehabilitation plans and liquidate the assets of the 56 bankrupt companies. The FRA was tasked with identifying bad debts for further restructuring. Foreign financial institutions purchased some of the bad debts. The remaining bad debts were handled by the Asset Management Corporation, which was established under the Emergency Decree on the Asset Management Corporation B.E. 2540 (1997) to purchase or receive distressed assets from the 56 bankrupt companies in order to manage the assets and subsequently sell them off. It was the country's first asset management corporation.

Overall, 206 billion out of the 860 billion baht worth of assets managed by the FRA was sold to the private sector and 185 billion baht was sold to the asset management companies. The total recovery by the FRA was about 96 billion baht, or 25 percent of the assets' face value.

In June 1998, the BOT created the Corporate Debt Restructuring Advisory Committee (CDRAC) and established the framework for corporate debt restructuring – the “Bangkok Framework”. The CDRAC was mandated to manage the NPLs by implementing complicated debt restructuring based on the Bangkok Framework and eliminating legal and tax obstacles to the restructuring process. It also closely monitored the progress of restructuring at large.

The establishment of the CDRAC partially solved the NPL problems pertaining to the economy. In order to resolve the problem relating to distressed assets, the Thai government enacted the Emergency Decree on Asset Management Companies B.E. 2541 (1998), which enabled limited companies or limited public companies to be registered as asset management companies. Asset management companies could only purchase or transfer four categories of distressed assets from financial institutions: (1) substandard; (2) doubtful; (3) doubtful of loss; and (4) reclassifying as cost of attainment exceeds current market value.



Subsequently, the Bank of Thailand expanded the scope of distressed assets by adding two new categories: (5) assets classified as loss; and (6) assets that financial institutions have written off.

In 1998, the Cabinet approved the establishment of the Bangkok Commercial Asset Management Co., Ltd (BAM). The company was established to manage distressed assets from the Bangkok Bank of Commerce (BBC), which ceased operations in August 1998. Currently, the company is 99.99 percent owned by the FIDF.

In April 2000, the Cabinet approved the establishment of the Sukhumvit Asset Management Co., Ltd (SAM), which was tasked with receiving and managing NPLs from Krungthai Bank. It was registered as an asset management company, and is 99.99 percent owned by the FIDF.

In 2001, the government enacted the Emergency Decree on the Thai Asset Management Corporation B.E. 2544 (2001). The Thai Asset Management Corporation (TAMC) was created to address problems relating to NPLs at private and state-owned financial institutions. It also aimed to promote the efficient management of NPAs, which were transferred from financial institutions and asset management companies to the TAMC. The TAMC received 770 billion baht worth of bad loans, 81 percent of which once belonged to state-owned banks, with the remainder coming from private banks.

The decree required financial institutions and asset management companies, of which the state owned more than half, to transfer non-performing assets to TAMC. Other financial institutions and asset management companies had the option to transfer non-performing assets to TAMC as well. The decree required TAMC to be dissolved at the end of the tenth year after its creation, with its liquidation to be completed within the twelfth year. The NPL portfolio of TAMC was comprised mostly of syndicated loans.

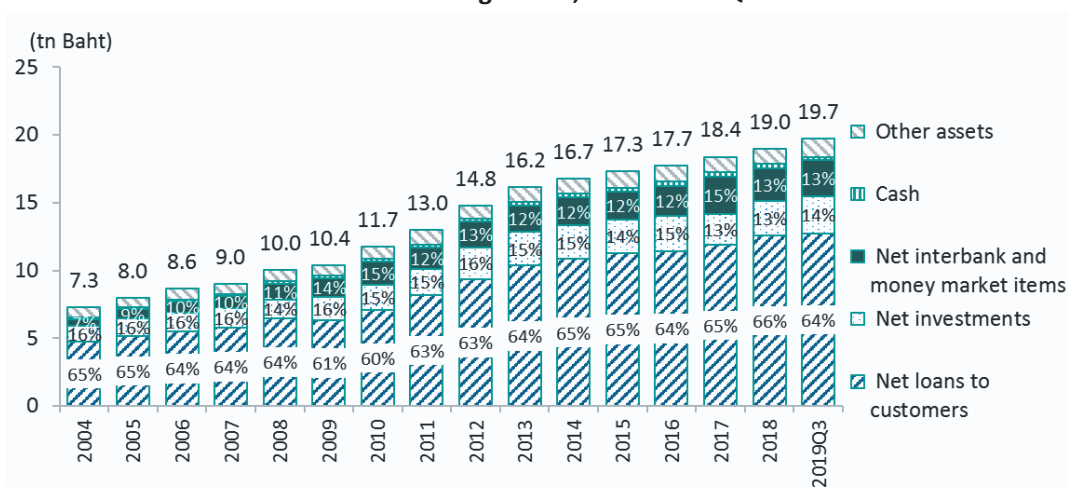
In 2005, the Cabinet approved the sale of the Asset Management Corporation's major assets — including investments in receivables, properties for sale and securities — to BAM, as well as the transfer of its employees to BAM on a voluntary basis. This significantly strengthened BAM's operations. The Asset Management Corporation was later dissolved under the Act Abrogating Financial Institution Assets Management Corporation B.E. 2549 (2006). The dissolution reduced the government's burden of managing NPLs and NPAs. The government was of the view that financial institutions had been successfully reformed, were well regulated and were capable to handle such matters by themselves.

In 2011, TAMC announced its intention to dissolve in line with its stated purpose to serve the industry for a limited period of 10 years, under Section 95 of the Emergency Decree on the Thai Asset Management Corporation B.E. 2544 (2001). TAMC transferred its distressed assets that it could not restructure and sell to financial institutions within 2011 to BAM and SAM.

As of November 2019, there are 63 companies registered as asset management companies in Thailand, with 58 of them presently conducting business activities.

Evolution of Total Banking Assets

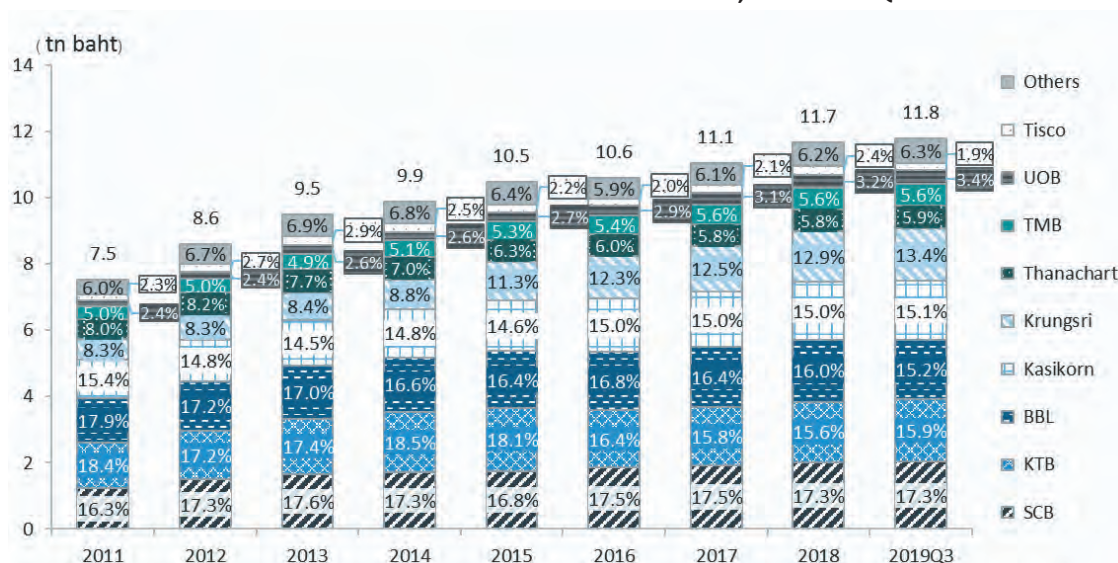
Total Banking Assets, 2004 – 2019Q3



Source: Bank of Thailand

Remark: 1) As at 31 December of each year or last day of the quarter.
 2) Foreign banks are included.

Commercial Banks' Net Loans to Customers, 2011-2019Q3



Source: Bank of Thailand, commercial banks' annual reports from their websites

Remark:

- 1) Banks' full names are specified in Appendix IV.
- 2) As at 31 December of each year or last day of the quarter.
- 3) See Appendix XII regarding limitations on comparability of financial information.
- 4) Others include SCT, CIMB, Kiatnakin, LH, and ICBC.
- 5) Only Thai commercial banks are included.

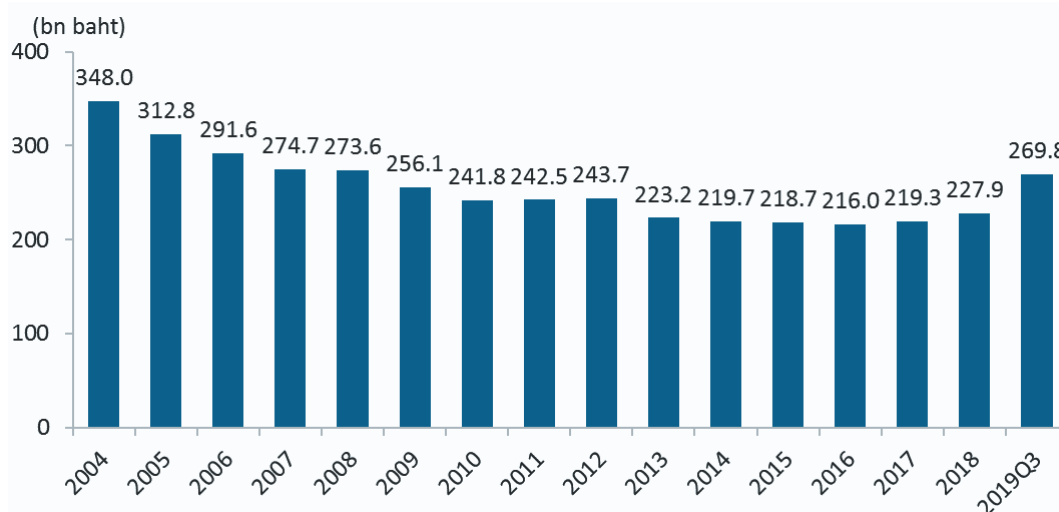
Total banking assets have grown significantly in recent years. As at 30th September 2019, total banking assets reached 19.7 trillion baht, increasing from 7.3 trillion baht in 2004. As at 30th September 2019, Net loans to

customers, net interbank and money market items, and net investments accounted for 64 percent, 14 percent, and 13 percent of total assets, respectively.

As at 30th September 2019, the four leading banks with the highest amount of net loans to customers are Siam Commercial Bank, Krungthai Bank, Bangkok Bank, and Kasikorn Bank, respectively. These banks collectively account for the majority of the banking sector's total assets, while expansions of their loan portfolios directly correspond to an increase in their assets.

Evolution of Distressed Assets Portfolio Balance of AMCs

Total Balance of Asset Management Companies' Gross Investment in Loans, 2004-2019Q3



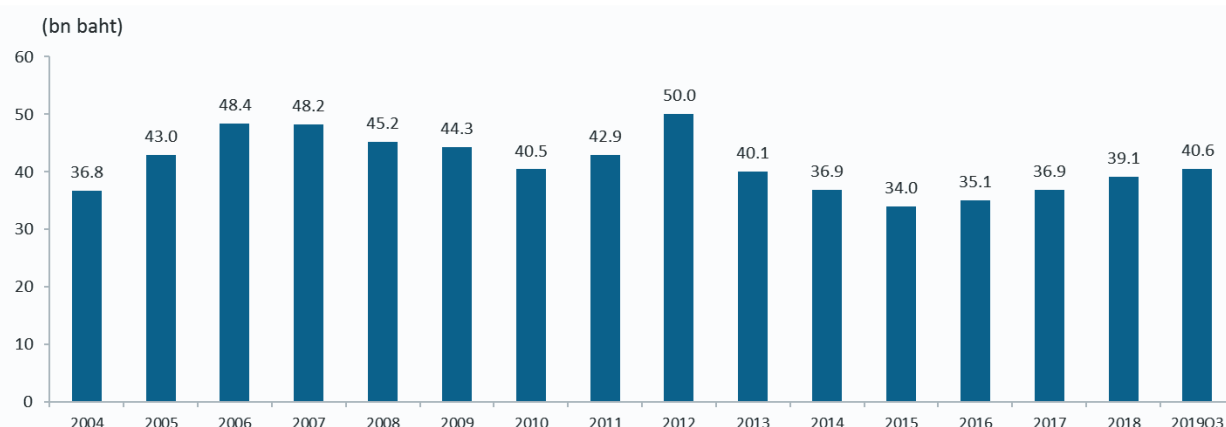
Source: Bank of Thailand

Remark:

1) See Appendix V for graph definition.

2) As at 31 December of each year or last day of the quarter.

Net Value of Foreclosed Properties under Asset Management Companies, 2004-2019Q3



Source: Bank of Thailand

Remark: As at 31 December of each year or last day of the quarter.

As at 30th September 2019, the total balance of asset management companies' gross investment in loans (gross investments in receivables and gross loans to customers) was 269.8 billion baht. Meanwhile, the net value of foreclosed properties under asset management companies was approximately 40.6 billion baht, up from 39.1 billion baht in 2018.

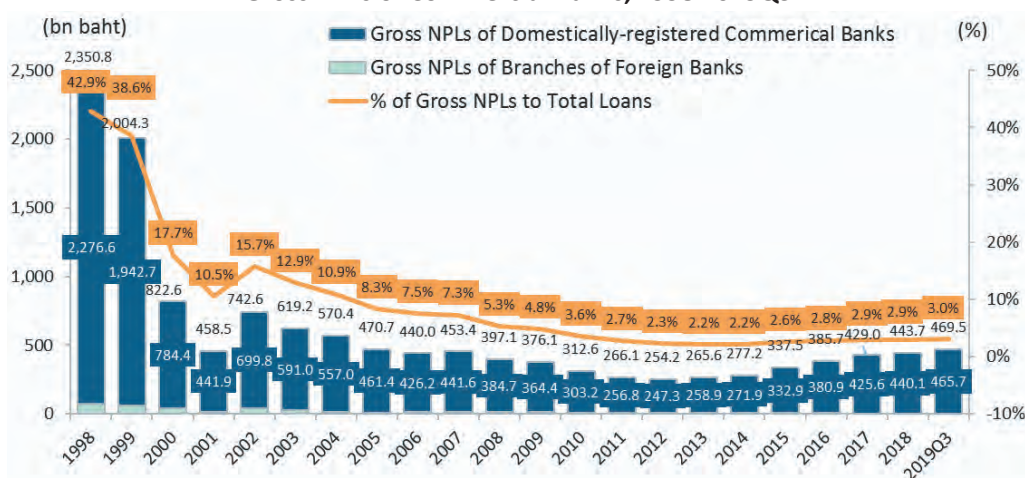
2.3 The Impact of Thailand's Distressed Asset Management Industry on Thailand's Economy and Society

There are three core reasons why financial institutions dispose of distressed assets:

- To take prompt and effective action to manage NPLs so the financial institutions can minimise the loss in their value;
- To reduce the provision burden carried by financial institutions, allowing them to maintain sound capital structure and raise capital more easily, ultimately allowing them to focus on lending activities and contribute to the development of the credit system; and
- To improve the quality of bad debt management by transferring the responsibility to dedicated asset management companies with expertise in improving the value of troubled assets.

Asset management companies help solve the problem of distressed assets in the banking system. They focus on negotiating and cooperating with debtors, using measures such as extension of the debt repayment period, grace periods for loans and/or interest, principal reduction, interest rate reduction, suspension of interest payments, and debt to equity conversion. By restructuring debt, disposing of properties for sale and restoring the debtor's business, a financial institution can manage its asset quality more efficiently and flexibly. The management of distressed assets by asset management companies also allows potential debtors to keep their businesses running, which in turn benefits overall economic development and creates stability in the financial system.

In addition, asset management companies manage NPAs more efficiently. Asset managers manage NPAs with a focus on improving the assets to be in ready-to-sell condition to meet the demands of the target group. They inspect, determine asset renovation needs and make additional investments, if necessary, to improve the quality of the assets. They increase the assets' value and bring money back into economic circulation.

Evolution of NPLs Owned by Commercial Banks and NPL Ratio, 1998-2019Q3
Gross NPLs of Commercial Banks, 1998-2019Q3


Source: Bank of Thailand

Remark:

1) Definition of NPL is in Appendix VI.

2) As at 31 December of each year or last day of the quarter.

Gross NPLs of commercial banks have been growing at a decreasing rate. Gross NPLs to total loans remains at 3.0 percent in the third quarter of 2019 although this number remains above its 2016 level. Healthy numbers in this area can be traced back to commercial banks' and specialised financial institutions' higher credit approval standards, and BOT policies toward mitigating bad assets.

In the the third quarter of 2019, gross NPLs of commercial banks totaled 469.5 billion baht, increasing from 443.7 billion baht and 429.0 billion baht in 2018 and 2017, respectively. Recent gross NPLs to total loans was at 3.0 percent, increasing from 2.2 percent in 2014. This rise in gross NPLs to total loans resulted from the defaulting loans of large corporates in the mining industry, and of corporates in industries which were affected by declining commodity prices.

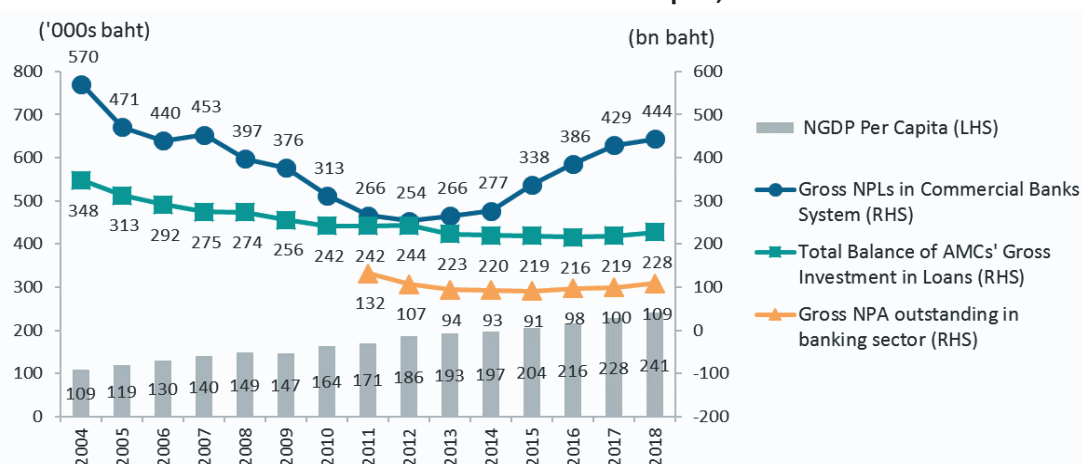
However, the growth rate of gross NPLs to total loans was lower in 2018 than in 2016 due to many factors. Firstly, the asset quality of small and medium-sized enterprise (SME) loans has been improving, particularly mid-sized SME loans in the energy, real estate, and construction industries. Secondly, private consumption has been growing at an accelerated rate. Mortgage loans also jumped in the 4th quarter of 2017 as borrowers secured loans ahead of the implementation of the new loan-to-value (LTV) regulations in April 2019, which was aimed at improving credit standards and containing swelling household debt as well as speculative activities.

For domestically registered commercial banks, gross NPLs outstanding as at 30th September 2019 totaled 465.7 billion baht, an increase of 25.6 billion baht from the previous year. Moreover, commercial banks were shown to have higher impairment in anticipation of deteriorating asset quality and IFRS 9, the new accounting standard. The impairment of commercial banks increased to 680.6 billion baht in the second quarter of 2019, a rise of 12.6 billion baht from the previous year.

IFRS 9 will require commercial banks to set a higher impairment for financial securities, including loans, and may result in a decrease in profit. The standard is scheduled to be enforced on 1st January 2020 by the Federation of Accounting Professions (FAP). Nevertheless, the Fiscal Policy Office (FPO) has proposed that the Finance Ministry push back a mandatory effective date for specialised financial institutions (SFIs) to adopt IFRS 9 for an additional 5 years from 2020. The proposed delay would allow more time for SFIs to prepare for the new accounting standard. Meanwhile, branches of foreign banks' gross NPLs were at 3.8 billion baht with the ratio of gross NPLs to total loans at 3.0 in the third quarter of 2019, similar to the gross NPLs totaling 3.6 billion baht with the ratio of gross NPLs to total loans at 2.9 percent in 2018.

GDP Per Capita Relative to NPLs in Commercial Banks and Asset Management Companies' Investment in Loans

NPLs Relative to Nominal GDP Per Capita, 2004-2018



Source: Bank of Thailand, National Economic and Social Development Board, Companies' annual reports from their websites

Remark:

- 1) See Appendix VI for graph explanation and definition of NPL.
- 2) AMCs are not included in Commercial Banks System.
- 3) As at 31 December of each year.
- 4) Gross NPA is derived from separate financial statements.

Nominal GDP per capita has been increasing over the years, while gross NPLs declined from 570.4 billion baht in 2004 and reached their lowest point of 254.2 billion baht in 2012. However, gross NPLs began increasing after 2012 as a result of rising default loans of housing mortgages and corporate loans, especially involving SMEs. The increase in gross NPLs could result in more frequent distressed asset auctions.

The total balance of Asset Management Companies' (AMCs) gross investment in loans steadily decreased due to declining gross NPLs between 2004 and 2011. The slower growth rate of the economy in some periods caused AMCs to be more cautious regarding loan approval. To illustrate, the balance of AMCs' gross investment in loans declined from 2013 to 2016, despite the rise in gross NPLs in the commercial banks system. However, the balance of AMCs' gross investment in loans has been increasing since 2017, following the improving economic situation. Meanwhile, gross NPAs outstanding in the banking sector rose to 108.8 billion baht in 2018, from 91.3 billion in 2015.

Part III: Major Participants in Thailand's Distressed Asset Management Industry

Thailand's distressed asset management industry is comprised of four types of participants: sellers of distressed assets, acquirers of distressed assets, regulators, and other participants such as asset valuation specialists and law firms. The two largest asset management companies in Thailand, BAM and SAM, are the main acquirers, and they manage distressed assets acquired from financial institutions to strengthen the financial system.

3.1 Sellers in the Distressed Asset Management Market

Sellers in the distressed asset management industry are also referred to as suppliers or providers of distressed assets. According to the 1998 Emergency Decree on Asset Management Companies (revised in 2019), there are several categories of suppliers that can sell or transfer distressed assets to asset management companies:

- 1) Financial institutions under the Financial Institutions Businesses Act B.E. 2551 (2008), which are:
 - a. Commercial banks
 - b. Finance companies
 - c. Credit Foncier companies;
- 2) Registered asset management companies;
- 3) Financial Institution Asset Management Corporation (dissolved);
- 4) Government Housing Bank;
- 5) Secondary Mortgage Corporation;
- 6) Government Savings Bank;
- 7) Export-Import Bank of Thailand;
- 8) Small and Medium Enterprise Development Bank of Thailand;
- 9) Islamic Bank of Thailand;
- 10) Financial Institution Development Fund;
- 11) Thai Asset Management Corporation (dissolved);
- 12) Non-bank financial institutions; and

- 13) Other entities that are announced by the Finance Minister in the Royal Thai Government Gazette.

Commercial banks and non-bank financial institutions are major distressed asset providers. NPLs are the major class of distressed assets to be transferred, as compared with NPAs.

3.2 Acquirers in the Distressed Asset Management Market

Acquirers are subject to the Emergency Decree on Asset Management Companies B.E. 2541 (1998) (revised in 2019). As of November 2019, there were 63 asset management companies registered with the Bank of Thailand. These are classified into two major categories, which are companies under commercial banks business group and others. There are currently 9 asset management companies under commercial banks business group. All asset management companies can sell assets through their own branches, or through banks as their selling agents. In 2018, the major asset management companies ranked in order by total assets were: BAM, SAM and IAM.

3.3 Regulators

The Bank of Thailand is the regulator of asset management companies. A limited company or limited public company can be registered as an asset management company with a licence granted by the Governor of Bank of Thailand. Activities such as the purchase or transfer of distressed assets between sellers and acquirers, the purchase or possession of shares in a limited company as a result of debt restructuring, as well as rendering distressed loan management services, should be reported or approved by the Bank of Thailand according to the Emergency Decree and the BOT notifications No. SorNorSor 23/2552 as well as BOT notifications No. SorNorSor 5/2562.

3.4 Other Participants

Third-party professional service providers provide intermediary services based on their professional knowledge and skills. Third parties in the distressed asset management industry include:

- (1) Asset valuation specialists, which carry out the valuation of collateral related to distressed assets such as land, real estate and vehicles; and
- (2) Law firms, which provide legal services.

Other participants in the distressed asset management value chain include:

- (1) Debtors transferred from a financial institution, together with NPL portfolios purchased by an asset management company; and
- (2) Buyers of foreclosed properties, which include both corporate and retail buyers.

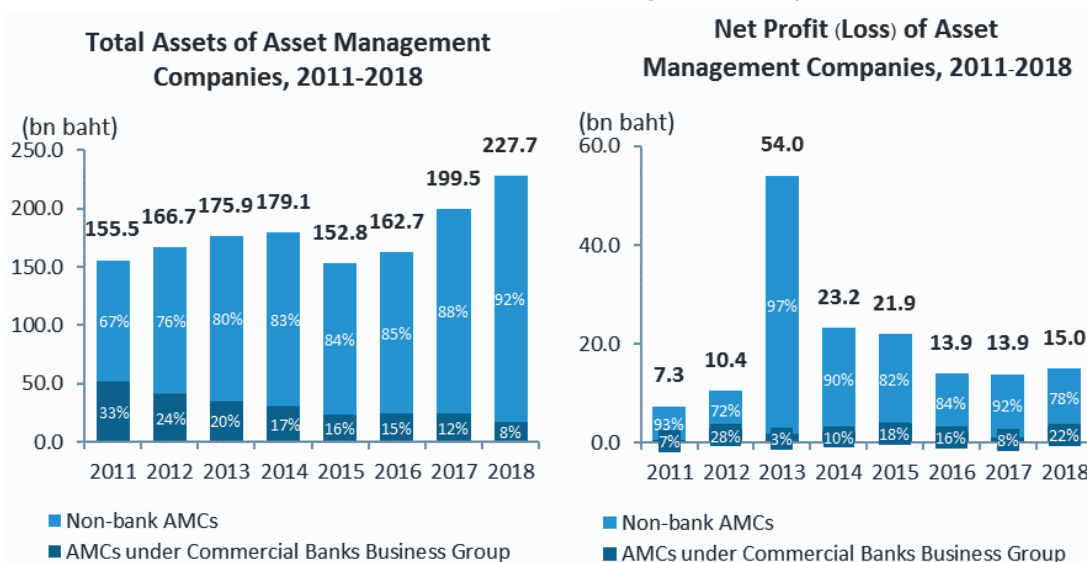
Part IV: Characteristics of Thailand's Distressed Asset Management Industry

In general, asset management companies can adjust their strategy and management along with shifts in business cycle. To illustrate, asset management companies can benefit from the slowdown of the economy by purchasing NPLs and NPAs from the financial institutions at attractive prices due to the high amount of distressed assets. Meanwhile, asset management companies can restructure those distressed assets and eventually resell them to the market during the economic recovery or peak stage. The main business of distressed asset management companies is purchasing or receiving distressed assets (NPLs, NPAs and collateral) from the categories of financial institutions. Their revenue mainly comes from two activities: debt restructuring and management (NPL management), and sale of collateral (NPA management).

Asset management companies help debtors restructure their debt through various measures, including renegotiation of payment terms and extension of payment deadlines. Asset management companies charge interest from the restructured distressed assets. Once debtors' businesses return to normal business operations, they are expected to repay interest and principal. Collateral received from debtors or purchased from financial institutions generates revenue for asset management companies through capital gains. The management and sale of collateral improve the quality of the assets and thus put back good quality assets into economic circulation. Distressed asset management promotes the development of the business sector and helps the economy achieve sustainable growth.

4.1 Size of the Distressed Asset Management Industry

Consolidated Total Assets and Net Profit of Asset Management Companies



Source: Department of Business Development

Remark:

- 1) Please find list of AMCs under Commercial Banks Business Group and Non-bank AMCs in Appendix VII.
- 2) As at 31 December of each year.
- 3) See Appendix XII regarding limitations on comparability of financial information.



The total assets of non-bank AMCs grew overall from 2011 to 2018. In 2017, the total assets of non-bank AMCs was at 174.6 billion baht, showing a growth rate of 25.9 percent, over total assets of 138.7 billion baht in 2016. This growth was mainly from the establishment on 27 September 2017 of Islamic Bank Asset Management (IAM), which is wholly owned by the Finance Ministry, to manage NPLs transferred from Islamic Bank of Thailand (IBank).

Moreover, in 2018, the total assets of non-bank AMCs rose further to 210.2 billion baht. This occurred as many AMCs, e.g., Mahanakorn, LSF, and J AMC, increased their total assets, while those of AMCs under Commercial bank business groups tended to decline over the same period. The industry's net profit pool has increased overall in recent years, growing from 7.3 billion baht in 2011 to 15.0 billion baht in 2018. However, within that larger trend, the industry's net profit fell between 2013 and 2016, going from 54.0 billion baht in 2013 to 23.2 billion baht in 2014 and 21.9 billion baht in 2015 as a result of AMCs paying an increasing cost for NPA acquisition, in addition to decelerating growth in the price of new residences. Meanwhile, the extraordinary growth in net profit in 2013 was due to an unusual item from the dissolution of TAMC – around 28.9 billion baht. The dissolution of TAMC came about after concluding its stated purpose of serving the industry for a limited period of 10 years, under Section 95 of the Emergency Decree on the Thai Asset Management Corporation B.E. 2544 (2001).

Net profit of AMCs under commercial bank business groups increased from 538.3 million baht (7.3 percent of the industry's net profit in 2011) to 3.3 billion baht (22.0 percent of the industry's net profit in 2018) due to remarkably high gains from debt settlement by Sinnsuptawee Asset Management Co., Ltd. In 2012, the percentage of AMCs under commercial bank business groups accounted for 27.9 percent of the industry's net profit due to an unusual rise in gains from debt settlement of 2.2 billion baht by TS Asset Management Co., Ltd.

Net profit of non-bank AMCs was 11.7 billion baht in 2018 (78.0 percent of the industry's net profit). A sharp increase in net profit from 2012 to 2013 was primarily due to reimbursement in provisions of SAM. To illustrate, SAM had a reimbursement in provisions in 2013 of 10.7 billion baht due to the transferred distressed assets from TAMC. BAM and SAM still deliver the highest net profit in the industry.

Supply of Distressed Asset Increases in Tandem as Economy Matures

Corporate and Consumer Loan Credit Standard and Credit Approval, 2011Q1 – 2019Q3



Source: Bank of Thailand

Remark: Credit condition survey is conducted quarterly by the Bank of Thailand, reviewing opinions of senior loan officers from 54 financial institutions – 28 banks and 26 non-banks. The questionnaires are sent out during the end of the last month of the surveyed quarter and are compiled by the first month of the next quarter.

Interpretation of diffusion index:

Index = 0 indicates that amount of credit and credit standards remains unchanged

Index > 0 indicates that amount of credit increases or credit standards are eased

Index < 0 indicates that amount of credit decreases or credit standards are tightened

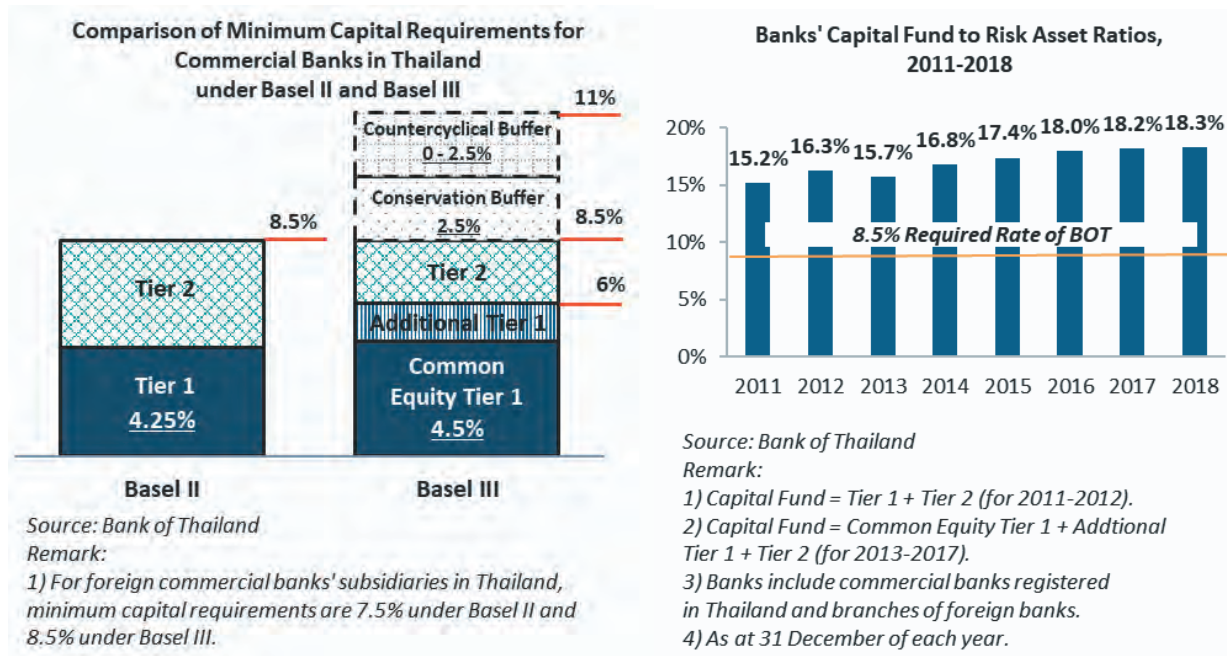
In the third quarter of 2019, corporate loans in Thailand rose as a result of increased demand from both large corporates and SMEs from the second quarter of 2019. Loan demand among large corporates increase from

the need for working capital, especially large corporates in agricultural industry and the investment in renewable energy power plant projects. While, loan demand among SMEs was driven by the need of working capital among SMEs in retail and wholesale trade and tourism sectors as these two sector benefits from the government stimulus measure called "Chip Shop Chai". However, the credit standard for overall corporate loans in the third quarter of 2019 was tightened, especially for SMEs loan, from the deteriorated loan quality in SMEs in agricultural and agricultural exports sectors.

For the demand for consumer loans in the third quarter 2019, the demand for credit card loans increased from the increase in competition among financial institutions. The demand for auto-leasing loan also slightly increased. On the other hand, the demand for housing loans decreased from the tightening of credit underwriting standards for mortgage loans (LTV). The demand for personal loans also declined. The credit standard for all types of consumer loans in the third quarter of 2019 was tightened except the credit standard for housing loans from the heightened competition among financial institutions on providing housing loans. The credit standard of credit card loans and auto-leasing loans was tightened because of the slowdown of Thai economy increased the risks of some borrowers.

For the fourth quarter of 2019, the demand for corporate loans and consumer loans are expected to increase following the economic situation and the consumption pattern toward the year end. Financial institutions are expected to tighten credit standard for both corporate loans and consumer loans because of the economic slowdown and the deteriorated loan quality.

Issuance of BOT Capital Adequacy Framework under Basel III and Its Effect



After the Basel Committee on Banking Supervision (BCBS) issued the Basel III reform package in December 2010, BOT implemented Pillar 1 of the Basel III capital framework in Thailand to be in line with the global standard. The new requirement was put into effect on 1 January 2013, and includes:

- Augmentation in the level and quality of capital, and adjustment of the capital adequacy ratio, by requiring commercial banks to maintain a minimum common equity ratio of 4.5 percent, Tier 1 ratio of 6.0 percent and total capital ratio of 8.5 percent; and
- Improvement of the risk coverage ratio calculation method.

In September 2017, BOT identified domestic systemically important banks (D-SIBs) and required them to hold an additional 1.0 percent of common equity Tier 1 capital by 2020. BOT considers 4 factors in identifying D-SIBs, including (1) the size of the financial institution, (2) the interconnectedness between financial institutions as measured by interbank transactions, (3) the role as provider of financial infrastructure, and (4) the complexity of financial products, or business/operational structure. The framework is compliant with the international standard, which regulators have been adopting. Examples of countries and territories adopting D-SIBs are Hong Kong, Singapore, and the Netherlands. The new additional capital requirement will phase in over time, starting at 0.5 percent in 2019 and 1.0 percent in 2020. Commercial banks identified as D-SIBs include Bangkok Bank, Krungsri, Kasikorn, and Siam Commercial Bank.

However, Thai financial institutions already hold capital funds, around 18.3 percent of which are risk assets. This figure is higher than the BOT required amount, because the banks are required to hold a special reserve on top of the BOT requirement. Moreover, most of the capital held is high quality, such as common equity and retained earnings. Therefore, financial institutions are not significantly affected by the new framework under Basel III since the Thai banking industry has already met the minimum capital requirements.

4.2 Market-Entry Barriers and Market Concentration

BAM is the company with the largest total assets in the distressed asset management industry. BAM has a policy to participate in every distressed asset with collateral auction held by financial institutions, and actively purchase directly from financial institutions. For these reasons, BAM's total assets have significantly increased to 107.7 billion baht in 2018, from 59.2 billion baht in 2011 (an annual growth rate of 8.91%). Meanwhile, SAM has the second largest total assets in the distressed asset management industry. SAM's total assets have slightly grown to 43.1 billion baht in 2018, from 41.1 billion baht in 2011 (an annual growth rate of 0.65%). The total assets of the two largest AMCs (BAM and SAM) together accounted for 66.5 percent of the total industry assets in 2018.

The two largest asset management companies, BAM and SAM, have a clear advantage over other players in terms of market experience, professional talent, partners that help provide mortgage loans to customers, and their distribution and service network. They have long maintained their position as the major players in Thailand's distressed asset management industry.

Capital Strength and Capital Requirement

To operate competitively in this market an asset management company must have adequate funds to expand its NPL portfolio through acquisitions, mainly at distressed asset auctions. The two largest asset management companies are particularly strong in terms of capital, as their establishment was supported by the Ministry of Finance through the Financial Institutions Development Fund (FIDF). The strong creditability of FIDF and BAM's strong reputation, allow BAM to access other sources of funding such as bank loans, debentures, and other debt instruments.

Market Experience

The two largest distressed asset management companies in Thailand, BAM and SAM, were established soon after the Asian Financial Crisis in 1997 and have been building their experience in the market ever since. While it is easy to register as a distressed asset management company, it takes time to gain the experience needed to train human resources and to understand the market. The latter capability is essential for making accurate estimates of asset value, and asset management companies with extensive experience are better at evaluating asset risk levels. The two largest asset management companies — with the largest portfolios and first-mover advantage — have accumulated market experience that cannot be obtained easily by other market participants.

Professional Talent

BAM and SAM constantly strengthen their professional teams through recruitment and team development. Their dominant market positions and reputations make it easier for them to attract and retain qualified staff. In the short term it will be difficult for other market participants to match their levels of expertise, giving the top two firms an additional competitive advantage.

Partnership with Financial Institutions

BAM and SAM have partnered with financial institutions such as the Government Housing Bank, Government Savings Bank and TMB Bank. Financial institutions help their customers gain access to mortgage loans more easily. Partnerships with banks represent one of their competitive advantages over other entities.

Distribution and Service Networks

Asset management companies	Number of branches
BAM	1 HQ + 25 branches <i>(HQ is in Bangkok, other branches are located outside of Bangkok)</i>
J Asset Management Co. Ltd. (JMT Network Services Plc.)	1 HQ + 8 branches <i>(HQ is in Bangkok, all branches are located outside of Bangkok)</i>
SAM	1 HQ + 4 branches <i>(HQ is in Bangkok, all branches are located outside of Bangkok)</i>
Other asset management companies	1 HQ in Bangkok and Metropolitan area

Source: Publicly available information from each company's website, news and interview.

Remark: As of June 2019



BAM and SAM have developed their networks in key regions in Thailand, providing a foundation for nationwide business development. Such national coverage broadens NPA sales channels, resulting in stronger performance. A large number of branches also allows BAM and SAM to appraise or source NPAs more efficiently. In 2018, BAM had the widest distribution and services network coverage among AMCs. The other asset management companies (excluding BAM, SAM and J AMC) have a single headquarters in Bangkok with no branches elsewhere. Since the extension of business networks requires substantial capital investment, it would be difficult for other asset management companies to compete in this respect in the near future.

4.3 Improvements in the Regulatory Environment

Since the establishment of distressed asset management companies in 1998, the Bank of Thailand has gradually amended regulations to enhance their competitiveness. These less strict regulations have created more opportunities in the market. Supplies of distressed assets from banking and other various financial institutions have increased from the past. Supply sources are expected to expand further in the future. Meanwhile, the definition of distressed assets has been broadened to include more classes of NPLs, collaterals and investments that were not previously covered. Currently, distressed assets according to BOT notification No. SorNorSor 5/2562 are classified into four categories: (1) assets of financial institutions classified according to the asset classification criteria and provisioning requirements as established by the Bank of Thailand that consist of loss assets, doubtful of loss assets, doubtful assets and substandard assets; (2) assets that financial institutions have written off; (3) properties foreclosed; and (4) investments of other asset management companies. Increases in the number of suppliers and the supply of distressed assets in the future provide further opportunities for asset management companies to grow.

Financial institutions can hold properties for sale for a period of 5 or 10 years depending on the classification of properties according to the BOT and are allowed to extend the holding period for another 5 years if the ratio of book value of foreclosed properties held in the extended period to capital reserves does not exceed 10.0 percent; however, even if such a ratio exceeds 10.0 percent, the Bank of Thailand will grant permission if the asset management company can increase its capital reserves to meet the minimum requirements. This limits the ability of financial institutions to use capital for other purposes. As a result, the aforementioned restriction creates an incentive for financial institutions to hand over their NPAs to asset management companies prior to the deadline in order to release their capital reserves. This creates opportunities for asset management companies to purchase NPAs at reduced prices from financial institutions.

In 2019, the Bank of Thailand amended regulations governing asset management companies to widen their business scope. The amended legislation allows asset management companies to purchase and transfer bad assets from non-bank financial institutions. Asset management companies will henceforth be able to provide advisory services to other financial institutions or their borrowers on debt restructuring as well. Another amended law aims to resolve Thailand's household debt problem effectively. Moreover, the amended law requires that the committee or person with power of management or advisor in asset management companies holds sufficient qualifications, in order to improve transparency and corporate governance.

Part V: Competitive Landscape of Thailand's Distressed Asset Management Industry

5.1 Competitive Snapshot of Thai AMC Segment with Categorisation of the AMCs

Acquirers are subject to the Emergency Decree on Asset Management Companies B.E. 2541 (1998) (revised in 2019). There are currently 62 asset management companies registered with the Bank of Thailand (as of June 2019), of which 58 are actively conducting business activities. These are classified into two major categories: members and non-members of financial institutions in Thailand.

1. Asset management companies that are subsidiaries of financial institutions in Thailand, pursuant to the Financial Institutions Businesses Act B.E. 2551 (2008)

Asset Management Company	Parent Company
TS Asset Management Co., Ltd. N F S Asset Management Co., Ltd. Max Asset Management Co., Ltd.	Thanachart Capital Public Co., Ltd.
Sinnsuptawee Asset Management Co., Ltd	Bangkok Bank Public Co., Ltd.
Phethai Asset Management Co., Ltd	Kasikornbank Public Co., Ltd.
Ayudhya Asset Management Co., Ltd	Bank of Ayudhya Public Co., Ltd.
Phahonyothin Asset Management Co., Ltd (Formerly Phayathai Asset Management Co., Ltd)	TMB Bank Public Co., Ltd.
Sathorn Asset Management Co., Ltd.	CIMB Thai Bank Public Co., Ltd.
Rutchayothin Assets Management Co., Ltd	Siam Commercial Bank Public Co., Ltd.

Source: Publicly available information from parent companies' annual reports

Asset management companies that are subsidiaries of financial institutions, under the Financial Institutions Businesses Act B.E. 2551 (2008), have to comply with the Bank of Thailand's regulations on financial reporting practices, in terms of the consolidated financial statements with their parent companies. They also have to comply with the same limits as their parent companies on holding periods for properties for sale. Asset management companies that are subsidiaries of financial institutions can hold properties for sale for a period of 5 or 10 years depending on the classification of properties according to the BOT notification No. SorNorSor 23/2552, and are allowed to hold the properties for another 5-year extended holding period when the ratio of book value of foreclosed properties held in the extended period to capital reserves does not exceed 10.0 percent; however, if such ratio exceeds 10.0 percent, the Bank of Thailand will grant permission if the asset management companies can increase their capital reserves to a minimum of 20.0 percent, 40.0 percent, 55.0 percent and 70.0 percent of the properties' appraisal value or the book value in the 2nd, 3rd, 4th and 5th year of the extended period, respectively. There is an exception for the 1st year as the capital reserve requirement remains at 0.0 percent.

On the other hand, there is no limitation on the holding period of properties for asset management companies that are not members of a financial institution group. Moreover, most asset management

companies in this category usually receive both strategic and financial supports from their parent companies such as distribution channel, preemptive capital injection, and low-interest loan.

2. Asset management companies that are not subsidiaries of financial institutions, pursuant to the Financial Institutions Businesses Act B.E. 2551 (2008)

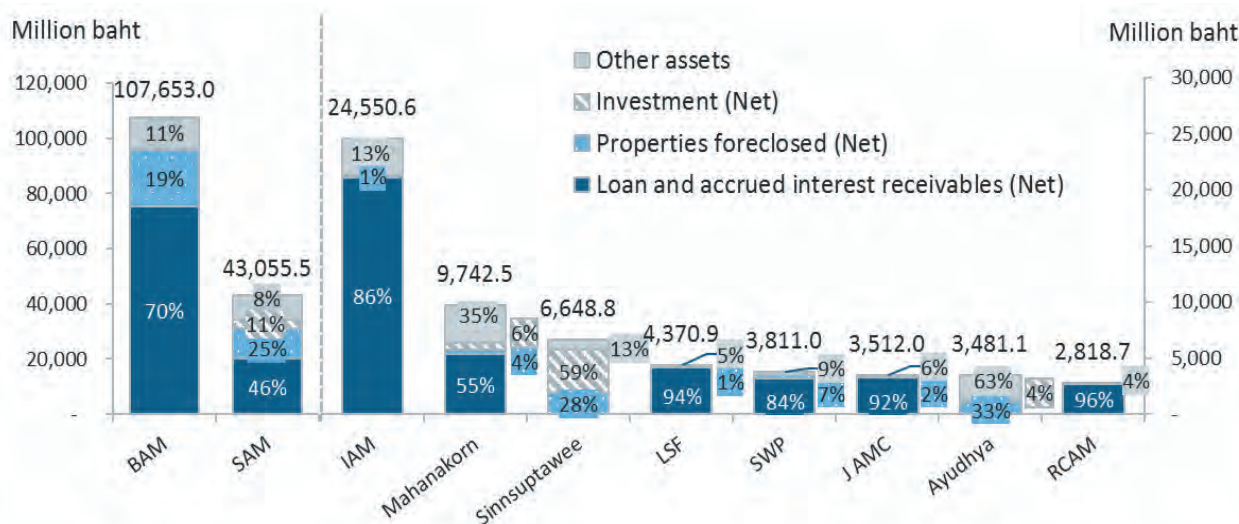
Asset management companies that are not under the control of financial institutions can be both state-owned enterprises and private companies.

The two largest asset management companies, BAM and SAM, are both subsidiaries of FIDF. Both are extremely robust in terms of budget and loan sourcing, since FIDF is one of their shareholders.

The privately owned asset management companies J Asset Management Co., Ltd. and SWP Co., Ltd. (former Srisawas Asset Management Co., Ltd.) are subsidiaries of JMT Network Services Plc. and Srisawad Power 1979 Plc., respectively. These parent companies provide financial services such as debt collection and personal loans. However, in order to purchase and manage distressed assets, a company is required by the Emergency Decree on Asset Management Companies to register with and gain approval from the Bank of Thailand. The subsidiary companies registered under the Emergency Decree have a business scope similar to asset management companies that are non-members of the financial institution group. Parent companies that are not financial institutions have greater flexibility in performing activities other than distressed asset management and in doing business in the non-financial sector.

5.2 Peer Ranking Analysis and BAM Market Share

Total Assets and Their Allocation of Top 10 Asset Management Companies (As at 31 December 2018)



Source: Department of Business Development

Remark:

- 1) Full name of each asset management company in this chart is stated in Appendix VII.
- 2) Percentage (%) is the ratio to total assets.
- 3) Total assets of BAM and SAM are illustrated by the primary axis; those of others are illustrated by the secondary axis.
- 3) The term "Other assets" includes but is not limited to cash and cash equivalents, plant, property, and equipment, and intangible assets.
- 4) As at 31 December 2018.
- 5) See Appendix XII regarding limitations on comparability of financial information.

As at 31 December 2018, the distressed asset management industry's combined assets totalled 227.7 billion baht. BAM is the largest asset management company in the industry in terms of total assets. The majority of BAM's assets include loan and accrued interest receivables, and properties foreclosed. BAM has a policy of actively participating in every auction by financial institutions of distressed assets with collateral, as well as in direct purchases – a fact reflected in its market-leading position in terms of total assets, loan and accrued interest receivables, and properties foreclosed of 107.7 billion baht, 75.4 billion baht, and 20.6 billion baht in 2018, respectively. Moreover, in 2018, BAM purchased additional NPLs and NPAs from financial institutions at 11.0 billion baht and 1.1 billion baht, respectively (increased from additional NPLs and NPAs of 10.3 billion baht and 0.3 billion baht, respectively, in 2017).

Most AMCs operate their business with positive retained earnings and show a considerably low debt-to-equity ratio, especially AMCs under commercial bank business groups including Sinnsuptawee, Ayudhya, Sathorn, TS, and Phethai. These AMCs have low debt-to-equity ratios and could receive financial support from parent companies and/or companies in the group. In 2018, however, some AMCs such as Rutchayothin, Thai (A), and SAM still have negative debt-to-equity ratios of -5.4, -2.8, and -1.2, respectively. As a result, the industry average debt-to-equity ratio was -2.7 in 2018.



SAM has total assets of 43.1 billion baht in 2018, with a growth rate of more than 22.8 percent over its 35.1 billion baht total in 2017. This growth is largely due to an increase of cash received from selling NPAs and managing NPLs. Whereas, in 2018, BAM purchased additional NPLs and NPAs from financial institutions at 2.32 billion baht and 0.01 billion baht, respectively (decreased from additional NPLs and NPAs of 3.68 billion baht and 0.02 billion baht, respectively, in 2017). Although the negative retained earnings of SAM resulted in a negative debt-to-equity ratio of -1.2 in 2018, SAM's negative retained earnings improved to 199.2 billion baht from 204.7 billion baht in 2017. Apart from its operational improvement, the improved retained earnings of SAM results from positive sentiment in the industry. Meanwhile, RCAM and LSF have high debt-to-equity ratios of 2,081 and 35.2, respectively, due to the acquisition of debt securities and loans used for business operation, along with minimal retained earnings, as they established their businesses and received their licences from BOT in 2018 and 2017, respectively.

Well-capitalised foreign entities, such as Loan Star Funds, have also recently presented themselves as new potential competitors for BAM in acquiring NPLs and NPAs. Loan Star Funds, which previously had no local office presence in Thailand, recently established LSF Asset Management (Thailand) Co., Ltd. in 2017. Total company assets reached 4,371 billion baht in 2018, which put them in 6th place in terms of total assets compared to all AMCs in Thailand. Accretive Co. Ltd., another potential competitor for BAM, also established Accretive Asset Management Co., Ltd. However, the company still had a relatively small asset size of 160.5 million baht in 2018, which is well below the industry average.

Peer Ranking and Financial Figure Highlights of Top Market Players (as at 31 December 2018)

Company	Asset size (million baht)	Asset change from last year	Shareholders ' equity (million baht)	Debt-to- equity ratio	ROE	ROA	NPM	Cost to income ratio
BAM	107,653	7.7%	41,849.0	1.6	12.6%	5.0%	53.3%	30.1%
SAM	43,056	22.8%	-199,209.4	-1.2	-2.5%	12.9%	68.0%	18.9%
IAM	24,551	7.2%	1,312.8	17.7	119.2%	6.4%	53.5%	25.3%
Mahanakorn	9,742	328.0%	1,974.4	3.9	0.1%	0.0%	0.4%	55.7%
Sinnsuptawee	6,649	-38.1%	3,433.2	0.9	48.2%	31.1%	66.6%	15.9%
LSF	4,371	106.8%	120.7	35.2	1688.3%	-6.7%	-95.6%	95.6%
SWP	3,811	28.0%	248.3	14.3	45.5%	3.8%	40.8%	16.9%
J AMC	3,512	54.3%	999.9	2.5	35.0%	10.3%	38.5%	32.6%
Ayudhya	3,481	1.1%	3,208.7	0.1	2.3%	2.1%	20.8%	64.9%
RCAM	2,819	-	1.4	2,081.0	-3493.3%	-1.7%	-37128.2%	23086.3%
Alpha Capital	1,525	-20.3%	1,232.7	0.2	27.6%	18.9%	58.5%	24.3%
NFS	1,035	-19.9%	292.9	2.5	2.4%	1.2%	11.4%	25.7%
Chayo	665	95.5%	262.6	1.5	25.0%	13.2%	30.2%	25.1%
Knight Club	511	41.7%	347.7	0.5	15.0%	10.3%	36.2%	25.4%
Rutchayothin	299	-9.5%	-67.7	-5.4	-1.8%	0.4%	1604.8%	2239.1%
Phethai	297	-23.1%	293.3	0.0	7.7%	7.5%	59.3%	25.9%
Thanapatr	242	7.4%	126.5	0.9	12.8%	6.5%	75.2%	19.3%
Industry Average	4,648	19.3%	-2,873.2	7.9	-30.6%	0.5%	12.1%	40.7%

Source: Department of Business Development

Remark:

- 1) See Appendix II for clarification of calculation method.
- 2) Full name of each asset management company in this chart is stated in Appendix VII.
- 3) See Appendix XII regarding limitations on comparability of financial information.

Peer Ranking of Top 10 Market Players by Net Profit from 2011 to 2018

Company	Net profit (million baht)							
	2011	2012	2013	2014	2015	2016	2017	2018
BAM	2,935.1	3,261.5	6,767.4	4,593.3	6,675.2	4,912.2	4,501.0	5,202.0
SAM	2,933.3	3,655.1	45,519.2	15,914.6	11,524.6	6,382.7	7,594.4	5,037.5
Sinnsuptawee	-978.8	-261.9	236.7	325.9	3,053.7	1,539.6	625.1	2,703.9
IAM	-	-	-	-	-	-0.2	30.7	782.3
Alpha Capital	-95.3	-194.7	63.2	229.6	191.3	256.2	280.9	325.8
J AMC	-	-	-0.6	5.2	-4.1	131.5	269.9	297.9
TS	273.8	256.2	117.8	314.9	117.6	132.4	210.3	237.0
Max	208.4	280.4	103.2	130.1	68.5	91.9	44.9	200.6
AUREUS	-	-	-	-0.6	3.1	3.6	-33.9	151.1
SWP	-	112.6	75.1	120.6	0.0	160.5	174.9	129.1

Source: Department of Business Development

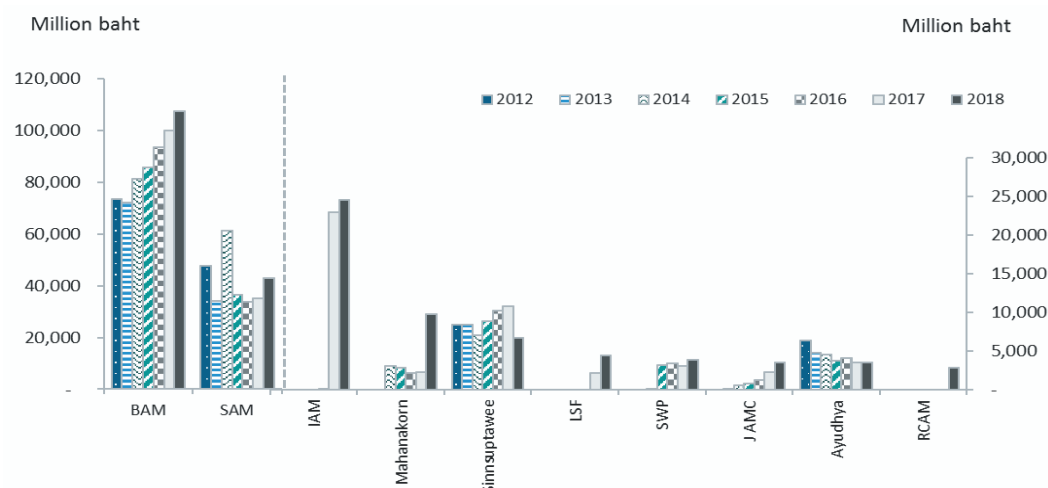
Remark:

* Net profit of SAM between 2013-2016 was the result of a reimbursement in provisions and a gain from the dissolution of TAMC as well as recognition of bad debt recovered of 4.79 billion baht, and 778.7 million baht in 2015 and 2016 due to the excess provisions recognised in the prior years.

1) Full name of each asset management company in this chart is stated in Appendix VII.

2) As at 31 December of each year.

3) See Appendix XII regarding limitations on comparability of financial information.

Total Assets of Asset Management Companies from 2012 to 2018 (million baht)


Source: Department of Business Development

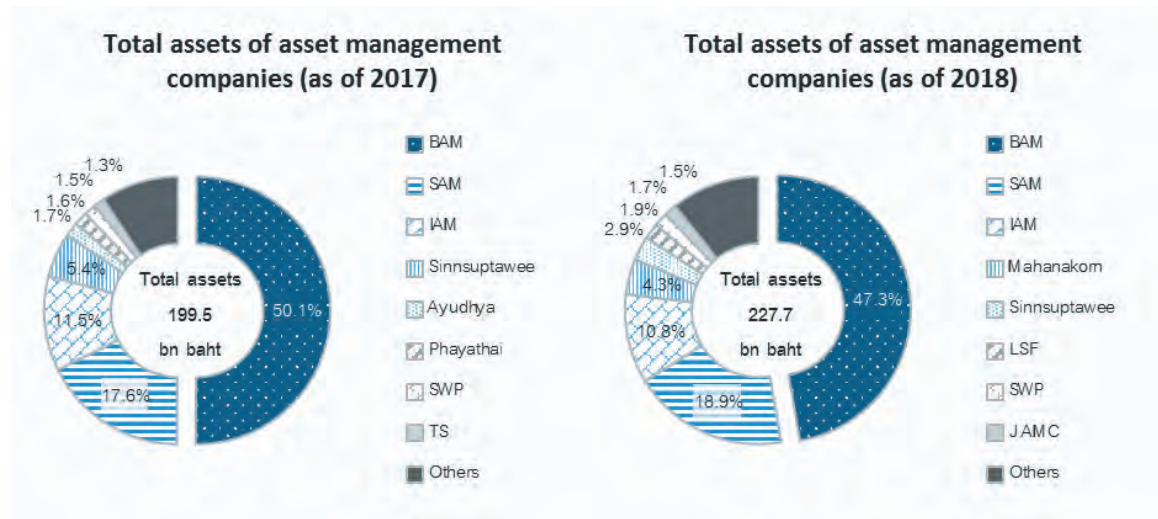
Remark:

1) Full name of each asset management company in this chart is stated in Appendix VII.

2) As at 31 December of each year.

3) See Appendix XII regarding limitations on comparability of financial information.

4) BAM's and SAM's total assets are illustrated on the left-hand side while others' assets are illustrated on the right-hand side.



Source: Department of Business Development

Remark:

1) As at 31 December of each year.

2) See Appendix XII regarding limitations on comparability of financial information.

With over 20 years of expertise since the company was established in 1998, BAM continues to have the highest amount of total assets in the industry in 2018 at 107.7 billion baht, or 47.3 percent of the industry's total assets. BAM's total assets increased from 99.9 billion in 2017, for a growth rate of 7.7 percent. In addition, BAM's interest income increased to 1,975.6 million baht in 2018, from 1,226.9 million baht in 2011.

Apart from its continuously growing total assets, BAM excels in terms of operational efficiency in restructuring debt. As a result, gain on investment in receivables was high at 4,438.3 million baht in 2018, an increase from its total of 3,509.1 million baht in 2017. Moreover, BAM has the widest coverage in terms of the number of branches; that is, BAM currently has 1 headquarters and 25 branches nationwide. BAM's number of branches is also much higher than the second-largest player. As a result, BAM's gains on sales of foreclosed properties was relatively high at 3,105.5 million baht in 2018, a significant increase from 1,740.9 million in 2017 due to higher demand for unsold new residential units.

In 2018, BAM delivered the highest net profit among all AMCs in the industry at 5,202.0 million baht, increasing from 2,935.1 million baht in 2011. BAM reported a ROE of 12.6 percent in 2017.

BAM's debt-to-equity ratio was 1.6 in 2018, remaining at the same level as in 2017. This debt-to-equity ratio reflects its strong financial position and potential to grow, due to its capacity to acquire loans used to purchase NPAs. BAM's decreased reliance on debt also contributes to shareholders' higher return on equity, given other factors remain constant. In 2018, BAM's equity was 41,849.0 million baht, the highest in the industry from DBD's database. This high equity also results from its strong retained earnings of 28,232.0 million baht, which represents a dramatic increase from its earnings of 11,266.3 million baht in 2011 (CAGR: 14.0%).

By comparison, SAM, the second-largest asset management company in terms of asset size, has total assets of 43.1 billion baht in 2018. This amount indicates a growth rate of more than 22.8 percent over its total assets of 35.1 billion baht in 2017, a rise that reflects the increase of cash received from selling NPAs and managing NPLs. However, SAM still registered a negative equity of 199,209.4 million baht in 2018 due to its large negative retained earnings balance. SAM's net profit fluctuated in 2013 and 2014, exceeding 100.0 percent as a result of a reimbursement in provisions and a gain from the dissolution of TAMC. However, SAM's cash flow was still considered low, as its high profit of 45,519.2 million baht in 2013 was due to debt revaluation in the amount of 10,740.6 million baht.



Ranking of Top Market Players by Branch Network (as of June 2019)

AMCs	Number of branch
BAM	1 HQ + 25 branches <i>(1 HQ is in Bangkok, other branches are located outside of Bangkok)</i>
J AMC (JMT Network Services Plc.)	1 HQ + 8 branches <i>(HQ is in Bangkok, all branches are located outside of Bangkok)</i>
SAM	1 HQ + 4 branches <i>(HQ is in Bangkok, all branches are located outside of Bangkok)</i>
Other AMCs	1 HQ in Bangkok and Metropolitan area

Source: Publicly available information from each company's website, news and interview

BAM, SAM and J AMC, a subsidiary of JMT Network Services Plc., have developed their networks in key regions in Thailand, providing a foundation for nationwide business development. Such national coverage broadens NPA sales channels, resulting in stronger performance.

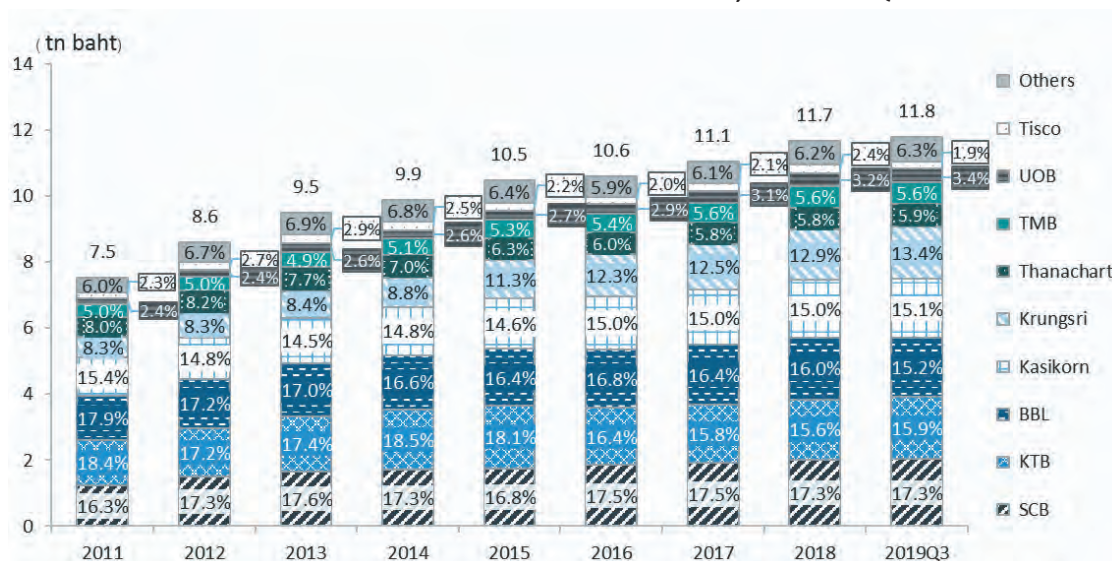
In contrast, the majority of asset management companies operate with a single headquarters in Bangkok and no branches elsewhere in the country. Since extension of business networks requires substantial investments in capital, it would be difficult for other asset management companies to compete in this respect in the near future.

Part VI: Driving Forces for the Development of Thailand's Distressed Asset Management Industry

6.1 Continuous Growth of Distressed Assets Supply and Business Opportunities from Distressed Entities

6.1.1 NPLs and NPAs from the Banking Sector

Commercial Banks' Net Loans to Customers, 2011-2019Q3



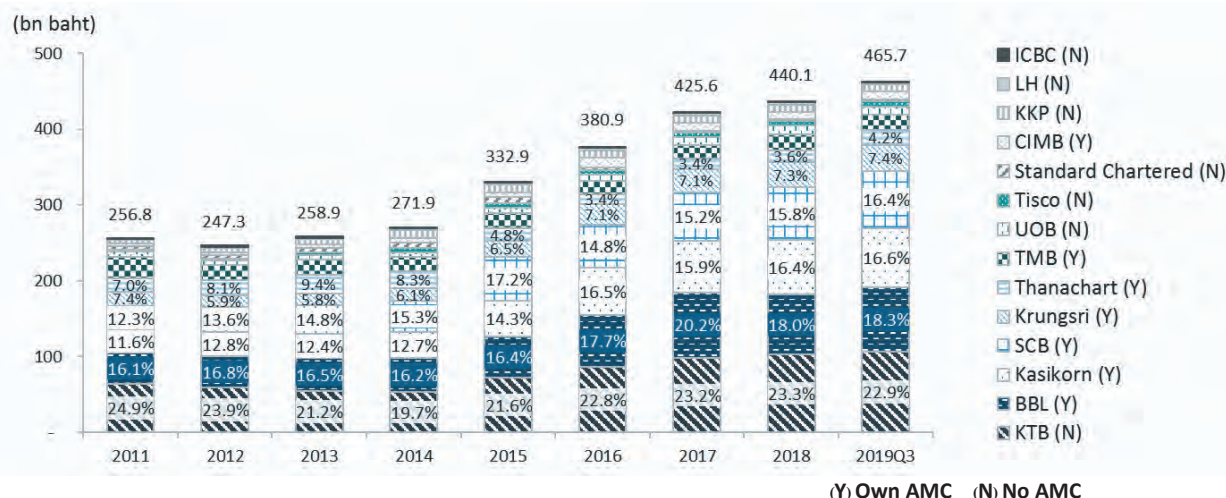
Source: Bank of Thailand, commercial banks' annual reports from their websites

Remark:

- 1) Banks' full names specified in Appendix IV.
- 2) As at 31 December of each year or last day of the quarter.
- 3) See Appendix XII regarding limitations on comparability of financial information.
- 4) Others include SCT, CIMB, Kiatnakin, LH, and ICBCT.

Total banking assets have grown significantly along with the consistent expansion of loans from 2011 to the third quarter of 2019. The 3 largest loan types by outstanding amount are for personal consumption, financial and insurance activities, and manufacturing. The 3 largest loan types account for 30 percent, 22 percent, and 14 percent of total loans outstanding, respectively. Krungsri Bank delivered the highest loan growth with CAGR of 13.4 percent from 2011-2018 due to a significant increase in corporate loans since 2015 from the success of its merger and acquisition activities with The Bank of Tokyo-Mitsubishi UFJ, Limited Bangkok Branch (BTMU).

In the third quarter of 2019, the 4 largest commercial banks by the amount of outstanding loans are SCB, KTB, BBL, and Kasikorn. Their loans account for more than half of the banking industry. The expansion of banks' loans directly resulted in the growth of asset size. During the 2011-2018 period, outstanding loans from SCB, KTB, BBL, and Kasikorn grew at a CAGR of 7.4 percent, 4.0 percent, 4.9 percent, and 6.0 percent, respectively.

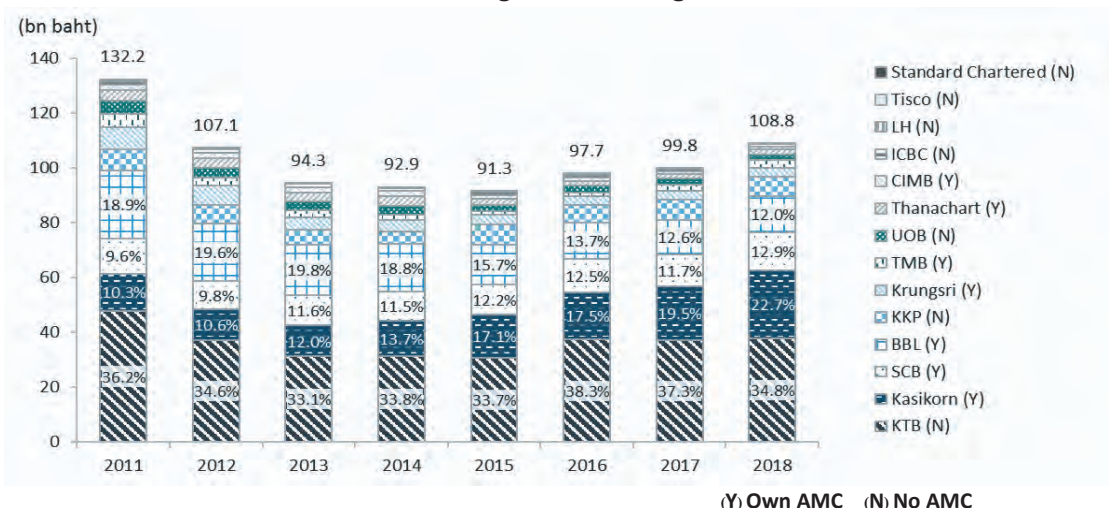
Gross NPLs Outstanding in the Banking Sector, 2011-2019Q3


Source: Companies' annual reports from their websites

Remark:

- 1) As at 31 December of each year or last day of the quarter.
- 2) See Appendix VII regarding limitations on comparability of financial information.
- 3) Gross NPLs and outstanding loans are derived from consolidated financial statements.

Total gross NPLs outstanding in the banking sector have grown remarkably from 256.8 billion baht in 2011 to 465.7 billion baht in the third quarter of 2019. KTB has the highest gross NPLs at 106.4 billion baht due to the default of large corporates in the mining industry and of corporates in industries which were affected by declining commodity prices. Whereas, BBL had the second highest gross NPLs at 85.1 billion baht in 2018, growing considerably from 41.4 billion baht in 2011.

Gross NPAs Outstanding in the Banking Sector, 2011-2018


Source: Companies' annual reports from their websites

Remark: 1) As at 31 December of each year.

- 2) See Appendix VII regarding limitations on comparability of financial information.
- 3) Gross NPA is derived from separate financial statements.

Total gross NPAs outstanding in the banking sector have decreased slightly with a CAGR of -2.7%, from 132.2 billion baht in 2011 to 108.8 billion baht in 2018. KTB has the highest gross NPAs at 37.9 billion baht in 2018. However, its gross NPAs has declined with a CAGR of -3.3%, from 47.8 billion baht in 2011. On the other hand, Kasikorn has the second highest gross NPAs at 24.7 billion baht in 2018 with a CAGR of 8.8%, from 13.6 billion baht in 2011.

Gross NPL Ratio of Commercial Banks, 2011-2019Q3

Gross NPL Ratio											
Bank	2011	2012	2013	2014	2015	2016	2017	2018	2019Q3		
Own AMC											
CIMB	3.3%	2.7%	2.7%	3.3%	3.1%	6.1%	4.8%	4.3%	4.6%		
BBL	2.7%	2.3%	2.2%	2.1%	2.8%	3.2%	3.9%	3.4%	3.7%		
Kasikorn	2.5%	2.2%	2.1%	2.2%	2.7%	3.3%	3.3%	3.3%	3.5%		
SCB	2.6%	2.1%	2.1%	2.1%	2.9%	2.7%	2.8%	2.9%	3.0%		
TMB	5.7%	4.1%	3.9%	2.9%	3.0%	2.5%	2.4%	2.8%	2.5%		
Krungsri	3.7%	2.4%	2.7%	2.8%	2.2%	2.2%	2.1%	2.1%	1.9%		
Thanachart	2.7%	2.6%	3.0%	3.0%	2.2%	1.9%	1.9%	2.0%	2.3%		
No AMC											
KTB	4.0%	3.2%	2.7%	2.4%	3.2%	4.0%	4.2%	4.5%	4.6%		
Kiatnakin	3.4%	3.3%	3.8%	5.6%	5.8%	5.6%	5.0%	4.1%	4.1%		
Standard Chartered	2.8%	3.3%	4.0%	5.4%	6.1%	5.6%	2.8%	3.6%	4.0%		
Tisco	1.4%	1.2%	1.7%	2.6%	3.2%	2.5%	2.3%	2.9%	2.8%		
UOB	3.1%	2.1%	1.7%	2.3%	1.9%	2.6%	2.5%	2.5%	2.4%		
LH	1.6%	1.8%	1.8%	2.0%	1.9%	1.8%	1.9%	1.9%	1.6%		
ICBC	1.7%	1.7%	1.2%	1.0%	1.1%	1.3%	1.3%	0.7%	0.3%		

Source: Companies' annual reports from their websites

Remark:

- 1) As at 31 December of each year or last day of the quarter.
- 2) See Appendix XII regarding limitations on comparability of financial information.
- 3) Gross NPL and loan receivables are derived from consolidated financial statements.

Gross NPA Ratio of Commercial Banks, 2011-2018

Bank	Gross NPA Ratio							
	2011	2012	2013	2014	2015	2016	2017	2018
Own AMC								
Kasikorn	1.2%	0.9%	0.8%	0.8%	1.0%	1.0%	1.1%	1.3%
SCB	1.0%	0.7%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
BBL	1.7%	1.3%	1.1%	1.0%	0.8%	0.7%	0.6%	0.6%
CIMB	1.7%	1.5%	1.2%	1.1%	0.7%	0.7%	0.5%	0.4%
TMB	1.2%	0.6%	0.5%	0.4%	0.2%	0.3%	0.4%	0.4%
Thanachart	0.6%	0.4%	0.4%	0.5%	0.3%	0.3%	0.2%	0.3%
Krungsri	1.3%	0.9%	0.5%	0.5%	0.3%	0.2%	0.2%	0.2%
No AMC								
Kiatnakin	4.9%	3.5%	2.5%	2.2%	3.8%	3.2%	3.5%	2.8%
KTB	3.3%	2.4%	1.8%	1.6%	1.6%	2.0%	2.0%	1.9%
ICBC	2.3%	1.4%	1.0%	1.0%	1.0%	1.0%	0.8%	0.8%
UOB	2.6%	1.7%	1.3%	1.2%	0.8%	0.7%	0.6%	0.5%
LH	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.1%
Standard Chartered	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tisco	0.2%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Companies' annual reports from their websites

Remark:

1) As at 31 December of each year.

2) See Appendix XII regarding limitations on comparability of financial information.

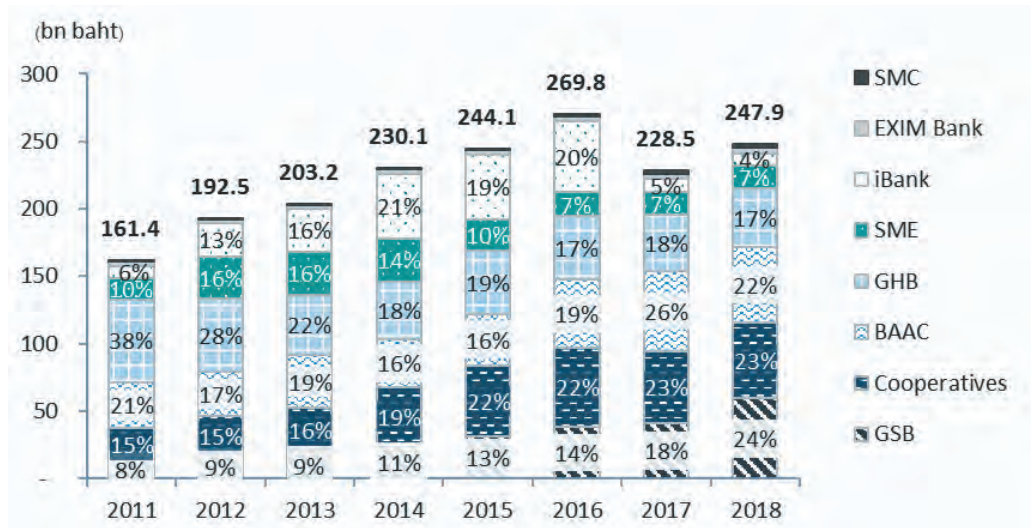
3) Gross NPA is derived from separate financial statements.

KTB has the highest NPL and NPA balances. KTB had gross NPLs of 106.4 billion baht as at 30 September 2019, and gross NPAs of 37.9 billion baht as at 31 December 2018. Its gross NPL ratio increased from 2.4 percent in 2014 to 4.6 percent in the third quarter of 2019 due to the default of large corporates in the mining industry and of corporates in industries which were affected by declining commodity prices. Meanwhile the gross NPA ratio decreased to 1.9 percent in 2018, from 3.3 percent in 2011.

As at 30 September 2019, BBL had the second largest gross NPL balance at 85.1 billion baht, growing considerably from 41.4 billion baht in 2011. To compensate for the expansion of NPLs, BBL raised its total allowance for doubtful accounts to 158.1 billion baht (183.4 percent of gross NPLs), increasing from 85.8 billion baht (5.8 percent of gross NPLs) in 2011. Meanwhile BBL's gross NPAs decreased from 24.9 billion baht in 2011 to 13.1 billion baht in 2018, causing the NPA ratio to decline from 1.7 percent to 0.6 percent.

6.1.2 Distressed Assets from Major Financial Institutions Other Than Commercial Banks

Total Gross NPLs and NPL Ratio of Specialised Financial Institutions, Cooperatives, and Secondary Mortgage Corporation, 2011-2018



Gross NPLs to Total Loans - Breakdown by Specialised Financial Institutions, Cooperatives, and Secondary Mortgage Corporation, 2011-2018

Gross NPLs								
Financial institution	2011	2012	2013	2014	2015	2016	2017	2018
SME Bank	15.7%	32.3%	33.7%	37.6%	27.0%	19.0%	16.8%	18.3%
iBank	2.7%	20.6%	29.8%	44.0%	48.6%	57.0%	23.6%	17.8%
SMC	18.8%	5.6%	3.3%	2.4%	5.0%	36.3%	14.2%	14.8%
GHB	7.1%	7.7%	6.1%	5.3%	5.5%	5.1%	4.2%	4.2%
BAAC	5.3%	4.0%	4.1%	3.4%	3.2%	4.0%	4.3%	3.9%
EXIM	5.1%	4.2%	4.4%	5.6%	5.4%	3.6%	3.6%	3.6%
GSB	0.9%	1.1%	1.1%	1.4%	1.6%	2.0%	2.1%	2.8%
Cooperatives	2.4%	2.3%	2.2%	2.4%	2.8%	2.9%	2.5%	2.5%

Source: Financial Institutions' annual reports, Secondary Mortgage Corporation's website, and Cooperative Auditing Department's website

Remark:

- 1) Specialised Financial Institutions (SFIs) include the Small and Medium Enterprise Development Bank of Thailand (SME Bank), the Islamic Bank of Thailand, the Government Housing Bank, the Export-Import Bank of Thailand, the Bank for Agriculture and Agricultural Cooperatives and the Government Savings Bank.
- 2) Asset management companies in Thailand are currently not allowed to purchase NPLs from Cooperatives and the Bank for Agriculture and Agricultural Cooperatives.
- 3) As at 31 December of each year.
- 4) See Appendix XII regarding limitations on comparability of financial information.



The sources of distressed assets have become increasingly diverse as other financial institutions such as Specialised Financial Institutions (SFIs), Secondary Mortgage Corporation, and Cooperatives are gradually playing a greater role in financial activities.

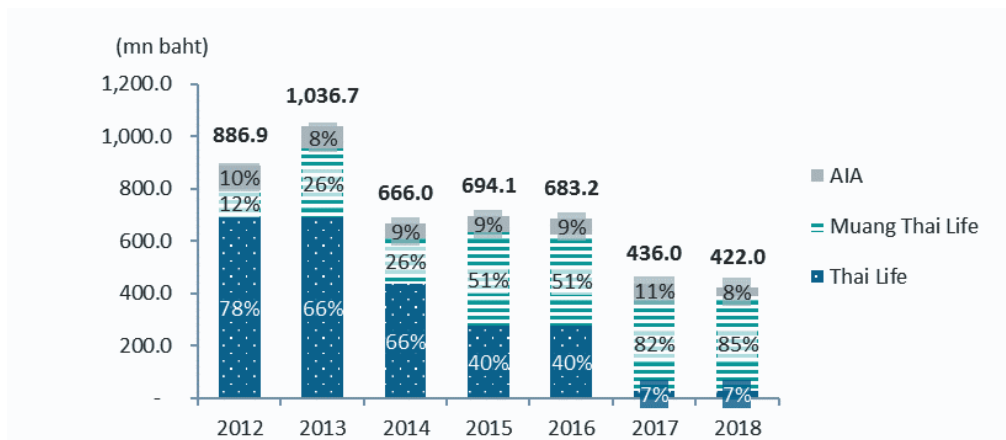
Gross NPLs of major non-bank financial institutions have increased from 161.4 billion baht as at 31 December 2011 to 247.9 billion baht as at 31 December 2018, representing a CAGR of 6.3 percent. The increase in NPLs for major non-bank financial institutions was driven by specialised financial institutions such as the Government Savings Bank (GSB), cooperatives, and the Bank for Agriculture and Agricultural Cooperatives (BAAC), whose gross NPLs account for 24 percent, 23 percent, and 22 percent of the total NPLs in the group, respectively.

The Small and Medium Enterprise Development Bank of Thailand (SME Bank) posted the highest gross NPL ratio of 18.3 percent in the year ended 2018, increasing from 16.8 percent in 2017. Meanwhile the Islamic Bank of Thailand (iBank) had a gross NPL ratio of 17.8 percent in 2018, drastically decreased from 57.0 percent in 2016 due to the establishment of Islamic Bank Asset Management (IAM), which is wholly owned by the Finance Ministry, on 27 September 2017 to manage NPLs transferred from iBank. Whereas, Secondary Mortgage Corporation (SMC) had a gross NPL ratio of 14.8 percent in 2018. This figure represents a significant decrease from 36.3 percent in 2016, as SMC has improved its operation, dealt with NPL problems, and expanded its customer base to real estate and other high potential industries.

Overall, the NPLs of other financial institutions such as Specialised Financial Institutions (SFIs), Secondary Mortgage Corporation (SMC), and Cooperatives have increased since 2011, creating a potential opportunity for asset management companies to grow by acquiring more NPL portfolios.

As at 31 December 2018, the total gross NPLs of major insurance companies decreased to 422.0 million baht from 1,036.7 million baht in 2013, for the group including AIA, Muang Thai Life Assurance, and Thai Life Insurance. Muang Thai Life Assurance had the highest gross NPLs, totaling 359.8 million baht. This total resulted from secured loans, whilst loans with insurance policies as loan collateral posted no NPLs.

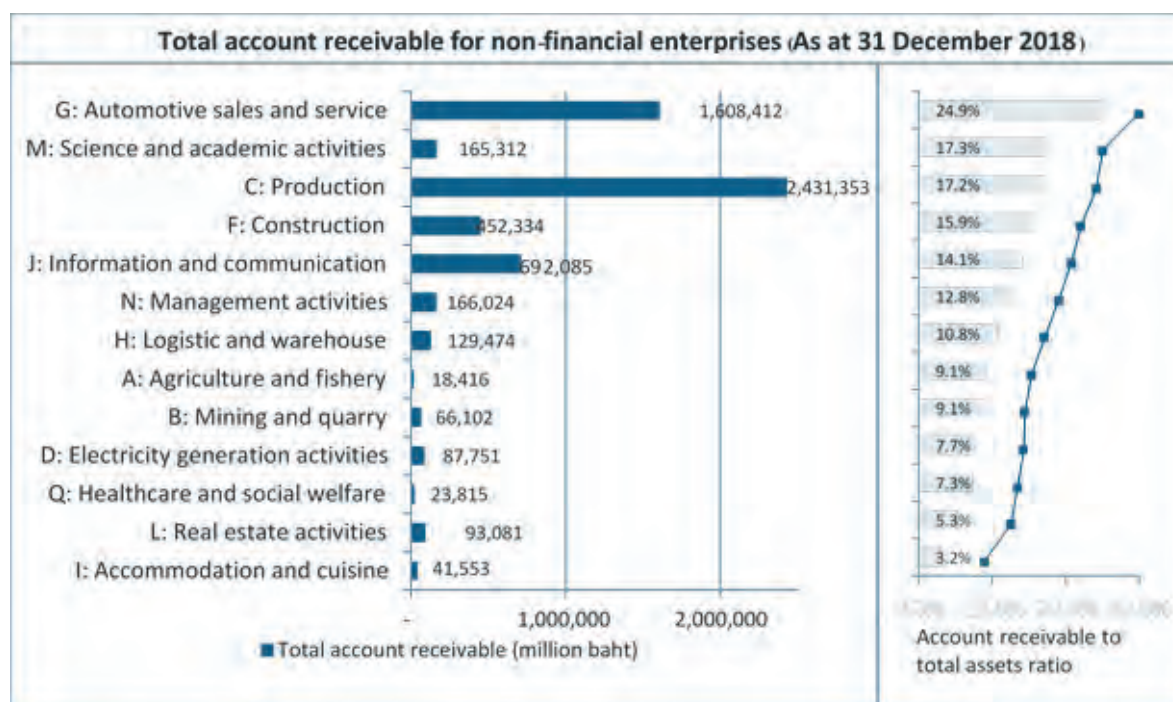
The NPLs of insurance companies were lower compared to commercial banks and other financial institutions (e.g. SFIs and SMC). Moreover, the NPLs of insurance companies are expected to decrease further in the coming periods.

Gross NPL Balance Breakdown of Major Insurance Companies, 2012-2018


Source: Department of Business Development

Remark:

- 1) Gross NPL is classified as substandard, doubtful, and doubtful of loss.
- 2) As at 31 December of each year.
- 3) AMCs cannot purchase NPL portfolios from insurance companies under their licences, although this restriction did not pose a threat since the total amount of the major insurance companies' NPLs is quite small.

Distressed Assets from Non-Financial Enterprises


Source: Department of Business Development

Remark: AMCs cannot purchase NPL portfolios from non-financial enterprises, apart from suppliers specified in the Emergency Decree on Asset Management Companies and Bank of Thailand notifications. However, there are opportunities in the non-financial enterprise sector if the Emergency Decree on Asset Management Companies B.E. 2541 (1998) is amended to permit Thai asset management companies to purchase distressed assets from such entities in the future. In some countries, for example China, the distressed asset management industry is also helping the non-financial enterprise sector to manage distressed assets.

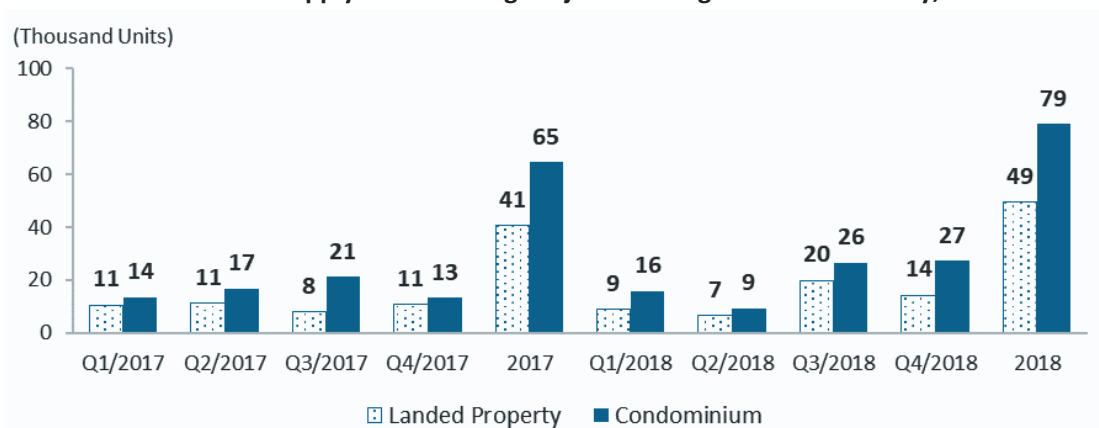


Automotive and production sectors are the major business sectors which hold massive accounts receivable value of over 1.6 trillion baht and 2.4 trillion baht with account receivable to total asset ratio of 24.9 percent and 17.2 percent, respectively. Meanwhile, over 1.6 trillion of account receivable in automotive sector was derived from the wholesale business. Within the industry, the production sector consists of 24 sub business categories. The top 3 major accounts receivable come from trailer and semi-trailer, coal and petroleum, and food products whose total account receivable was 971,241 million baht, or 42 percent of the total account receivable of production sector.

Part VII: Thailand Real Estate Market Overview

7.1 Total investment

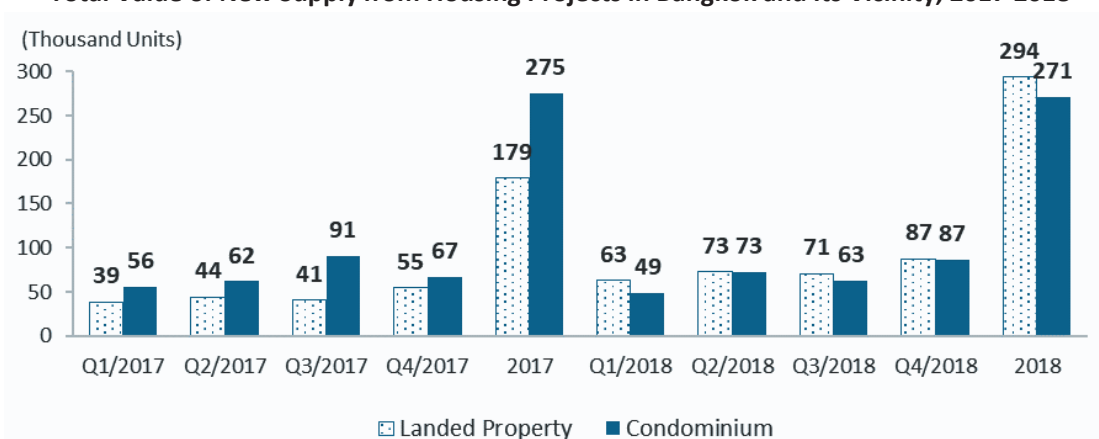
Total Units of New Supply from Housing Projects in Bangkok and Its Vicinity, 2017-2018



Source: REIC

Remark: Landed property includes rowhouse, townhouse, detached house, and duplex house.

Total Value of New Supply from Housing Projects in Bangkok and Its Vicinity, 2017-2018



Source: REIC

Remark: Landed property includes rowhouse, townhouse, detached house, and duplex house.

In 2018, total units of new supply from housing projects in Bangkok and its vicinity increased by 22 percent from 105,213 units (landed property 40,662 units and condominium 64,551 units) in 2017 to 128,314 units (landed property 49,395 units and condominium 78,919 units) in 2018. Considering these 2018 increases in terms of property type, the total units of new supply of landed property rose by 8,733 units (an increase of 21 percent) from 2017. Total units of new supply of condominiums rose by 14,368 units (an increase of 22 percent) from 2017.

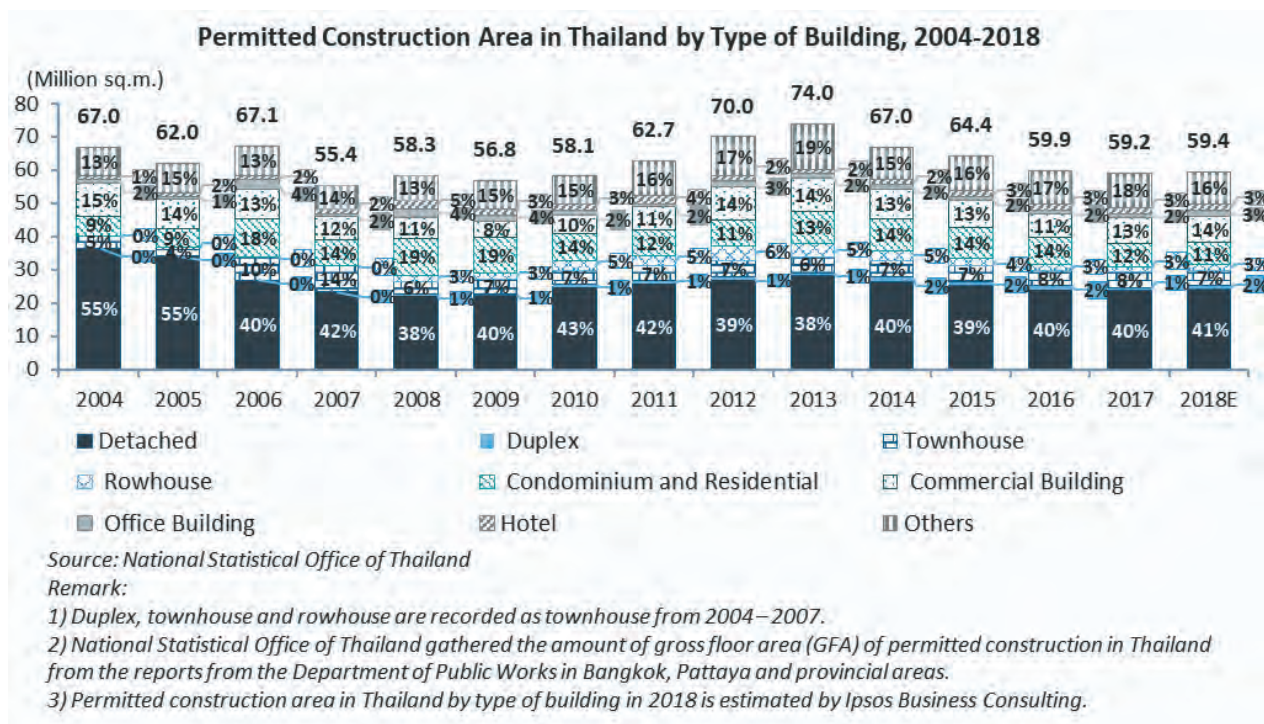
In 2018, the total value of new supply from housing projects in Bangkok and its vicinity increased by 24 percent from 454.2 billion baht (landed property 178.9 billion baht and condominium 275.3 billion baht) in 2017 to 565.1 billion baht (landed property 293.6 billion baht and condominium 271.5 billion baht) in 2018. Considering these changes of value in 2018 by property type, the total value of new supply of landed property rose by 114.7 billion baht (an increase of 64 percent) from 2017. However, the total value of new supply of condominiums fell by 3.8 billion baht (a decrease of 1 percent) from 2017.

The overall rise of new housing supply in Bangkok and its vicinity in both units and value was a result of economic growth as well as investment in Bangkok's mass rapid transit system. In 2018, there were several new housing projects near BTS and MRT lines.

The top five locations in Bangkok and its vicinity, ranked by the number of new supply of landed property in 2018, were as follows: (1) Bang Yai - Bang Bua Thong - Bang Kruai - Sai Noi, which is the area near the MRT purple line, with 6,643 units of new supply; (2) Lam Luk Ka - Khlong Luang - Thunyaburi - Nong Suea, which is the area near the BTS green line still under construction, with 5,716 units of new supply; (3) Bang Phli - Bang Bo - Bang Sao Thong, which is the area near Burapha Withi Expressway, with 4,715 units of new supply; (4) Mueang Pathum Thani - Lat Lum Kaeo - Sam Khok, which is an industrial area with a large number of factories and a high population, with 4,365 units of new supply; and (5) Khlong Sam Wa - Minburi - Nong Chok - Lat Krabang, which is the area near the MRT pink line still under construction, with 3,461 units of new supply.

The top five locations in Bangkok and its vicinity, ranked by the number of new supply of condominiums in 2018, were as follows: (1) Huai Khwang - Chatuchak - Din Daeng, which is the area near the MRT blue line, with 15,402 units of new supply; (2) Sukhumvit, which is the area near the BTS Sukhumvit line, with 8,675 units of new supply; (3) Phra Khanong - Bang Na - Suan Luang - Prawet, which is the area near the BTS Sukhumvit line, with 5,539 units of new supply; (4) Phaya Thai - Ratchathewi, which is the area near the BTS Sukhumvit line, with 5,536 units of new supply; and (5) Thonburi - Khlong San - Bangkok Noi - Bangkok Yai - Bang Phlat, which is the area near the BTS Silom line, with 3,461 units of new supply.

7.2 GFA Permitted in Thailand (2004 to 2018)



In general, the gross floor area (GFA) permitted in Thailand tends to follow the outlook of the Thai economy. For example, the permitted gross floor area significantly dropped from 2007 to 2008 because of the slowdown of the Thai economy, which in turn was caused by the subprime mortgage crisis in the United States in 2007 to 2008. And, the permitted gross floor area had increased during 2011 to 2013 as Thailand suffered from the major flood in 2011.

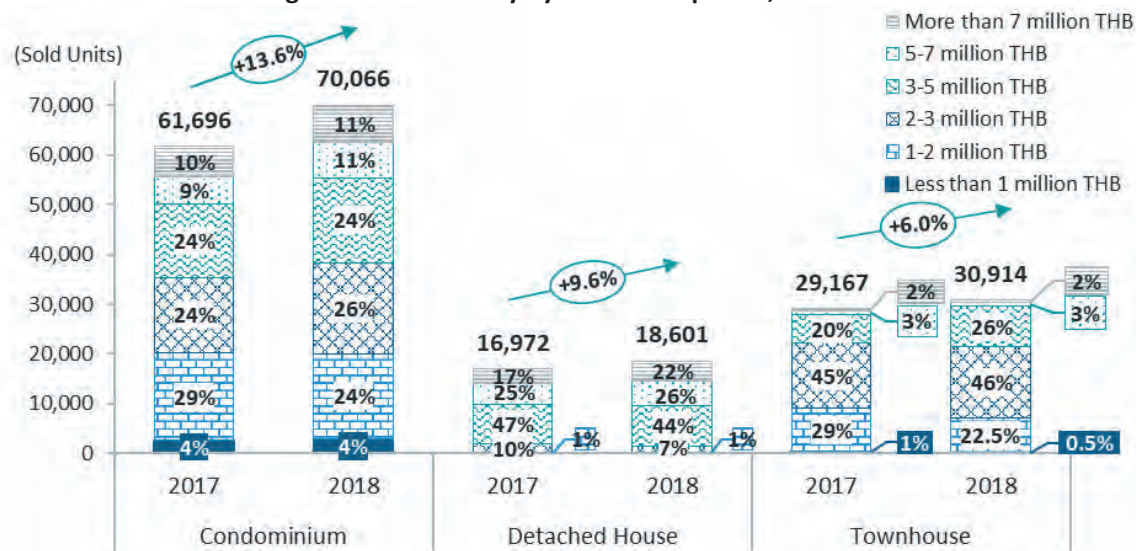
In 2018, the total permitted gross floor area in Thailand was 59.4 million square metres. The permitted gross floor area for detached houses accounted for 41 percent of the total permitted gross floor area in the country. However, the permitted gross floor area for detached houses tends to decrease every year. It experienced an overall drop from 36.6 million square metres in 2004 to 24.3 million square metres in 2018.

At the same time, the permitted gross floor area for condominiums has grown. It increased from 5.8 million square metres in 2004 to 6.7 million square metres in 2018, with an average annual growth rate of 1 percent. The permitted gross floor area for condominiums reached its peak at 11.8 million square metres in 2006, and 10.9 million square metres in 2008 and 2009.

The permitted gross floor area for duplexes and townhouses increased over the same period, while the permitted gross floor area of rowhouses and commercial buildings fell from 2006 to 2018.

7.3 Total Sales (number of units) of Condominiums, Detached Houses, and Townhouses in Bangkok and Its Vicinity by Public Companies

Total Sales (number of units) of Condominiums, Detached Houses, and Townhouses in Bangkok and Its Vicinity by Public Companies, 2017 – 2018



Source: Pruksa Holding Public Company Limited

Condominiums were the most popular property in Bangkok and its vicinity in 2018. The 70,066 sold condominium units accounted for 59 percent of the total sales of housing units in 2018. Meanwhile, total townhouse and detached house sales reached 30,914 units (26 percent of total sales of housing units in 2018) and 18,601 units (15 percent of total sales of housing units in 2018) respectively.

In 2018, total sales of housing units in Bangkok and its vicinity increased from total sales in 2017 for every type of property. Condominiums had the highest growth rate at 13.6 percent, followed by detached house and townhouse properties which grew by 9.6 percent and 6.0 percent respectively. The increase in total sale of housing units in Bangkok and its vicinity in 2018 was mainly from mid-to-high end tier. There was a significant growth in total sale of property in high-end tier in 2018. For example, the growth of the sales of condominium, detached house and townhouse with sold price more than 7 million baht were 23 percent, 42 percent and 31 percent respectively. The rise in total unit sales was an indirect result of the development of infrastructure, particularly the expansion of the mass rapid transit system in Bangkok. High demand for property along BTS/ MRT lines resulted in the increase of new housing projects in these areas.

Moreover, the announcement of new regulations to tighten credit underwriting standards from Bank of Thailand in November 2018, to be followed by enforcement in April 2019, led property developers to launch sales promotions (such as discounts, reduced first year interest rates, or free maintenance fees for the first year) at the end of 2018 to attract customers before the new regulations were to take effect. As a result, Thailand's housing unit transfer significantly grew in the 4th quarter of 2018.



Considering the total sales of condominiums by price range, condominiums sold at prices between 2 - 3 million baht accounted for 26 percent of the total sale volume of condominiums in 2018 – the highest proportion to total sales. In all, around 78 percent of the total sale volume of condominiums were sold to customers in the low-to-mid segment. Furthermore, the demand for condominiums near BTS/MRT lines remained strong in 2018.

According to the Real Estate Information Center, the top five locations in Bangkok and its vicinity, ranked by the proportion of total unit sales of condominiums to total units in the condominium project in 2018 were as follows: (1) Silom - Satorn – Bang Rak (2) Khlong Sam Wa - Minburi - Nong Chok - Lat Krabang (3) Phra Khanong - Bang Na - Suan Luang - Prawet (4) Bang Sue - Dusit (5) Bueng Kum - Khan Na Yao - Saphan Sung.

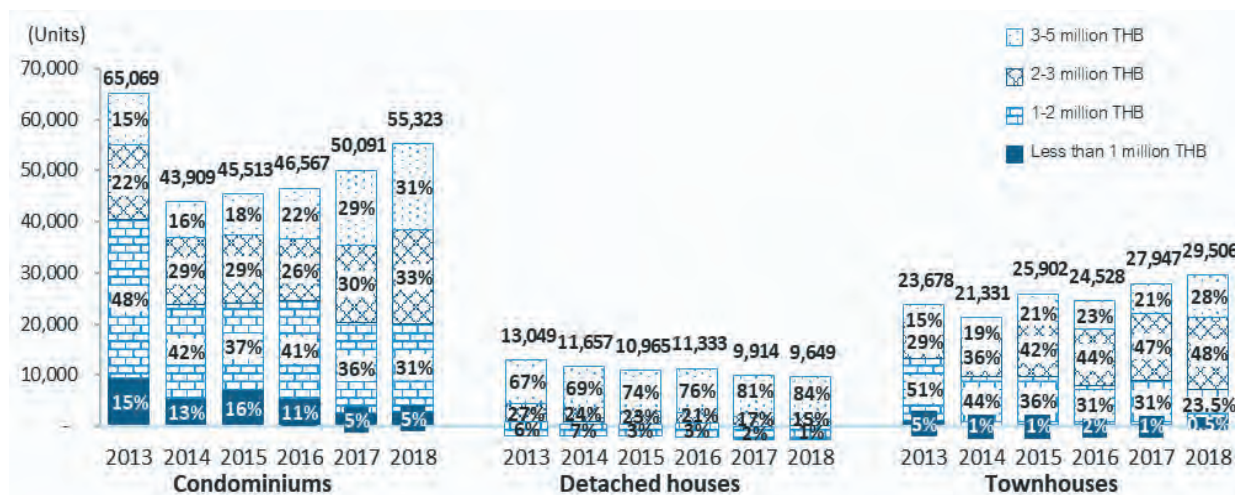
In 2018, detached houses selling at prices between 3 - 5 million baht had highest sale volume, which accounted for 44 percent of the total sale volume. These were followed by detached houses sold at prices between 5 - 7 million baht and detached houses sold at prices above 7 million baht, which accounted for 26 percent of the total sale volume and 22 percent of the total sale volume, respectively. 2018 saw a high sale volume of detached houses in Bangkok's suburban area and its vicinity, because several property developers expanded investment to these areas, and the development of public transportation improved the convenience of travelling from Bangkok's suburban area to the city.

For townhouse sales in 2018, townhouses sold at prices between 2 - 3 million baht had the highest sale volume, accounting for 46 percent of the total sale volume. More than 95 percent of the total sale volume of townhouses were sold to customers in the low-to-mid segment (price below 5 million baht). Townhouses located near BTS/MRT lines that were under construction gained in popularity in 2018.

According to the Real Estate Information Center, the top five locations in Bangkok and its vicinity, ranked by the proportion of total unit sales of landed property (including both detached house and townhouse properties) to total units in the project in 2018 were as follows: (1) Mueang Samut Sakhon (2) Bang Phli - Bang Bo - Bang Sao Thong (3) Phutthamonthon - Nakhon Chai Si - Sampran (4) Mueang Samutprakarn - Phra Pradaeng - Phra Samut Chedi (5) Bang Yai - Bang Bua Thong - Bang Kruai - Sai Noi.

7.4 Total Sales (number of units) of Condominiums, Detached Houses, and Townhouses in Low-to-Mid Segment by Public Companies

Total Sales (number of units) of Condominiums, Detached Houses, and Townhouses in Low-to-Mid Segment in Bangkok and Its Vicinity by Public Companies, 2013 – 2018



Source: Pruksa Holding Public Company Limited

Remark: Low-to-mid segment includes condominiums, detached houses, and townhouses with sales price per unit below 5 million baht.

In 2018, total condominium and townhouse sales in Bangkok and its vicinity in the low-to-mid segment (price below 5 million baht) were higher than the total sales of condominiums and townhouses within the same price range in the previous year. Total sales of condominiums in the low-to-mid segment in 2018 amounted to 55,323 units, an increase of 5,232 units (or 10 percent) from the total sales of such condominiums in 2017. Condominiums sold at prices between 2 - 3 million baht had the highest sale volume within their property type, accounting for 33 percent of total sales of condominiums in 2018.

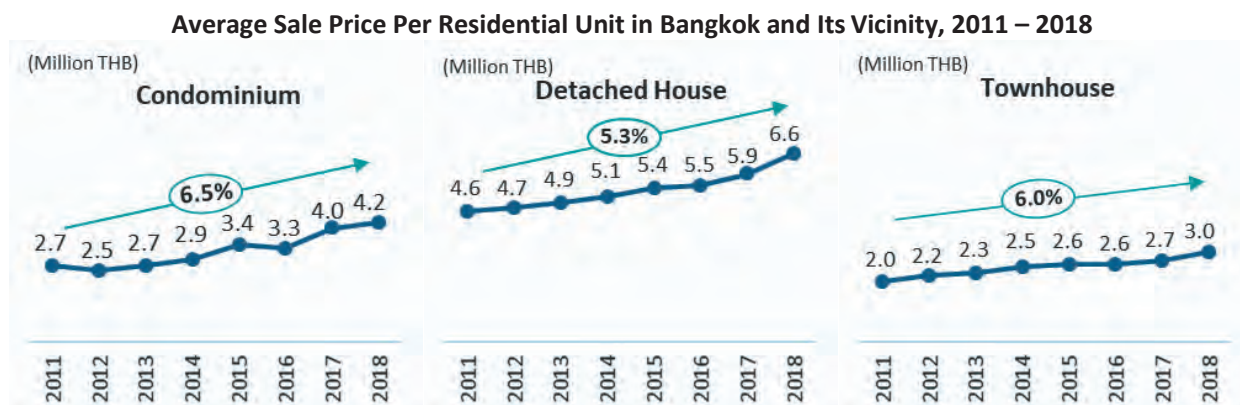
Total townhouse sales in the low-to-mid segment in 2018 amounted to 29,506 units, a rise of 1,559 units (or 6 percent) from total townhouse sales within the same price range in 2017. Townhouses sold at prices between 2 - 3 million baht had the highest sale volume for their property type, which was 48 percent of total sales of townhouses in 2018.

While total sales of condominiums and townhouses in the low-to-mid segment increased in 2018, total sales of detached houses in the low-to-mid segment declined. Total sales of detached houses in the low-to-mid segment in 2018 amounted to 9,649 units, which was a decrease of 265 units (or 3 percent) from 2017 totals. Detached houses in the low-to-mid segment (between 3 - 5 million baht) had the highest sale volume for their property type, accounting for 84 percent of the total sales of detached houses in 2018.

Between 2014 and 2018, sales of condominiums and townhouses in the low-to-mid segment in Bangkok and its vicinity grew overall, but sales of detached houses experienced an overall decline. Over the same period,

sales of housing units with high prices increased for each type of property, while sales of housing units with low prices dropped. These trends are the result of the increase in land price and construction cost, as well as the decline in customers' purchasing power from the household debt issue.

7.5 Average Sale Price Per Residential Unit in Bangkok and Its Vicinity



Source: Pruksa Holding Public Company Limited, Ipsos Business Consulting analysis

The overall average sale price per residential unit in Bangkok and its vicinity continues to rise. According to an analysis by Ipsos Business Consulting, the average sale price per condominium unit increased from 4.0 million baht in 2017 to 4.2 million baht in 2018, as property developers changed strategies to focus on the mid-to-high segment in 2018 by launching condominium projects in the city centre, business centre, or along BTS/MRT lines. Since the cost of land and construction in these areas was high, the average sale price of condominiums increased. The average sale price per condominium unit from 2011 to 2018 experienced a 6.5 percent CAGR, which was a result of a sharp increase in new condominium supply in the mid-to-high segment. As reported by Pruksa Real Estate Public Company Limited, total sales of condominiums in the mid-to-high segment (price above 3 million baht) sharply increased from 16,519 units in 2011 to 31,691 units in 2018. On the other hand, total sales of condominiums in the low segment (price below 3 million baht) slightly increased from 34,263 units in 2011 to 38,375 units in 2018. The surge in total sales of condominiums in the mid-to-high segment caused significant growth in the average sale price per condominium unit.

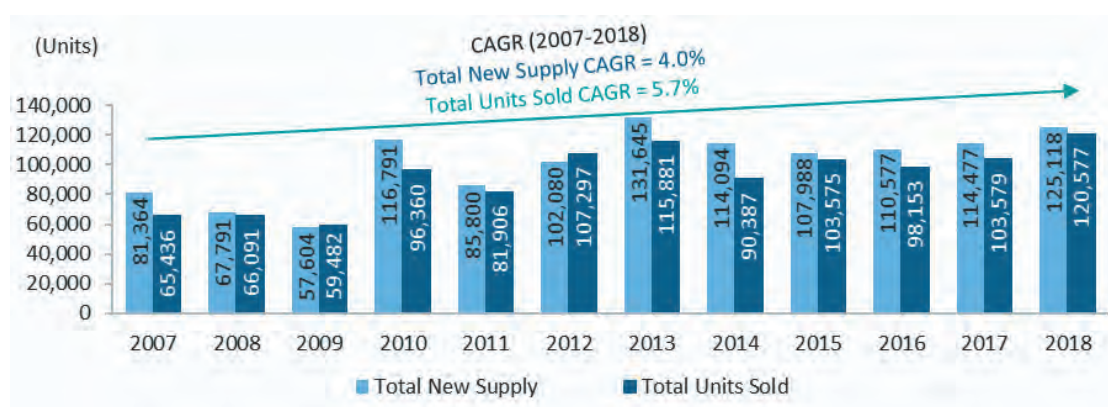
Likewise, the average sale price per detached house unit jumped from 5.9 million baht in 2017 to 6.6 million baht in 2018. The significant growth in average sale price per detached house unit in 2018 was caused by the substantial change in sale volume of detached houses sold at prices above 7 million baht – from 2,875 units in 2017, to 4,079 units in 2018. The analysis also found that the average sale price per detached house unit grew at 5.3 percent CAGR between 2011 and 2018. The rise of land price and construction cost resulted in the increased price of detached houses, especially the price of detached houses located in the city centre.

The average sale price per townhouse unit also increased from 2.7 million baht in 2017 to 3.0 million baht in 2018. From 2011 - 2018, the average sale price grew at 6.0 percent CAGR because of the significant growth in sale volume of townhouses sold at prices between 3 - 5 million baht – from 3,275 units in 2011, to 8,163

units in 2018. As land price and construction cost have increased for the past few years, many property developers started developing townhouses at sale prices between 3 - 5 million baht in the city centre, for which there was high demand, instead of controlling the cost by developing townhouses at sale prices below 2.5 million baht in suburban areas, for which there was low demand. For this reason, the total sales of townhouses priced between 3 - 5 million baht increased, resulting in the rising average sale price per townhouse unit.

7.6 Total Sales of Residential Units in Bangkok and Its Vicinity

Total New Supply and Total Units Sold of Residential Units in Bangkok and Its Vicinity, 2007 – 2018



Source: Agency for Real Estate Affairs (AREA)

In 2018, the total new supply of residential units in Bangkok and its vicinity was 125,118, an increase of 10,641 units or 9.3 percent from the total new supply in 2017. There were 450 new housing projects in 2018. The total value of new housing projects in 2018 was 565,811 million baht (an increase of 28.1 percent from the total value of new housing projects in 2017). The 2018 numbers represent the highest value increase in 25 years, since the Agency for Real Estate Affairs (AREA) started its study of the residential market in 1994.

Condominiums had its highest new supply count in 2018, with 74,380 units of total new supply (an increase of 10,754 units from the new supply of condominiums in 2017), followed by townhouses with 31,717 units of total new supply (a decrease of 3,745 units from the new supply of townhouses in 2017) and detached houses with 11,071 units of total new supply (an increase of 854 units from the new supply of detached houses in 2017).

Bangkok and its vicinity saw 120,577 total housing units sold in 2018, an increase of 16,998 units or 16.4 percent from total housing units sold in 2017. In 2018, condominiums had the highest total units sold with 69,352, followed by townhouses and detached houses with 31,066 units sold and 12,610 units sold, respectively.

Total residential units sold in Bangkok and its vicinity reached their peak in 2018. The expansion of the mass transit system in Bangkok led to an increase in housing supply near BTS/ MRT lines over the last few years. Since demand for property near BTS/MRT was high, the total sales of housing units increased as well. In

addition, the announcement from the Bank of Thailand regarding its new regulations on housing credit, which began to be enforced in April 2019, caused the total sales of housing units to rapidly increase in the 4th quarter of 2018.

Regarding the demand for housing units in 2018, the Agency for Real Estate Affairs (AREA) stated that the considerable increase in unit sales in 2018 came mainly from customers in the mid-to-high segment – especially from civil servants, customers with strong financial status, speculators, and foreign customers. Meanwhile, the demand for housing units from the low segment dropped, as this group experienced pressure from household debt, or could not access credit from financial institutions because of the tightening of mortgage lending policies.

Outstanding supply of residences in Bangkok and its vicinity, 2004 – 2018



Source: AREA

Thailand's real estate market started to recover from the crisis in 2004, spurring increasingly intense competition among developers. As a result, the supply of residences in Bangkok and its vicinity has increased continuously. However, in each year, the new supply of residences was more than the total unit sales. Accordingly, the excess supply of residences gradually increased the total outstanding supply of residences every year. The outstanding supply of residences in Bangkok and its vicinity has increased at a 5.7 percent CAGR since 2007 to 2018.

The outstanding supply of residences in Bangkok and its vicinity grew slightly, from 195,227 units in 2017 to 199,768 units in 2018 (an increase of 2.3 percent). This modest growth in supply can be traced back to an increase in purchases. The total residence units sold in 2018 increased by 16.4 percent from total units sold in 2017, while the total new supply of residences in 2018 rose by just 9.3 percent from the total new supply in 2017. Hence, the excess supply of residences in 2018 grew at a slower rate than the previous 5 years.

According to information from the Real Estate Information Center and TERRABKK, most of the outstanding supply of condominiums in Bangkok and its vicinity were one-bedroom condominiums and condominiums with a sale price between 2 - 3 million baht. In 2018, the top five locations in Bangkok and its vicinity, ranked by the amount of outstanding supply of condominiums in the first six months of 2018, were as follows: (1) Mueang Nonthaburi - Pak Kret, which had 9,202 units of outstanding supply of condominiums; (2) Mueang

Samutprakarn - Phra Pradaeng - Phra Samut Chedi, which had 6,645 units of outstanding supply of condominiums; (3) Huai Khwang - Chatuchak - Din Daeng, which had 6,493 units of outstanding supply of condominiums; (4) Taling Chan - Bang Khae - Phasi Charoen - Nong Khaem - Thawiwatthana, which had 4,954 units of outstanding supply of condominiums; (5) Thonburi - Khlong San - Bangkok Noi - Bangkok Yai - Bang Phlat, which had 4,617 units of outstanding supply of condominiums.

Regarding the outstanding supply of landed property (including both detached house and townhouse properties), most of this outstanding supply in Bangkok and its vicinity had a sale price between 2 - 3 million baht. In 2018, the top five locations in Bangkok and its vicinity, ranked by the amount of outstanding supply of landed property in the first six months of 2018, were as follows: (1) Lam Luk Ka - Khlong Luang - Thunyaburi - Nong Suea, which had 13,346 units of outstanding supply of landed property; (2) Bang Yai - Bang Bua Thong - Bang Kruai - Sai Noi, which had 11,367 units of outstanding supply of landed property; (3) Bang Phli - Bang Bo - Bang Sao Thong, which had 9,327 units of outstanding supply of landed property; (4) Mueang Samutprakarn - Phra Pradaeng - Phra Samut Chedi, which had 5,376 units of outstanding supply of landed property; (5) Khlong Sam Wa - Minburi - Nong Chok - Lat Krabang, which had 4,704 units of outstanding supply of landed property.

As mentioned above, most of the outstanding supply of residences in Bangkok and its vicinity were residences in the mid-to-low segment with a sale price between 2 - 3 million baht.

7.7 Land Appraisal Prices Nationwide

Region	2016-2019 Appraisal price (baht per square wah*)		Changes in appraisal price from 2012-2015
	Max	Min	
Bangkok	1,000,000	500	15.8%
Vicinity	170,000	125	19.0%
Central	107,500	20	22.8%
North	250,000	10	37.3%
Northeast	200,000	25	33.5%
East	220,000	50	23.0%
West	150,000	40	39.6%
South	400,000	40	21.0%
Grand Total			27.7%

Source: The Treasury Department, Government Housing Bank journal, news publications, and Ipsos Business Consulting analysis

Remark: The appraisal price is evaluated every 4 years by the Treasury Department.

*1 square wah equals 4 square meters.

Thailand's real estate market has been thriving since 2004. A four-year land price study conducted by the Treasury Department showed that the overall land prices in Thailand are expected to rise continuously over



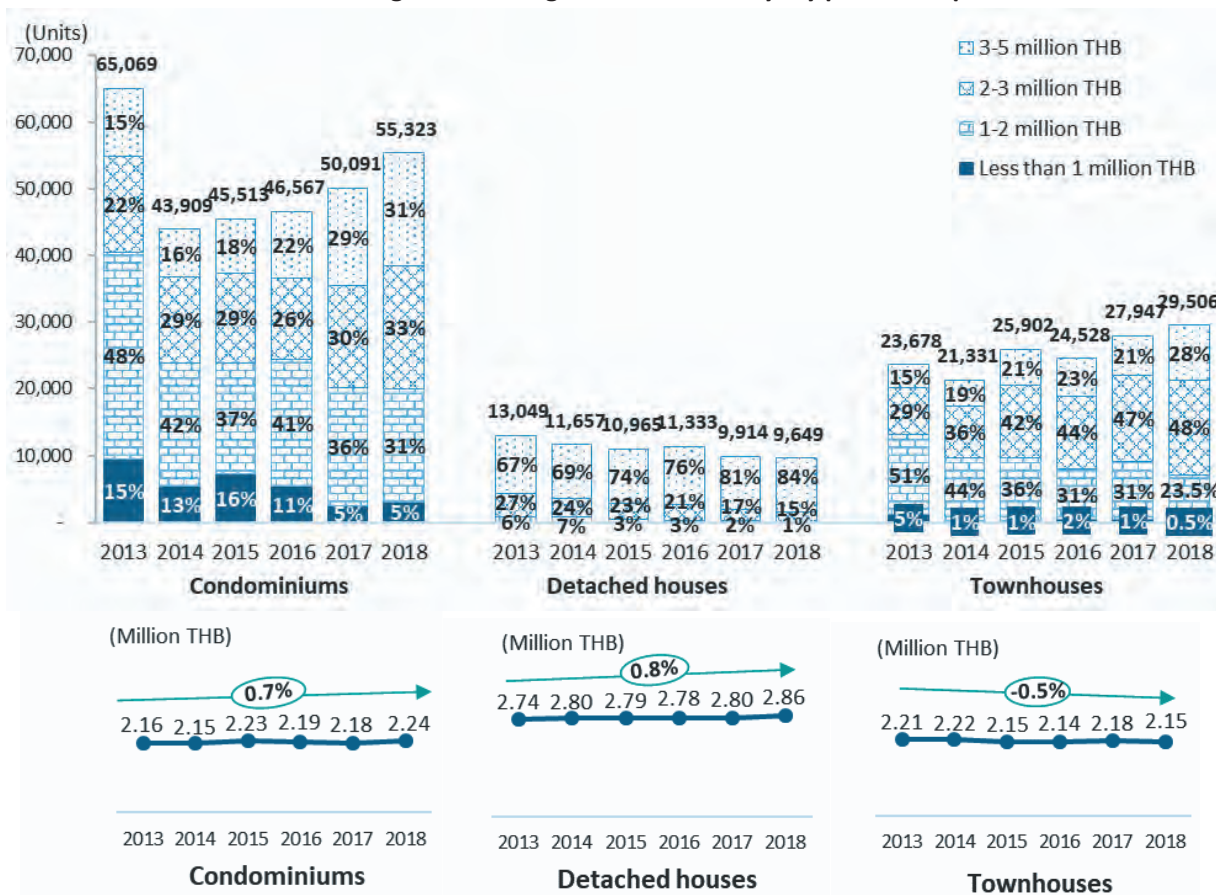
the 2016-2019 period by 27.7 percent in total. Average land prices in Bangkok rose by 15.8 percent from the period of 2012-2015, while average land prices in the north region posed the highest growth rate of 37.3 percent. Appraisal prices from 2008-2011 and 2012-2015 were 26.9 percent and 21.3 percent higher than the previous 4-year period, driven by the development of the transit system and infrastructure in Bangkok and key provinces.

For 2016-2019 appraisal prices, land prices in Bangkok, especially in areas along with the current (and under construction) mass transit system, namely Bang Sue station, are estimated to robustly increase. Meanwhile land prices in the central business district (CBD) on Silom Road from Saladaeng to Narathiwatnagarind Road are the highest in Bangkok, fetching 1,000,000 baht per square wah, an increase from 800,000 baht per square wah in 2012-2015's land price appraisal.

Part VIII: Thailand's Low-to-Mid Residential Market

8.1 Description of the Competitive Landscape of the Real Estate Market

Total sales (number of units) and average selling prices of condominiums, detached houses, and townhouses in low-to-mid segment in Bangkok and its vicinity, by public companies, 2013-2018



Source: Pruksa Holding Public Company Limited, Ipsos Business Consulting analysis

In 2018, total condominium sales in the low-to-mid segment went up by 10.4 percent to 55,323 units in 2018, from 50,091 units in 2017. Condominiums priced between 2 - 3 million baht had the highest sale volume in 2018 with 18,311 sold units, followed by condominiums priced between 1 - 2 million baht and condominiums priced between 3 - 5 million baht respectively. The average selling prices of condominiums in the low-to-mid segment in 2018 was 2.24 million baht, an increase from 2.18 million baht in 2017. Average selling prices of condominiums in the low-to-mid segment have risen slightly every year from 2013 to 2018, experiencing a 0.7 percent CAGR during this period.

Looking at market trends, total sales of condominiums in the low-to-mid segment have risen gradually as a result of the significant increase in new supply of condominiums along BTS/MRT lines, which are popular locations among customers. Condominiums sold at prices between 2 - 3 million baht and 3 - 5 million baht

have risen every year in proportion to total sale volume due to several factors. The rise in land prices and construction costs have induced property developers to set higher selling prices. The strong demand for condominiums near BTS/ MRT lines, which are generally sold at prices between 2 - 3 million baht and 3 - 5 million baht, has also caused the sale volume of condominiums sold at prices between 2 - 5 million baht to grow. Conversely, condominiums sold at prices between 1 - 2 million baht have declined in proportion to the total sale volume every year, because fewer property developers opened new condominiums within that price range. In addition, the high level of household debt has reduced customer purchasing power, or increased the difficulty experienced by some customers in the low segment in their effort to gain access to housing credit.

The total sales of detached houses in the low-to-mid segment dropped by 2.7 percent to 9,649 units in 2018, from 9,914 units in 2017. Detached houses priced between 3 - 5 million baht had the highest sale volume in 2018 with 8,135 sold units, followed by detached houses priced between 2 - 3 million baht. The average selling price of detached houses in the low-to-mid segment in 2018 was 2.86 million baht, an increase from 2.80 million baht in 2017. Average selling prices of detached houses in the low-to-mid segment rose slightly overall from 2013 to 2018, experiencing a 0.8 percent CAGR during this period.

Regarding the decrease in overall sales of detached houses in the low-to-mid segment from 2013 to 2018, the rising land price and the limitations for developing detached houses in the centre of Bangkok led property developers to focus their construction of new detached houses in Bangkok's suburban area and its vicinity. Because travelling from Bangkok's suburban area or its vicinity was inconvenient or required a lot of time, and because the price for detached houses was normally higher than for condominiums and townhouses, the number of customers who bought detached houses decreased. Considering sale volume by price range, detached houses sold at prices between 3 - 5 million baht grew every year in proportion to the total sale volume of that property type, whereas detached houses sold at prices between 1 - 2 million baht and 2 - 3 million baht fell in proportion to total sale volume over the same 2013 to 2018 period, due to increases in land price and construction cost.

The total sales of townhouses in the low-to-mid segment increased by 5.7 percent to 29,506 units in 2018, from 27,947 units in 2017. Townhouses priced between 2 - 3 million baht had the highest sale volume in 2018 with 14,230 sold units, followed by townhouses priced between 3 - 5 million baht. The average selling price of townhouses in the low-to-mid segment in 2018 was 2.15 million baht, a decrease from 2.18 million baht in 2017. The average selling price of townhouses in the low-to-mid segment declined at a 0.5 percent CAGR from 2013 to 2018.

The total sale volume of townhouses in the low-to-mid segment grew from 2013 to 2018. The demand for townhouses increased because some customers who could not afford the expense of a detached house decided to buy a townhouse instead of a condominium. Townhouses had some advantages over condominiums, such as having a bigger average usable area, the ability to support a larger family size, the allowance of pets, as well as more kitchen space or parking space. Despite the higher demand for townhouses, average selling prices of townhouses in the low-to-mid segment has decreased due to high competition in the market over the last few years.

8.2 Other Items or Issues that Affect the Low-to-Mid Residential Market

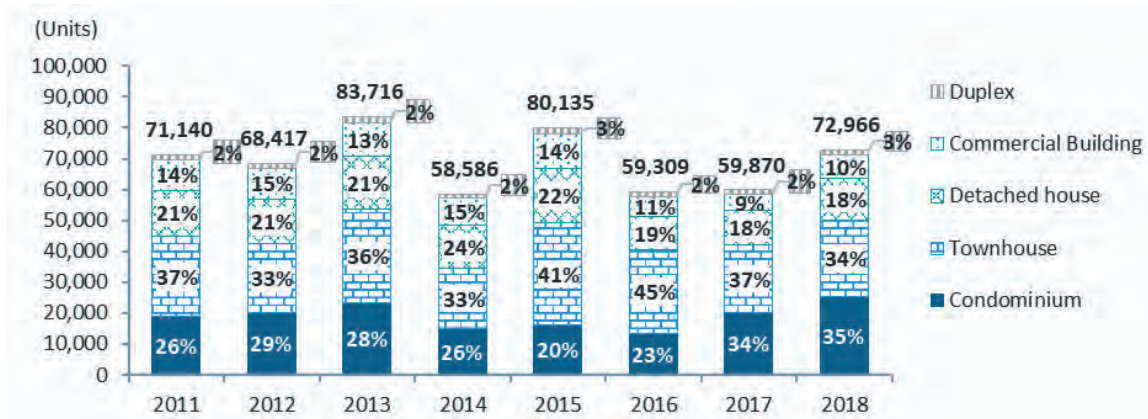
Thailand has employed an expansionary monetary policy since 2011 to stimulate economic growth after the severe flood and political crisis affected the Thai economy. The Bank of Thailand's monetary policy committee has announced a policy interest rate reduction several times. The policy interest rate was cut from 3.5 percent in August 2011, until it was at 1.5 percent in April 2015. It remained at 1.5 percent until November 2018. The low interest rate supported the growing demand for housing among customers in the mid-to-low segment, because customers could borrow at lower mortgage rates. The expansionary monetary policy also boosted overall economic growth, which helped fuel demand as well. The supply of residences in the mid-to-low segment has grown alongside the investment in mass transit mega-projects, because of the competition between property developers to launch housing projects along new BTS/MRT lines. Nonetheless, the rise in land price from urbanisation and the expansion of rapid transit system, along with the higher cost of construction from the new minimum wage policy and the new Royal Decree on Managing the Work of Aliens B.E. 2560 (2017), made it harder to develop new housing units with a selling price below 2 million baht. As a result, property developers have focused more on developing housing projects for the mid segment.

The factors mentioned above have led the low-to-mid residential market to grow significantly over the past few years. However, the low-to-mid residential market is expected to grow at a slower rate in 2019 and onwards because of the announcement of new measures to tighten credit underwriting standards for mortgage loans from the Bank of Thailand, effective since April 2019. The Bank of Thailand now sets loan-to-value requirements according to these new measures. Homebuyers are required to make a down payment of at least 10 percent for the second home mortgage and later home mortgage, if they made a payment on the first home mortgage for three years or more. The minimum requirement is 20 percent down payment for those who have made payments on the first home mortgage for less than three years. The new measures make it more difficult for customers to get second home mortgages, and will have a negative impact on housing sales.

Part IX: Second-Hand Housing Market

9.1 Trends in Thailand's Second-Hand Housing Market

Number of Transferred Units of Second-Hand Residences in Bangkok and Its Vicinity, 2011-2018



Source: REIC

There were 72,966 second-hand residences transferred in 2018, an increase of 13,096 units or 21.9 percent from the previous year. The transfer of second-hand residences increased for all types of property. Most second-hand residences transferred in 2018 were second-hand condominiums, which accounted for 25,240 transferred units, followed by second-hand townhouses with 25,026 transferred units and second-hand detached houses with 13,532 transferred units.

The significant growth in the number of second-hand residences transferred in 2018 was a result of increasing demand for second-hand homes. Many homebuyers want to buy houses in popular locations such as near the BTS/MRT lines or other such facilities to reduce travelling time and cost. Hence, second-hand residences were an interesting option for some homebuyers. Most transferred second-hand residences also had lower selling prices compared to first-hand residences of the same size or located in the same area.

The November 2018 announcement of new measures to tighten credit underwriting standards for mortgage loans, with the effective date of 1 April 2019, also stimulated the sales and transfer of second-hand residences in the 4th quarter of 2018, as homebuyers were worried that they might not be able to get home mortgages, and homesellers were worried that they might not be able to sell their homes after the new measures began to be enforced. According to the new measures, homebuyers are required to make a down payment on the mortgage of a house worth 10 million baht or above, and on the mortgage of a second house worth less than 10 million baht (if the homebuyer is still paying the first home mortgage). The new measures will have a negative impact on the second-hand residence market because some borrowers will lose their ability to get a home mortgage with no down payment, especially those who bought second-hand residences at a low price.

The second-hand housing market still has an opportunity to grow in response to the changes in homebuyers' attitudes and their purchasing behaviours. Nowadays, customers do not merely consider the year that the residence was built, but also other key factors, including location, surroundings, price, value, and customers' specific needs. Second-hand residences in the city centre or business centre have gained in popularity due to limitations on developing new property in the area. The opportunity for second-hand markets in suburban areas will also increase further due to city expansion and improvement of the utility system to areas outside of the centre of Bangkok.

In addition to the demand for second-hand homes from Thai homebuyers, foreign investors are also interested in Thailand's second-hand housing market, especially the second-hand condominium market. Foreign investors, especially Chinese investors, purchased a large amount of first-hand and second-hand condominiums in Thailand over the past three years. Condominiums are the only type of housing property that foreigners can own, in accordance with the Condominium Act, (No. 4), B.E. 2551 (2008). Furthermore, there is a high demand for second-hand houses and second-hand condominiums located near popular tourist attractions or near international schools, because investors want to buy second-hand homes in these areas for the purpose of leasing them to foreigners.

The government also launched a policy in 2005 to support the second-hand housing market. This policy provides:

- A business tax exemption to any property seller whose name has been registered with the property for at least 1 year, or he/she has owned the property for more than 5 years
- Exemption of income considered in income tax calculation from selling the previous property to purchasing a new property within 1 year
- Exemption of revenue stamp for any property seller whose name has been registered with the property for at least 1 year, and he/she purchases a new property within 1 year
- A reduction in transfer fee and mortgage fee from 2% and 1% to 0.01 % of total property's value, given the property seller has resided and registered his/her name with the property for at least 1 year

A positive attitude toward second-hand residences among Thai homebuyers, healthy demand from foreign investors, and support from the government have helped the demand for second-hand homes to grow substantially over the past few years. Thailand's second-hand housing market is expected to continue growing in the future, giving asset management companies more opportunities to sell property to the second-hand housing market.

The supply of second-hand houses is expected to grow for other reasons as well. Thailand's new Land and Building Tax Act B.E. 2562 (2019) will come into effect on 1 January 2020, and its enforcement will incentivise real estate investors and speculators to sell their properties to reduce the cost of holding properties. According to the Act, homeowners will be required to pay land and building tax. The tax rate depends on the price of land and buildings, which in turn will be determined by the government authority. During the first two years of tax collection under the Act, taxpayers will be required to pay tax in accordance with the following:

Residential Property Tax Rate from 2020 to 2021 under the Land and Building Tax Act B.E. 2562 (2019)

1. Owner of land and building who is an individual and whose name is on the house registration book as of 1 st January in such year (Primary Residence)		2. Owner of building (but not land) who is an individual and whose name is on the house registration book as of 1 st January in such year (Primary Residence)		3. Owner of land and building other than categories 1 and 2 (such as owner of second home)	
Value of the Property	Tax Rate	Value of the Property	Tax Rate	Value of the Property	Tax Rate
Less than or equal 50 million baht	Exemption	Less than or equal 10 million baht	Exemption	Less than or equal 50 million baht	0.02%
> 50 – 75 million baht	0.03%	> 10 – 75 million baht	0.02%	> 50 – 75 million baht	0.03%
> 75 – 100 million baht	0.05%	> 50 – 75 million baht	0.03%	> 75 – 100 million baht	0.05%
> 100 million baht	0.10%	> 75 – 100 million baht	0.05%	> 100 million baht	0.10%
		> 100 million baht	0.10%		

Source: iTAX

9.2 Trends in Thailand's Second-Hand Housing Market Development in Bangkok and Its Vicinity and Major Provinces

According to the Real Estate Information Center, the total value of second-hand residences transferred across Thailand in 2018 was 290,000 million baht, an increase of 16 percent over the total value of second-hand residences transferred in 2017. Half of the total value of second-hand residences transferred was from the transfer of second-hand homes in Bangkok and its vicinity, while the other half was from the transfer of second-hand homes in upcountry areas. About 20 percent of the total value of second-hand residences transferred was from the transfer of second-hand condominiums whereas 80 percent of the total value of second-hand residences transferred was from the transfer of second-hand landed property. The total value of second-hand condominiums transferred remained low because condominiums were concentrated in Bangkok and the major provinces in each region of Thailand.

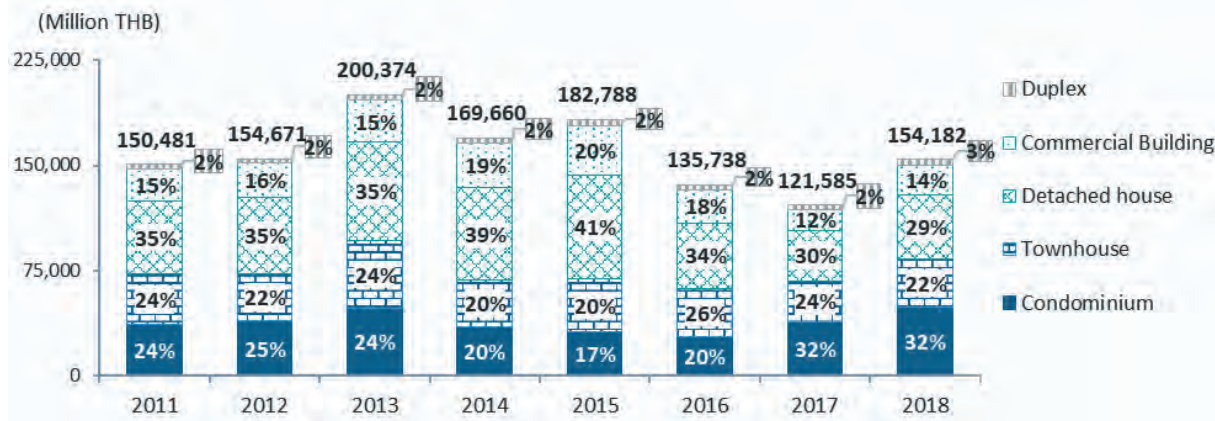
The demand for second-hand housing in the centre of Bangkok is expected to increase because the price of first-hand condominiums in this area is more expensive, and the room size is smaller. Second-hand detached houses and duplexes in Bangna, and second-hand townhouses in Ekkamai and Ramintra, will gain more popularity in the near future, as it is convenient to travel from these areas to the centre of Bangkok. Additionally, the demand for second-hand property near international schools is expected to grow as well.

The second-hand housing market in major provinces is expected to grow also – especially the provinces in the EEC and the provinces with popular tourist attractions. Nonetheless, the growth of the second-hand housing markets in major provinces, such as Chonburi, Chiang Mai, Phuket or Nakhon Ratchasima, is still concentrated in the inner cities and business districts where the land is mostly occupied.

The limitations on developing new property in cities have induced buyers to buy second-hand property. However, most second-hand property buyers in the city do so for the purpose of developing commercial units such as shops, restaurants and hotels. The second-hand housing market has low potential to grow outside of the city, because of the considerable number of new housing projects in the suburbs of major provinces.

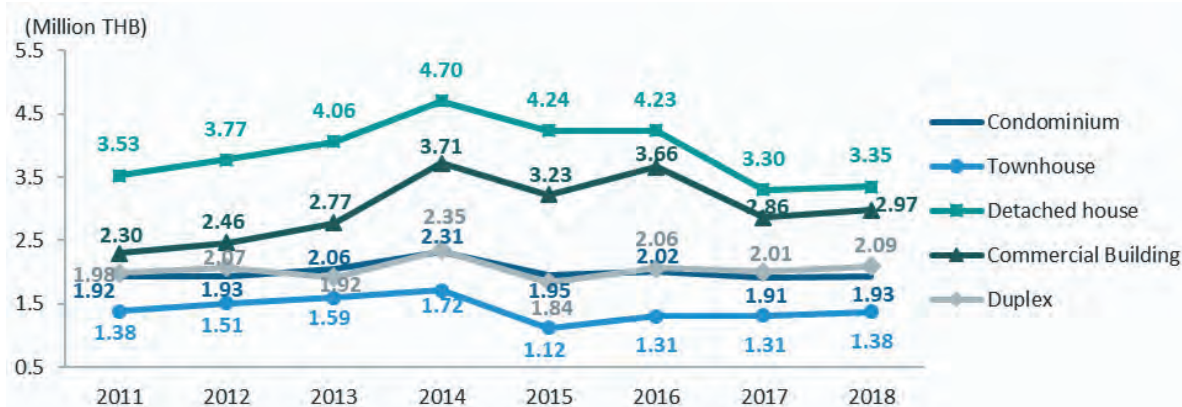
9.3 Price Trends in Thailand's Second-Hand Housing Market

Total Value of Transferred Units of Second-Hand Residences in Bangkok and Its Vicinity from 2011-2018



Source: REIC

Value Per Transferred Transaction of Second-Hand Residences in Bangkok and Its Vicinity from 2011-2018



Source: REIC, Ipsos Business Consulting analysis

In 2018, the total value of transferred units of second-hand residences in Bangkok and its vicinity climbed to 154,182 million baht, an increase of 32,597 million baht or 26.8 percent from the previous year. In 2018, approximately 32 percent of the total value of transferred units of second-hand residences in Bangkok and its vicinity came from second-hand condominiums, followed by second-hand detached houses and second-hand townhouses, which accounted for 29 percent and 22 percent of the total value of transferred units of second-hand residences in Bangkok and its vicinity, respectively.

The value per transferred transaction of second-hand detached houses was higher than for other types of property. In 2018, the average value per transferred transaction of second-hand detached houses was 3.35 million baht per transaction. In contrast, the value per transferred transaction of second-hand condominiums was lower than for other types of property, at 1.38 million baht per transaction in 2018.

The overall value per transferred transaction of second-hand residences tended to decrease since 2014, due in large part to the increase in the outstanding supply of first-hand residences over the same period. The supply of new housing units in Bangkok and its vicinity grew from 2014 to 2018, especially in the areas near BTS/ MRT lines. Homebuyers had more alternative purchasing options as a result of the rise in outstanding supply of first-hand residences. As a result, they were willing to pay less for second-hand homes. Moreover, high household debt reduced the purchasing power of customers in the mid-to-low segment, and caused financial institutions to tighten their credit standards. All these factors negatively affected the value per transferred transaction of second-hand residences. However, the advantages of buying second-hand residences, such as lower prices, continued to attract customers to the second-hand housing market, especially those in the mid-to-low segment. For this reason, the number of transferred units of second-hand residences increased overall, even as the average value per transferred transaction declined.

Estimated prices of second-hand residences in Bangkok and its vicinity, as at June 2017

Location	Average price
Silom- Sathorn- Rama III	Average price from 28.50 - 91.50 million baht
Sukhumvit- Chidlom- Thonglor- Ekamai	Average price from 14.95 - 69.25 million baht
Phayathai- Aree- Saphan Kwai- Phra nakorn	Average price from 16-30 million baht
Ratchada- Huaykwang- Dindaeng-, Ladprao-Ramkhamhaeng- Bangkapi, Chatuchak- Prachachuen- Rattanathibeta	Average price from 11-20 million baht
Thaksin- Wongwianyai- Thonburi, Chaengwattana- Donmeung- Tiwanon. Petchkasem- Bangkhae- Phutthamonthon	Average price from 5-10 million baht
Vicinities: Nonthaburi- Bangyai- Bangbuathong, Rangsit- Lumlukka, Pathumthani	Average price below 5 million baht

Source: TERRABKK

Prices of second-hand residences mostly rely on the land price. Second-hand residences in Silom- Sathorn- Rama III have the highest selling price of 28.50-91.50 million baht in accordance with the land price on Silom Road from Saladaeng to Narathiwatnagarind Road where the land price is the highest in Bangkok, fetching 1,000,000 baht per square wah.

9.4 Sales Channels of Second-Hand Residences

There are generally 4 channels to purchase second-hand residences, classified by type of sellers and intermediaries as in the following:

- **Direct purchase from the property's owner:** It is the traditional method, and flexible, because seller and purchaser can directly negotiate price and condition. However, the purchaser will have limited selection and both parties have to process the document and sale contract on their own.
- **Purchasing through brokerage services:** Sales representatives from the broker will facilitate every process in purchasing/selling the property, starting from property sourcing, offering lists of properties, negotiating between purchaser and seller, and loan acquisition. This method is widely used due to simplicity and convenience. In addition, the brokerage firms have been developing their services to better serve customers, e.g. developing online platforms exhibiting details of properties and sellers.
- **Purchasing NPAs from AMCs and other institutions:** 40 AMCs in the industry or/and banks sell their properties for sale, known as NPAs, which are derived from collateral of defaulted loans, and distressed asset auctions. Properties from this method generally have lower-than-market prices. Moreover, AMCs usually offer a package of housing loans from their strategic partners or companies in their group. This method has been gaining popularity due to its low-price offering and convenience. Purchasers can contact AMCs or banks that offer the services. Banks with a significant amount of NPAs include KTB, Kasikorn, and SCB, while leading AMCs are BAM, SAM and Sinnsuptawee.
- **Participating in auctions held by Legal Execution Department:** Purchaser is highly recommended to visit the auctioned properties on site for properties' investigation and appraisal before participating in the auction. In general, prices of properties purchased from Legal Execution Department's auction are significant lower than market prices due to the required time to visit auctioned properties, and a number of other procedures involved.

Part X: Conclusion for the Distressed Asset Management Industry in Thailand

As discussed in Part IV: Characteristics of Thailand's Distressed Asset Management Industry, AMCs can adjust their strategy and management to follow shifts in the business cycle by purchasing NPLs and NPAs from financial institutions at attractive prices during periods of economic slowdown, and restructure those distressed assets to resell them during the economic recovery or peak stage. Hence, AMCs' earnings are highly correlated with the business cycle. In other words, their earnings are at the highest during the economic recovery or peak stage, and relatively low during the slowdown of the economy, as they purchase NPLs and NPAs. The distressed asset management industry has indeed grown significantly over the past decade. The total assets of the industry increased from 155.5 billion baht in 2011 to 227.7 billion baht in 2018.

Non-bank AMCs, including BAM, have increased the size of their business as their total assets grew from 103.9 billion baht (66.8 percent of total industry assets) in 2011 to 210.2 billion baht (92.3 percent of total industry assets) in 2018. This growth comes in part from the establishment in 2017 of Islamic Bank Asset Management (IAM), which is wholly owned by the Finance Ministry, and whose purpose is to manage NPLs transferred from Islamic Bank of Thailand (iBank). Moreover, many AMCs, such as Mahanakorn, LSF, and J AMC, significantly increased their total assets in 2018.

By contrast, the total assets of AMCs under commercial bank business groups has continuously declined from 51.6 billion baht (33.2 percent of total industry assets) in 2011 to 17.6 billion baht (7.7 percent of total industry assets) in 2018 due to their less aggressive strategy in doing business. Despite declining total assets, most AMCs under the commercial banks' business group, such as Ayudhya, Phethai, and TS, operate at a low debt-to-equity ratio. Thus, AMCs under commercial banks' business group are considered to operate their business more conservatively.

Compared to AMCs under commercial banks' business group, non-bank AMCs generally operate their business with a higher debt-to-equity ratio. These AMCs follow a more assertive strategy because they need financing to further expand their business through the purchase of NPAs, and to increase their distribution and service network to serve more customers.

Growth in the industry has led to a number of new entrants. Most new entrants are subsidiaries or strategic partners with the non-bank financial institutions. One recent new entrant is SWP, which established its business and received its licence from BOT in July 2014. SWP is a subsidiary of Srisawad Power 1979 Plc., operating in the hire purchase and housing loan business. However, the distressed asset industry requires a large amount of capital to run operations, and a certain period of time to generate profit. For these reasons, together with the considerable experience in the industry that the long-established AMCs hold, older and larger companies will therefore have competitive advantages over new entrants and small AMCs in distressed asset auctions and operation. Ease of funding accessibility, lower financing cost as a result of higher credit rating and reputation, and economies of scale give established AMCs a significant market advantage.



The demand for residences is expected to slightly decrease in 2019 in both the Greater Bangkok area and other regions, due to the new tightening of credit underwriting standards for mortgage loans (LTV), the new Land and Building Tax Act B.E. 2562, and the declining purchasing power of the low-to-mid customer segment as a result of the economic slowdown and high levels of household debt. However, Thailand's housing market in 2020 will grow more than 2019 from the recovery of Thai economy and from the government housing stimulus measures including (1) The temporary cut of a property transfer fee and a mortgage fee to 0.01 percent until 24 December 2020, which applies to homes priced at no more than 3 million baht; (2) Low-interest loan (with fixed interest rate of 2.5 percent for the first three years) for properties priced at no more than 3 million baht from GH bank until 24 December 2020. These two housing stimulus measures is expected to support the demand and supply of housing property priced at no more than 3 million baht and cause Thailand's housing market to accelerate more than 2019.

The favourable outlook of the second-hand residential market would positively impact sales of AMCs' NPAs. Moreover, the distressed asset industry can also benefit from the business cycle of the real estate industry. To illustrate, although AMCs' earnings are relatively low during periods of economic downturn due to the decrease in overall sales, AMCs can purchase NPAs from financial institutions at attractive prices due to the expected large amount of NPA supplies.

Office of the National Economic and Social Development Board (NESDB) predicted that Thailand's real GDP will grow by 3.2 percent in 2020 (with the range of 2.7 to 3.7 percent) from several supporting factors includes (1) the growth of private consumption (2) the government spending under FY2020 government budgeting process which is expected to be approved in the beginning of the 2020 (3) the increase in public investment (4) the increase in export value. Headline inflation in 2020 is forecasted to be in the range of 0.5 percent to 1.5 percent, increasing from headline inflation in 2019. Additionally, a policy interest rate was cut from 1.75 percent to 1.50 percent in August 2019. And, the Monetary Policy Committee (MPC) announced the reduction of a policy rate again in November 2019 by cutting a policy rate from 1.50 percent to 1.25 percent which could support the growth of Thai economy in 2020.

Meanwhile, the new supply and sale of real estate are both expected to grow for the provinces in the EEC region, but slow down in Greater Bangkok and other areas as a consequence of the wider economic slowdown and rising interest rates. Moreover, the economic outlook in upcountry areas is expected to remain stagnant due to declining crop prices. Market conditions allow AMCs to sell low-priced NPAs located in the upcountry; and they may also have a chance to purchase NPAs in the upcountry if the NPAs are sold at attractive prices.

Given its largest asset size, widest coverage, and ease of access to funding, BAM is expected to easily maintain its leading position in the distressed asset management industry in the long term. The more favourable economic and residential market outlook is expected to benefit BAM's sales of NPAs, especially since BAM has the highest capability in making profits compared to its competitors in the industry. In addition, the stagnant economic outlook in the upcountry will give BAM a good opportunity to purchase NPAs at low prices in order to generate profit in the foreseeable future. Meanwhile, the persistent low-interest environment, coupled with BAM's economies of scale, will also provide BAM with a low cost of funding so that it can continue to deliver higher margins and profitability.

Appendix

I) Definitions

Term	Definition
In-municipality (Urban)	In-municipality means districts created under the Municipal Act in B.E. 2496 (1953) and the Transformation of Sanitation District into Municipality Act B.E. 2542 (1999) by setting the areas of the municipalities which also includes Bangkok and Pattaya
Out-municipality (Rural)	All areas outside the municipality, also known as villages
Consumer Price Index (Base year = 2015)	The base year of inflation calculation is updated every 4-5 years. In 2017, the Ministry of Commerce adjusted the base year from 2011 to 2015, which is the 10th adjustment. The purpose of adjusting the base year is to follow international standards, under which most countries adjust the base year every 4-5 years.
Policy Interest Rate	Policy Interest Rate or policy rate is the rate that the Monetary Policy Committee of the Bank of Thailand announced in conducting monetary policy under the inflation-targeting framework. The 14-day RP rate was used as the policy interest rate up until 16 January 2007, after which the policy interest rate was switched to the 1-day RP rate. Then, on 12 February 2008, the policy interest rate was switched again to the 1-day bilateral RP rate (Bilateral Repurchase Transactions).
Minimum Lending Rate (MLR)	MLR refers to the interest rate at which the commercial bank charges its most creditworthy major borrowers on loans with pre-specified repayment schedules.
Gross NPLs	The outstanding amount of loans classified as substandard, doubtful, doubtful of loss, and loss.
Net NPLs	The outstanding amount of gross NPLs, net of actual provisioning for the NPLs. (Provisioning is the recognition of potential losses arising from NPLs, and thus there is no further impairment on financial institutions' capital from the portion of NPLs that have been fully provisioned.)
Specialised Financial Institution	Special Financial Institutions were established under a specific law, whose objectives are to implement the government's policies in promoting economic development and supporting investment. Furthermore, these institutions are under the supervision of the Ministry of Finance.

Loans to customers	The term is used by BOT to represent NPL portfolios that are purchased or transferred from a financial institution seller to an asset management company, for debt restructure and debt collection purpose. See also appendix VIII.
Investment in receivables	The term is used by BOT to represent NPL portfolios that are purchased or transferred from a financial institution seller to an asset management company, for reselling purpose. See also appendix VIII.

II) Clarification of Calculation Methods

Term	Clarification of Calculation Method
Per Capita Disposable Income Forecasting Calculation	Ipsos Business Consulting uses the compound annual growth rate of Per Capita Disposable Income to forecast the per capita disposable income in 2008, 2010, 2012 and 2014.
Debt to Equity Ratio	Total Liabilities / Shareholders' Equity
Net Profit Margin (NPM)	Net Profit / Total Revenue <i>Remark: Use summary financial statement of each company from Department of Business Development</i>
Return On Assets (ROA)	Net Profit / Average of beginning balance and ending balance of total assets
Return On Equity (ROE)	Net Profit / Average of beginning balance and ending balance of the shareholders' equity
Cost to Income Ratio	Operating Expense / Operating Income <i>Remark: Operating expense includes administrative and fixed costs, such as salaries and property expenses, but not bad debts that have been written off</i>

III) Foreign Direct Investment [Graph definition]

Figure 1.7 (Foreign Direct Investment) on page 10 illustrates the net flow of FDI data by sector. Positive figures mean that the volume of transactions associated with the increase in investments during the period (either in the form of equity capital, reinvested earnings, or borrowing from affiliates) are higher than those associated with the decreases in investments (either in the form of divestment, or affiliates' repayment on their inter-company borrowings). By contrast, negative figures mean that the increases in investment during the period are lower than the decreases.

IV) Bank Acronyms and Full Names

Acronym	Full Name
BBL	Bangkok Bank Public Company Ltd.
KBANK	Kasikorn Bank Public Company Ltd.
Kiatnakin	Kiatnakin Bank Public Company Limited
Krungsri	Bank of Ayudhya Public Company Ltd.
KTB	Krung Thai Bank Public Company Ltd.
SCB	Siam Commercial Bank Public Company Ltd.
Thanachart	Thanachart Bank Public Company Ltd.
Tisco	Tisco Bank Public Company Limited
TMB	TMB Bank Public Company Limited
UOB	United Overseas Bank (Thai) Public Company Limited
SCT	Standard Chartered Bank (Thai) Public Company Limited
CIMB	CIMB Thai Bank Public Company Limited
LH	Land and Houses Bank Public Company Limited
ICBCT	Industrial and Commercial Bank of China (Thai) Public Company Limited

V) Gross NPL and NPA balance of AMCs

The definition of the total balance of asset management companies' gross investment in loans and the total balance of gross properties foreclosed is taken from the Bank of Thailand's database glossary and accounting report format.

The total balance of asset management companies' gross investment in loans is comprised of gross total investment in receivables + gross loan to customers.

- Gross total investment in receivables is the investment value (cost) of AMCs purchasing NPLs from financial institutions.
- Gross loan to customers is the transferred balance of investment in receivables under either a new agreement or debt restructuring agreement in addition to the existing agreement.

The total balance of asset management companies' gross properties foreclosed comprises foreclosed properties and other properties from purchased, transferred or payment receivables.

VI) NPL Relative to Nominal GDP Per Capita, 2011-2018 [Graph definition]

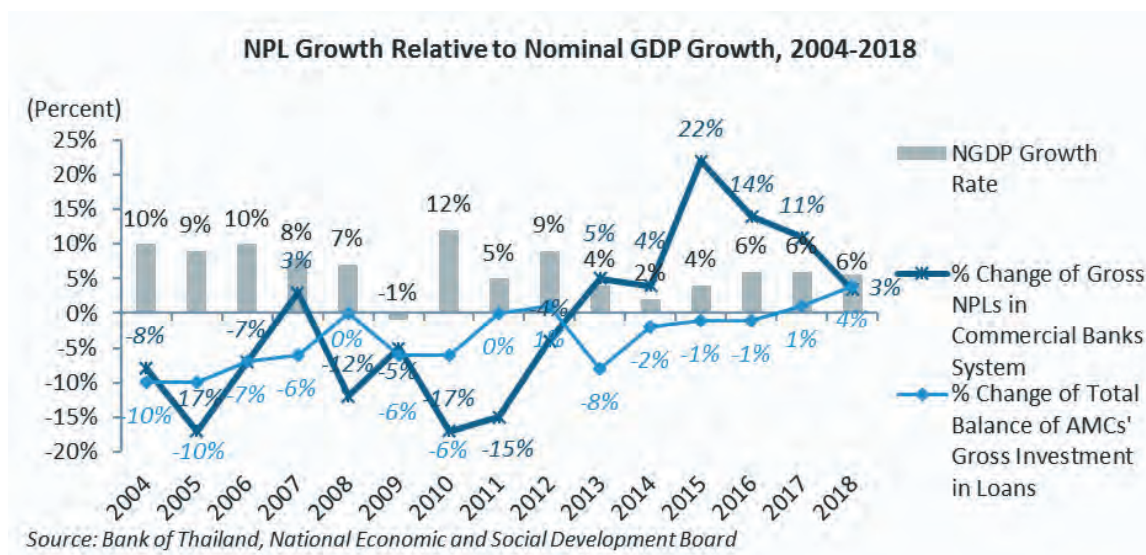
Explanatory data

1. Gross Non-Performing Loans (NPLs) in Commercial Banks System:

- March 2003 – September 2006:
 - Gross NPLs are outstanding amount of loans that are classified as substandard, doubtful, doubtful of loss, and loss.
- December 2006 – Present: From December 2006, NPLs data was disseminated both in terms of gross and net NPLs.
 - Gross NPLs: the outstanding amount of loans that are classified as substandard, doubtful, doubtful of loss, and loss.
 - Net NPLs: the outstanding amount of gross NPLs, net of actual provisioning for the NPLs. (Provisioning is the recognition of potential losses arising from NPLs, and thus there is no further impairment on financial institutions' capital from the portion of NPLs that have been fully provisioned.)

2. Commercial banks are the commercial banks registered in Thailand and foreign banks.

3. Gross NPL Balance of AMCs is calculated separately from the commercial banks system. It consists of investments in receivables and loans to customers.



VII) List of AMCs under Commercial Banks Business Group and Non-Bank AMCs

AMCs under Commercial Banks Business Group	
Ayudhya Asset Management Co., Ltd (Ayudhaya)	Rutchayothin Assets Management Co., Ltd
Max Asset Management Co., Ltd. (Max)	Sathorn Asset Management Co., Ltd. (Sathorn)
N F S Asset Management Co., Ltd. (N.F.S.)	Sinnsuptawee Asset Management Co., Ltd (Sinnsuptawee)
Phahonyothin Asset Management Co., Ltd (Former Phayathai Asset Management Co., Ltd)	TS Asset Management Co., Ltd. (TS)
Phethai Asset Management Co., Ltd (Phethai)	
Non-bank AMCs	
Aamc Asset Management Company Limited	Accretive Asset Management (Thailand) Co., Ltd
Aec Asset Management Co., Ltd.	Aiqon Capital Asset Management (Thailand) Co., Ltd.
Alpha Capital Asset Management Co., Ltd.	Asia Asset Management Co., Ltd.
Aureus Asset Management Co., Ltd.	B.A. 765 Asset Management Co., Ltd.
Bangkok Charan Asset Management Co., Ltd.	Bangkok Commercial Asset Management Public Company Limited (BAM)
Capital Link Asset Management Limited	CCPN Property Asset Management Co., Ltd.
Cf Asia Asset Management Co., Ltd.	Chayo Asset Management Co., Ltd.
Collectius Asset Management Co., Ltd.	Ekthunyakit Asset Management Co., Ltd.
Emperor Justice Asset Management Co., Ltd.	Exclusive Asset Management Co., Ltd.
Globalone Asset Management Co., Ltd.	Harmonisch Asset Management Co., Ltd.
Inter Capital Alliance Asset Management Co., Ltd.	Islamic Bank Asset Management Co., Ltd. (IAM)
J Asset Management Co., Ltd. (J AMC)	J.E.D.I. (Bangkok) Co., Ltd.
Knight Club Capital Asset Management Company Limited	Lsf Amc (Thailand) Company Limited (LSF)
Lumpini Asset Management Co., Ltd.	Lynn Phillips Asset Management Co., Ltd.
Mahanakorn Asset Management Co., Ltd. (Mahanakorn)	Management Asset T.T. Co., Ltd.
Mida Asset Management Co., Ltd.	MyCoreGain Asset Management Co., Ltd.
Nana Asset Management Co., Ltd.	Nine Plus Asset Management Co., Ltd.
Nm Asset Pro Asset Management Co., Ltd	Pearl Asset Management Co., Ltd.
Phattananakhorn Asset Management Co., Ltd.	Ploenchit Asset Management Co., Ltd.
Rachakarn Asset Management Co., Ltd. (Rachakarn)	Raksana Siam Asset Management Ltd.
Regional Asset Management Limited	Suvarnaphumi Asset Management Co., Ltd.
S W P Asset Management Co., Ltd. (SWP)	Sukhumvit Asset Management Co., Ltd. (SAM)
Taweessup Asset Management Company Limited	Thai (A) Asset Management Co., Ltd.
Thai Asset Enforcement and Recovery Asset Management Company Limited	Thaisomboon Asset Management Co., Ltd.
Thanapatr Asset Management Co., Ltd.	Thanatawee Asset Management Company
Thanathip Asset Management	Tycoon Asset Management Co., Ltd.
VC Asset Management Co., Ltd.	Vibhavadi Asset Management Company

Source: Publicly available information from parent companies' annual reports

VIII) Accounting standard

Companies marked with an asterisk (*) adopted the new Thai Accounting Standards under “The Transfer of Financial Assets”, which was announced by the Federation of Accounting Professions. The new accounting standard applies to financial statements for fiscal years beginning on or after 1 January 2013, but can be applied retroactively. (The term financial assets means distressed assets that an asset management company can purchase or transfer, which meets the BOT notification No. SorNorSor 5/2562, except property foreclosed.)

The main content of the new accounting standard regarding “The Transfer of Financial Assets” deals with the change of classification for transferred financial assets items, particularly in NPL transfer, which is as follows:

1. All financial assets that have been purchased or transferred before 1 January 2013 must be recorded as “Investment in receivables”. However, for financial assets that have been restructured (restructured receivables), the items must be transferred from “Investment in receivables” account to “Loans to customers” account.
2. For financial assets that have been purchased or transferred on or after 1 January 2013, the item must be recorded in a “Loans to customers” account. For financial assets that are purchased for reselling purpose or the purchaser expects other compensation besides contracted cash flow payment, the item then shall be recorded as “Investment in receivables”.

For companies that still have not switched to use the new accounting standard, the definition of financial assets of all periods will be the same as the definition in 1.

IX) Service of impaired assets management

In order to provide services relating to impaired assets management to financial institutions, an asset management company is required meet the below criteria:

1. The asset management company must have an accounting system and document storage for impaired assets management services separate from its own business.
2. The asset management company must provide the following information to the Bank of Thailand within 30 days after the execution of a contract for impaired asset management services.
 - Name of the employer
 - Type and value of impaired asset managed
 - Contract period
 - Employment rate (service fee)

X) Property for sale's holding period of AMCs which are subsidiaries of financial institutions

If AMCs which are subsidiaries of financial institutions cannot sell property for sale within 5 years, the period can be extended for 5 years by BOT approval only in the following cases:

1. The parent financial institution of the asset management company has a property for sale (held in the extended period) to bank capital ratio of less than 10 percent. The ratio is calculated based on property for sale balance and bank capital on the last day of the previous year.
2. In the event the parent financial institution of the asset management has a property for sale (held in the extended period) to bank capital ratio of more than 10 percent, the Bank of Thailand will extend the period of time only if the asset management company can increase the reserve capital for the property for sale (held in the extended period) by the end of the current accounting period (at the amount required by the Bank of Thailand (0%, 20%, 40%, 55%, and 70% of the appraisal value or the book value of a property for sale – the percentage of reserve capital increases according to the number of years holding, from 6-10 years).

XI) Market concentration analysis
Distressed asset management industry market concentration

Herfindahl-Hirschman Index (HHI)	0.2259
Four-firm Concentration Ratio (CR ₄)	0.6832
Eight-firm Concentration Ratio (CR ₈)	0.8793

Remark:

- HHI are calculated as $H = \sum_{i=1}^N S_i^2$, where S is the market share of total AMCs' assets of firm i in the distressed asset management industry, and N is the number of AMC (firm), which $n = 58$
- Concentration ratio is calculated as $CR_m = \sum_{i=1}^m S_i$, where S is the market share of total AMCs' assets of firm i in the distressed asset management industry, and m defines the i^{th} firm
- Number use in calculation is as of December 2018
- Top eight firms by total assets include BAM, SAM, IAM, Sinnsuptawee, LSF, SWP, J AMC, Ayudhya, and RCAM

Thailand's distressed asset management industry uses the Herfindahl-Hirschman Index to measure market concentration. Using the HHI, the result for Thailand is 0.2259, which shows that the market is highly concentrated.

The four-firm concentration ratio (CR₄) of 0.6832 means that the top four firms ranked by total assets, which are BAM, SAM, IAM, and Sinnsuptawee account for 68.3 percent of the industry's assets. The eight-firm concentration ratio (CR₈) is 0.8793, which means eight companies in this industry represented about 87.9 percent of the total market.



Therefore, the overall industry is highly concentrated among the top firms. The concentrated and consolidated nature of the market poses a significant barrier for new entrants. For Thailand's distressed asset management industry, this implies that the sector requires specific expertise and resources.

XII) Limitations on comparability of financial information

Amounts are derived from the published financial statements of the relevant entities. Financial information of BAM and other companies included in this report is not in all cases comparable across all periods or dates presented, nor is such information in all cases comparable as between different companies for the same period or as of the same date, due to differences/changes in accounting policies and other factors. See also appendix VIII.

ANNEX B

U.S. INVESTOR REPRESENTATION LETTER AND OFFSHORE TRANSACTION LETTER

U.S. Investor Representation Letter

To: Bangkok Commercial Asset Management Public Company Limited
99 Surasak Rd.
Silom Sub-district, Bangrak District
Bangkok 10500
Thailand

Financial Institutions Development Fund (the “**Selling Shareholder**”)
273 Samsen Road
Wat Sam Phraya Sub-District, Phra Nakorn District
Bangkok 10200
Thailand

Kasikorn Securities Public Company Limited (“**KSecurities**”)
No. 400/22 Kasikornbank Building
1st, 3rd, 11th and 19th Floors
Phahon Yothin Road
Samsen Nai Sub-District, Phaya Thai District
Bangkok 10400
Thailand

Trinity Securities Co., Ltd. (“**Trinity**”)
179 Bangkok City Tower
25th-26th and 29th Floors
South Sathorn Road
Tungmahamek Sub-District, Sathorn District
Bangkok 10120
Thailand

UBS AG Hong Kong Branch (“**UBS**”)
Two International Finance Centre
52/F, 8 Finance Street, Central
Hong Kong

Ladies and Gentlemen:

This letter (a “**U.S. Investor Representation Letter**”) relates to (a) the purchase or other transfer of shares (the “**Shares**”) of Bangkok Commercial Asset Management Public Company Limited (the “**Company**”) from KSecurities, Trinity or UBS (together, the “**Managers**”) (or their affiliates). This letter is delivered on behalf of the person acquiring beneficial ownership of the Shares by the investor named below or the accounts listed on the attachment hereto (each an “**Investor**”). Unless otherwise stated, or the context otherwise requires, capitalized terms in this letter shall have the same meaning as is given to them in the preliminary offering circular relating to the offering of the Shares described therein issued by the Company on November 22, 2019 (the “**Preliminary Offering Circular**”).

We make the following representations and agreements, as of the date hereof and at the time of any purchase of the Shares, on behalf of ourselves, and, if applicable, on behalf of each account for which we are acting:

1. We hereby confirm that:
 - a. We have received a copy of the Preliminary Offering Circular and understand and agree that the Preliminary Offering Circular speaks only as of its date and that the information contained therein may not be correct or complete as of any time subsequent to its date and we will review all terms and conditions contained in the Preliminary Offering Circular and agree to perform any obligations contained in the Preliminary Offering Circular, including any matter to be further determined or modified by the Company in the future in all respects;
 - b. we are a “qualified institutional buyer” (“**QIB**”) as defined in Rule 144A (“**Rule 144A**”) under the U.S. Securities Act of 1933, as amended (the “Securities Act”), and a “qualified purchaser” (“**QP**”) as defined in Section 2(a)(51) and related rules of the U.S. Investment Company Act of 1940, as amended (the “**Investment Company Act**”);
 - c. we are not a broker-dealer which owns and invests on a discretionary basis less than US\$25 million in securities of unaffiliated issuers;
 - d. we are not a participant-directed employee plan, such as a plan described in subsections (a)(1)(i)(D), (E) or (F) of Rule 144A; and
 - e. either (a) we are not and are not using the assets of any (i) “employee benefit plan” which is subject to Title I of the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), “plan” which is subject to Section 4975 of the U.S. Internal Revenue Code or entity whose underlying assets are treated as assets of any such employee benefit plan or plan within the meaning of ERISA or the U.S. Internal Revenue Code or (ii) governmental, church or non-U.S. plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the U.S. Internal Revenue Code (“**Similar Law**”), or entity whose assets are treated as assets of any such plan, or (b) our purchase and holding of any Shares will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the U.S. Internal Revenue Code, or violation of applicable Similar Law.
2. We hereby confirm that: (i) we were not formed for the purpose of investing in the Company (unless each beneficial owner of our securities is a QP); (ii) if we are a private investment company relying upon Sections 3(c)(1) and 3(c)(7) of the Investment Company Act or a foreign investment company relying upon Sections 3(c)(1) or 3(c)(7) of the Investment Company Act with respect to our U.S. holders and were formed on or before April 30, 1996, we have received the necessary consent from our beneficial owners pursuant to the Investment Company Act; (iii) we do not and will not invest more than 40% of our total assets in the Company; (iv) we are not managed as a device for facilitating individual investment decisions of our beneficial owners, but rather are managed as a collective investment vehicle; and (v) we are acquiring an interest in the Shares for our own account as principal, or for the account of one or more other persons who are able to and who shall be deemed to make all of the representations and agreements in this U.S. Investor Representation Letter and for whom we exercise sole investment discretion.
3. We understand and acknowledge that the Shares have not been and will not be registered under the Securities Act and accordingly may not be offered or sold as part of their initial distribution within the

United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

4. We understand and acknowledge that the Company has not registered, and does not intend to register, as an “investment company” (as such term is defined under the Investment Company Act and related rules) and that the Company has imposed the transfer and offering restrictions with respect to persons in the United States and U.S. Persons described herein so that the Company will qualify for the exclusion provided under Section 3(c)(7) of the Investment Company Act and will have no obligation to register as an investment company. We understand and acknowledge that the proposed sale of the Shares is not part of a plan or scheme to evade the registration requirements of the Securities Act or the Investment Company Act.
5. We understand and agree that if in the future we decide to offer, resell, pledge or otherwise transfer any Shares, such Shares will be offered, resold, pledged or otherwise transferred (i) to a known U.S. person (through the Stock Exchange of Thailand or elsewhere), provided that (A) the offeree, purchaser, pledgee or transferee, as the case may be, delivered a representation letter substantially similar to this U.S. Investor Representation Letter, (B) the transferred Shares continue to be held by the Company or its registrar, who records the transfer on its book, and (C) the minimum sale amount shall be US\$250,000 per account; (ii) to a non-U.S. person or “unknown person”, provided that (A) the sale must be an offshore transaction under Regulation S, not pre-arranged with a U.S. person in a regular way sale through the Stock Exchange of Thailand and not involving underwritten offerings or block trades, (B) we deliver an exit letter in the form attached to this letter to the Company or its registrar that states that we are selling in an offshore transaction; or (C) through the Thailand Securities Depository.
6. We understand that, subject to certain exceptions, to be a QP, entities must have US\$25 million in “investments” as defined in Rule 2a51-1 under the Investment Company Act.
7. We agree, upon a proposed transfer of our Shares, to notify any purchaser of such Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Shares being sold.
8. We agree that neither we, nor any of our affiliates, nor any person acting on our or their behalf, will make, and represent and warrant that any purchase of Shares is not the result of, and that we have not at any time initiated any process in relation to any purchase of Shares as a result of nor considered any purchase of Shares as a result of:
 - a. any “directed selling efforts” as defined in Regulation S, or any “general solicitation or “general advertising” as defined in Regulation D, in connection with any offer or sales of the Shares;
 - b. any statement or information found on any website of the Company, or any of its affiliates or the Stock Exchange of Thailand; and
 - c. any statement or information found in any announcement, press release or press-related materials released by the Company, any of its affiliates or any person acting on its or their behalf, including the Underwriters, their affiliates or any person acting on its or their behalf and including any such announcement, press release or materials released by or through the Stock Exchange of Thailand.
9. We understand that the Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for re-sales of any Shares.
10. We will make our own independent investigation and appraisal of the business, results, financial condition, prospects, creditworthiness, status and affairs of the Company and we will make our own investment decision to acquire the Shares.
11. We acknowledge that the financial information in the Preliminary Offering Circular, Thai Prospectus and the final offering circular dated December 2, 2019 (the “**Final Offering Circular**”) has been prepared and presented in accordance with Thai Financial Reporting Standards and Thai disclosure standards, which are different from U.S. GAAP, IFRS and other U.S. and international disclosure standards.

12. We are a sophisticated investor and have such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of the investment in the Shares. We are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions. We and any accounts for which we are subscribing to the Shares (i) are each able to bear the economic risk of the investment in the Shares, (ii) will not look to the Company, the Selling Shareholder or any of the Managers (or their respective affiliates, as applicable) for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Shares, (iv) have no need for liquidity with respect to the investment in the Shares, and (v) have no reason to anticipate any change in our or their circumstances, financial or otherwise, which may cause or require any sale or distribution by us or them of all or any part of the Shares. We acknowledge that an investment in the Shares involves a high degree of risk and that the Shares are, therefore, a speculative investment. We are seeking to subscribe to the Shares in this Issue for our own investment and not with a view to distribution.
13. (i) Neither the Company nor the Selling Shareholder will be required to accept for registration of transfer any Shares acquired by us if such transfer is made in violation of the transfer restrictions set out in paragraph 5 above; (ii) the Company may require any U.S. Person or any person within the United States who was required to be both a QIB and a QP but was not both a QIB and a QP at the time we acquired any Shares or any beneficial interest therein to transfer the Shares or any such beneficial interest immediately in a manner consistent with the restrictions set forth in this U.S. Investor Representation Letter; and (iii) if the obligation to transfer is not met, the Company is irrevocably authorized, without any obligation, to transfer the Shares, as applicable, in a manner consistent with the restrictions set forth in this U.S. Investor Representation Letter and, if such Shares are sold, the Company shall be obliged to distribute the net proceeds to the entitled party.
14. (i) None of the Managers or their affiliates (as applicable) have made or will make any representation or warranty as to the accuracy or completeness of the information in the Preliminary Offering Circular or the Final Offering Circular; (ii) we have not relied and will not rely on any investigation by any of the Managers, their respective affiliates or any person acting on their behalf with respect to the Company, or the Shares; and (iii) none of the Managers (or their respective affiliates, as applicable) or the Company makes any representation as to the availability of an exemption from the Securities Act for the transfer of the Shares.
15. We agree that we will satisfy ourselves concerning any effects of United States federal, state and local income tax laws and foreign tax laws on our investment in the Shares and understand that based on the projected composition of the Company's income and valuation of assets, the Company believes it will be a passive foreign investment company, or "PFIC", for 2019 and in the future, and such characterization would result in adverse U.S. federal income tax consequences if we are a U.S. investor.
16. We understand and acknowledge that the Shares will be deemed to bear a legend substantially to the following effect:

"THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OR ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHO THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS BOTH (I) A "**QUALIFIED INSTITUTIONAL BUYER**" (AS DEFINED IN RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT) AND (II) A "**QUALIFIED PURCHASER**" (AS DEFINED WITHIN THE MEANING OF SECTION 2(A)(51)(A) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE "**INVESTMENT COMPANY ACT**") AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER"), (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO ANY OTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. EACH PURCHASER OF THE SHARES IS HEREBY NOTIFIED THAT THE COMPANY HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN "INVESTMENT COMPANY" UNDER THE INVESTMENT COMPANY ACT, IN RELIANCE UPON THE EXCEPTION PROVIDED BY SECTION 3(C)(7) THEREOF. THE

PURCHASER BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS BOTH A **“QUALIFIED INSTITUTIONAL BUYER”** AND A **“QUALIFIED PURCHASER”**, AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH ACCOUNT, AND THAT (B) THE SHARES MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN MINIMUM AMOUNTS OF US\$250,000 PER ACCOUNT (A) TO A U.S. PERSON OR A PERSON IN THE UNITED STATES WHOM THE SELLER REASONABLY BELIEVES IS BOTH A **“QUALIFIED INSTITUTIONAL BUYER”** AND A **“QUALIFIED PURCHASER”** (X) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (Y) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND THAT DELIVERS TO THE COMPANY A CERTIFICATION TO THAT EFFECT IN WRITING IN A U.S. INVESTOR REPRESENTATION LETTER OR ANOTHER FORM ACCEPTABLE TO THE COMPANY, OR (3) IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S UNDER THE SECURITIES ACT (**“REGULATION S”**) TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN TO BE A U.S. PERSON, IF EITHER (X) AT THE TIME THE BUY ORDER ORIGINATED THE PURCHASER WAS OUTSIDE THE UNITED STATES, OR THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVED THE PURCHASER WAS OUTSIDE THE UNITED STATES OR (Y) THE SALE IS MADE IN A TRANSACTION EXECUTED IN A DESIGNATED OFFSHORE SECURITIES MARKET, AND TO A PERSON NOT KNOWN TO THE SELLER TO BE A U.S. PERSON BY PRE-ARRANGEMENT OR OTHERWISE, AND UPON CERTIFICATION TO THAT EFFECT BY THE SELLER IN WRITING IN AN OFFSHORE TRANSACTION LETTER OR ANOTHER FORM ACCEPTABLE TO THE COMPANY. THE TERMS **“U.S. PERSON,”** **“OFFSHORE TRANSACTION”** AND **“DESIGNATED OFFSHORE SECURITIES MARKET”** HAVE THE MEANINGS SET FORTH IN REGULATION S. THE HOLDER AND EACH SUBSEQUENT HOLDER IS REQUIRED TO NOTIFY ANY PURCHASER OF THE SHARES FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (B) ABOVE. NONE OF THE COMPANY OR THEIR AGENTS SHALL BE OBLIGATED TO RECOGNIZE ANY RESALE OR OTHER TRANSFER OF THE SHARES MADE OTHER THAN IN COMPLIANCE WITH THE TRANSFER RESTRICTIONS REFERRED TO IN (B) ABOVE. THE COMPANY AND ITS AGENTS MAY REQUIRE ANY PERSON WHO IS REQUIRED TO BE BOTH A **“QUALIFIED PURCHASER”** AND A **“QUALIFIED INSTITUTIONAL BUYER”** BUT WHO IS NOT BOTH A **“QUALIFIED PURCHASER”** AND A **“QUALIFIED INSTITUTIONAL BUYER”** AT THE TIME IT ACQUIRES THE SHARES TO TRANSFER THE SHARES TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S.

THE HOLDER OF THE SHARES, BY ITS ACCEPTANCE HEREOF, REPRESENTS THAT EITHER (I) SUCH PERSON IS NOT AND IS NOT USING THE ASSETS OF ANY (A) **“EMPLOYEE BENEFIT PLAN”** AS DEFINED IN AND SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**“ERISA”**), **“PLAN”** SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **“CODE”**) OR ENTITY WHOSE UNDERLYING ASSETS ARE TREATED AS ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN WITHIN THE MEANING OF ERISA OR THE CODE, OR (B) GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (**“SIMILAR LAW”**), OR ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF ANY SUCH PLAN, OR (II) SUCH PERSON’S PURCHASE AND HOLDING OF THE SHARES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF APPLICABLE SIMILAR LAW.

THE SHARES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. EACH SELLER OF THE SHARES AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN TO THE PURCHASER AND TO ANY EXECUTING BROKER.”

17. We will not deposit or cause to be deposited such Shares into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, so long as such Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act.

18. We acknowledge that if at any time our representations in this letter cease to be true, we agree to immediately resell the Shares at the Company's request and we agree that pending such required sale, the Company shall not consider us to be a beneficial or legal owner of the Shares.
19. We agree, on our own behalf and on behalf of any investor account for which we are acting in connection with the Shares on behalf of our customer as fiduciary or agent, that, whether or not we acquire any Shares in the Combined Offering, if we purchase Shares during the 40-day period after the Shares are first admitted to trading on the Stock Exchange of Thailand, then: (i) at the time of such purchase we either (x) will not be a U.S. Person and will be located outside the United States (within the meaning of the U.S. Securities Act), or (y) will be both a QIB and a QP; and (ii) such Shares so purchased will be offered, resold, pledged or otherwise transferred only outside the United States to a purchaser not known by us to be a U.S. Person (by pre-arrangement or otherwise) and in an offshore transaction complying with the provisions of Rule 904 of Regulation S (including, for the avoidance of doubt, a bona fide sale on the Stock Exchange of Thailand).
20. We agree to indemnify and hold the Company, the Selling Shareholder and the Managers (or their respective affiliates, as applicable) harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach or alleged breach of these representations and warranties. We agree that we will not hold any of the Company, the Selling Shareholder or the Managers (or their respective affiliates, as applicable) liable with respect to our investment in the Shares, and that the indemnity set forth in this paragraph shall survive the resale of the Shares.
21. Where we are subscribing to the Shares for one or more managed accounts, we represent and warrant that we are authorized in writing, by each such managed account to subscribe to the Shares for each managed account and to make (and we hereby make) the acknowledgements and agreements herein for and on behalf of each such account, reading the reference to "it" to include such accounts.
22. We understand that the Company may receive a list of participants holding positions in its securities from one or more book-entry depositaries.
23. We acknowledge that our purchase of the Shares is subject to and based upon all the terms, conditions, representations, warranties, agreements, undertakings and acknowledgements provided herein and other information summarized or contained in the Preliminary Offering Circular and the Final Offering Circular.
24. We acknowledge that the Company, the Selling Shareholder and the Managers, and their respective affiliates, directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements is no longer accurate or have not been complied with, we will promptly notify the Company, the Selling Shareholder and the Managers.
25. We irrevocably authorize the Company, the Selling Shareholder and the Managers, and their respective affiliates, directors, officers, agents, employees, advisers and any person acting on their behalf to produce these representations, warranties, agreements, undertakings and acknowledgements or a copy hereof to any interested party in any administrative or legal proceedings, dispute or official inquiry with respect to the matters covered hereby.
26. No agency of the United States or any state thereof has made any finding or determination as to the fairness of the terms of, or any recommendation or endorsement in respect of, the Shares.

We hereby consent to the actions of each of the Managers (or their respective affiliates, as applicable), and hereby waive any and all claims, actions, liabilities, damages or demands we may have against any Manager in connection with any alleged conflict of interest arising from the engagement of each of the Managers (or their respective affiliates, as applicable) with respect to the sale by the applicable Manager of the Shares to us.

We acknowledge that each of the Managers, the Company, the Selling Shareholder and their respective affiliates and others will rely on the acknowledgements, representations and warranties contained in this U.S. Investor Representation Letter as a basis for exemption of the sale of the Shares under the Securities Act, the Investment Company Act, under the securities laws of all applicable states and for other purposes. The party signing this U.S. Investor Representation Letter agrees to promptly notify the Company, the Selling Shareholder and the Managers if any of the acknowledgements, representations or warranties set forth herein are no longer accurate.

This U.S. Investor Representation Letter shall be governed by and construed in accordance with the laws of the State of New York.

Where there are joint applicants, each must sign this U.S. Investor Representation Letter. Applications from a corporation must be signed by an authorized officer or be completed otherwise in accordance with such corporation's constitution (evidence of such authority may be required).

Very truly yours,

NAME OF PURCHASER:

By:

Name:

Title:

Address:

Date:

Form of Exit Letter¹

Bangkok Commercial Asset Management Public Company Limited
99 Surasak Rd.
Silom Sub-district, Bangrak District
Bangkok 10500
Thailand

(the “**Company**”)

The undersigned purchased shares of THB _____ each (the “**Shares**”) of the Company in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act of 1933 (the “**U.S. Securities Act**”). The undersigned represents and warrants to the Company that it has transferred such Shares in compliance with the U.S. Securities Act and other applicable securities laws, outside the United States to a purchaser not known by it to be a U.S. person (as defined under Regulation S under the U.S. Securities Act (“**Regulation S**”)) and in an offshore transaction complying with the provisions of Rule 904 of Regulation S.

NAME OF PURCHASER:

By:

Name:

Title:

Address:

Date:

¹ This letter must be delivered to the Company in this form (or in a form otherwise acceptable to the Company), upon any offer, resale, pledge or other transfer by the investor of the Shares. Such offer, resale, pledge or other transfer may be made only outside the United States to a purchaser not known by it to be a U.S. person (as defined in Regulation S under the U.S. Securities Act) in an offshore transaction complying with Rule 904 of Regulation S and under circumstances which will not require the Company to register under the U.S. Investment Company Act, in each case in accordance with all applicable securities laws.

Offshore Transaction Letter

To: Bangkok Commercial Asset Management Public Company Limited
99 Surasak Rd.
Silom Sub-district, Bangrak District
Bangkok 10500
Thailand

Financial Institutions Development Fund (the “**Selling Shareholder**”)
273 Samsen Road
Wat Sam Phraya Sub-District, Phra Nakorn District
Bangkok 10200
Thailand

Kasikorn Securities Public Company Limited (“**KSecurities**”)
No. 400/22 Kasikornbank Building
1st, 3rd, 11th and 19th Floors
Phahon Yothin Road
Samsen Nai Sub-District, Phaya Thai District
Bangkok 10400
Thailand

Trinity Securities Co., Ltd. (“**Trinity**”)
179 Bangkok City Tower
25th-26th and 29th Floors
South Sathorn Road
Tungmahamek Sub-District, Sathorn District
Bangkok 10120
Thailand

UBS AG Hong Kong Branch (“**UBS**”)
Two International Finance Centre
52/F, 8 Finance Street, Central
Hong Kong

Ladies and Gentlemen:

This letter (an “**Offshore Transaction Letter**”) relates to (a) the purchase or other transfer of shares (the “**Shares**”) of Bangkok Commercial Asset Management Public Company Limited (the “**Company**”) from KSecurities, Trinity or UBS (together, the “**Managers**”) (or their affiliates). This letter is delivered on behalf of the person acquiring beneficial ownership of the Shares by the investor named below or the accounts listed on the attachment hereto (each an “**Investor**”). Unless otherwise stated, or the context otherwise requires, capitalized terms in this letter shall have the same meaning as is given to them in the preliminary offering circular relating to the offering of the Shares described therein issued by the Company on November 22, 2019 (the “**Preliminary Offering Circular**”).

We make the following representations and agreements, as of the date hereof and at the time of any purchase of the Shares, on behalf of ourselves, and, if applicable, on behalf of each account for which we are acting:

1. We hereby confirm that:
 - a. We have received a copy of the Preliminary Offering Circular and understand and agree that the Preliminary Offering Circular speaks only as of its date and that the information contained therein may not be correct or complete as of any time subsequent to its date and we will review all terms and conditions contained in the Preliminary Offering Circular and agree to perform any obligations contained in the Preliminary Offering Circular, including any matter to be further determined or modified by the Company in the future in all respects;
 - b. we acknowledge (or if we are a broker-dealer acting on behalf of a customer, our customer has confirmed to us that such customer acknowledges) that the Shares are being issued in reliance upon Regulation S;
 - c. we certify that either (A) we are, or at the time the Shares are purchased will be, the beneficial owner of the Shares and we are not a U.S. person and are located outside the United States (within the meaning of Regulation S), or (B) we are a broker-dealer acting on behalf of our customer and our customer has confirmed to us that (i) such customer is, or at the time the Shares are purchased will be, the beneficial owner of the Shares, and (ii) such customer is not a U.S. person and is located outside the United States (within the meaning of Regulation S); and
 - d. we are aware of the restrictions of the offer, sale and resale of the Shares pursuant to Regulation S.
2. We hereby confirm that we are acquiring an interest in the Shares for our own account as principal, or for the account of one or more other persons who are able to and who shall be deemed to make all of the representations and agreements in this Offshore Transaction Letter and for whom we exercise sole investment discretion.
3. We understand and acknowledge that the Shares have not been and will not be registered under the Securities Act and accordingly may not be offered or sold as part of their initial distribution within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
4. We understand and acknowledge that the Company has not registered, and does not intend to register, as an “investment company” (as such term is defined under the Investment Company Act and related rules) and that the Company has imposed the transfer and offering restrictions with respect to persons in the United States and U.S. Persons described herein so that the Company will qualify for the exclusion provided under Section 3(c)(7) of the Investment Company Act of 1940, as amended (the “**Investment Company Act**”) and will have no obligation to register as an investment company. We understand and acknowledge that the proposed sale of the Shares is not part of a plan or scheme to evade the registration requirements of the Securities Act or the Investment Company Act.
5. We understand and agree that if in the future we decide to offer, resell, pledge or otherwise transfer any Shares, such Shares may only be offered, resold, pledged or otherwise transferred to a non-U.S. person or “unknown person,” provided that (A) the sale must be an offshore transaction under Regulation S, not pre-arranged with a U.S. person in a regular way sale through the Stock Exchange of Thailand and not

involving underwritten offerings or block trades, (B) we deliver an exit letter in the form attached to this letter to the Company or its registrar that states that we are selling in an offshore transaction; or (C) through the Thailand Securities Depository.

6. We agree, upon a proposed transfer of our Shares, to notify any purchaser of such Shares or the executing broker, as applicable, of any transfer restrictions that are applicable to the Shares being sold.
7. We agree that neither we, nor any of our affiliates, nor any person acting on our or their behalf, will make, and represent and warrant that any purchase of Shares is not the result of, and that we have not at any time initiated any process in relation to any purchase of Shares as a result of nor considered any purchase of Shares as a result of:
 - a. any “directed selling efforts” as defined in Regulation S in connection with any offer or sales of the Shares;
 - b. any statement or information found on any website of the Company, or any of its affiliates or the Stock Exchange of Thailand; and
 - c. any statement or information found in any announcement, press release or press-related materials released by the Company, any of its affiliates or any person acting on its or their behalf, including the Underwriters, their affiliates or any person acting on its or their behalf and including any such announcement, press release or materials released by or through the Stock Exchange of Thailand.
8. We will make our own independent investigation and appraisal of the business, results, financial condition, prospects, creditworthiness, status and affairs of the Company and we will make our own investment decision to acquire the Shares.
9. We acknowledge that the financial information in the Preliminary Offering Circular, Thai Prospectus and the final offering circular dated December 2, 2019 (the “**Final Offering Circular**”) has been prepared and presented in accordance with Thai Financial Reporting Standards and Thai disclosure standards, which are different from U.S. GAAP, IFRS and other U.S. and international disclosure standards.
10. We are a sophisticated investor and have such knowledge and experience in financial, business and investment matters as to be capable of evaluating the merits and risks of the investment in the Shares. We are experienced in investing in private placement transactions of securities of companies in a similar stage of development and in similar jurisdictions. We and any accounts for which we are subscribing to the Shares (i) are each able to bear the economic risk of the investment in the Shares, (ii) will not look to the Company, the Selling Shareholder or any of the Managers (or their respective affiliates, as applicable) for all or part of any such loss or losses that may be suffered, (iii) are able to sustain a complete loss on the investment in the Shares, (iv) have no need for liquidity with respect to the investment in the Shares, and (v) have no reason to anticipate any change in our or their circumstances, financial or otherwise, which may cause or require any sale or distribution by us or them of all or any part of the Shares. We acknowledge that an investment in the Shares involves a high degree of risk and that the Shares are, therefore, a speculative investment. We are seeking to subscribe to the Shares in this Issue for our own investment and not with a view to distribution.
11. (i) None of the Managers or their affiliates (as applicable) have made or will make any representation or warranty as to the accuracy or completeness of the information in the Preliminary Offering Circular or the Final Offering Circular; (ii) we have not relied and will not rely on any investigation by any of the Managers, their respective affiliates or any person acting on their behalf with respect to the Company, or the Shares; and (iii) none of the Managers (or their respective affiliates, as applicable) or the Company makes any representation as to the availability of an exemption from the Securities Act for the transfer of the Shares.
12. We understand and acknowledge that the Shares will be deemed to bear a legend substantially to the following effect:

“THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE “**SECURITIES ACT**”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OR ANY STATE OR OTHER JURISDICTION OF

THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON WHO THE SELLER OR ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS BOTH (I) A **“QUALIFIED INSTITUTIONAL BUYER”** (AS DEFINED IN RULE 144A IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT) AND (II) A **“QUALIFIED PURCHASER”** (AS DEFINED WITHIN THE MEANING OF SECTION 2(A)(51)(A) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (THE **“INVESTMENT COMPANY ACT”**) AND THE RULES AND REGULATIONS PROMULGATED THEREUNDER”), (2) IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, OR (3) PURSUANT TO ANY OTHER EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. EACH PURCHASER OF THE SHARES IS HEREBY NOTIFIED THAT THE COMPANY HAS NOT BEEN AND WILL NOT BE REGISTERED AS AN **“INVESTMENT COMPANY”** UNDER THE INVESTMENT COMPANY ACT, IN RELIANCE UPON THE EXCEPTION PROVIDED BY SECTION 3(C)(7) THEREOF. THE PURCHASER BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT (A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS BOTH A **“QUALIFIED INSTITUTIONAL BUYER”** AND A **“QUALIFIED PURCHASER”**, AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH ACCOUNT, AND THAT (B) THE SHARES MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY IN MINIMUM AMOUNTS OF US\$250,000 PER ACCOUNT (A) TO A U.S. PERSON OR A PERSON IN THE UNITED STATES WHOM THE SELLER REASONABLY BELIEVES IS BOTH A **“QUALIFIED INSTITUTIONAL BUYER”** AND A **“QUALIFIED PURCHASER”** (X) IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A OR (Y) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, AND THAT DELIVERS TO THE COMPANY A CERTIFICATION TO THAT EFFECT IN WRITING IN A U.S. INVESTOR REPRESENTATION LETTER OR ANOTHER FORM ACCEPTABLE TO THE COMPANY, OR (3) IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S UNDER THE SECURITIES ACT (**“REGULATION S”**) TO A PERSON OUTSIDE THE UNITED STATES AND NOT KNOWN TO BE A U.S. PERSON, IF EITHER (X) AT THE TIME THE BUY ORDER ORIGINATED THE PURCHASER WAS OUTSIDE THE UNITED STATES, OR THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVED THE PURCHASER WAS OUTSIDE THE UNITED STATES OR (Y) THE SALE IS MADE IN A TRANSACTION EXECUTED IN A DESIGNATED OFFSHORE SECURITIES MARKET, AND TO A PERSON NOT KNOWN TO THE SELLER TO BE A U.S. PERSON BY PRE-ARRANGEMENT OR OTHERWISE, AND UPON CERTIFICATION TO THAT EFFECT BY THE SELLER IN WRITING IN AN OFFSHORE TRANSACTION LETTER OR ANOTHER FORM ACCEPTABLE TO THE COMPANY. THE TERMS **“U.S. PERSON,”** **“OFFSHORE TRANSACTION”** AND **“DESIGNATED OFFSHORE SECURITIES MARKET”** HAVE THE MEANINGS SET FORTH IN REGULATION S. THE HOLDER AND EACH SUBSEQUENT HOLDER IS REQUIRED TO NOTIFY ANY PURCHASER OF THE SHARES FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (B) ABOVE. NONE OF THE COMPANY OR THEIR AGENTS SHALL BE OBLIGATED TO RECOGNIZE ANY RESALE OR OTHER TRANSFER OF THE SHARES MADE OTHER THAN IN COMPLIANCE WITH THE TRANSFER RESTRICTIONS REFERRED TO IN (B) ABOVE. THE COMPANY AND ITS AGENTS MAY REQUIRE ANY PERSON WHO IS REQUIRED TO BE BOTH A **“QUALIFIED PURCHASER”** AND A **“QUALIFIED INSTITUTIONAL BUYER”** BUT WHO IS NOT BOTH A **“QUALIFIED PURCHASER”** AND A **“QUALIFIED INSTITUTIONAL BUYER”** AT THE TIME IT ACQUIRES THE SHARES TO TRANSFER THE SHARES TO A NON-U.S. PERSON IN AN OFFSHORE TRANSACTION PURSUANT TO REGULATION S.

THE HOLDER OF THE SHARES, BY ITS ACCEPTANCE HEREOF, REPRESENTS THAT EITHER (I) SUCH PERSON IS NOT AND IS NOT USING THE ASSETS OF ANY (A) **“EMPLOYEE BENEFIT PLAN”** AS DEFINED IN AND SUBJECT TO TITLE I OF THE U.S. EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (**“ERISA”**), **“PLAN”** SUBJECT TO SECTION 4975 OF THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **“CODE”**) OR ENTITY WHOSE UNDERLYING ASSETS ARE TREATED AS ASSETS OF ANY SUCH EMPLOYEE BENEFIT PLAN OR PLAN WITHIN THE MEANING OF ERISA OR THE CODE, OR (B) GOVERNMENTAL, CHURCH OR NON-U.S. PLAN THAT IS SUBJECT TO ANY FEDERAL, STATE, LOCAL OR NON-U.S. LAW THAT IS SUBSTANTIALLY

SIMILAR TO THE PROVISIONS OF SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”), OR ENTITY WHOSE ASSETS ARE TREATED AS ASSETS OF ANY SUCH PLAN, OR (II) SUCH PERSON’S PURCHASE AND HOLDING OF THE SHARES WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE OR A VIOLATION OF APPLICABLE SIMILAR LAW.

THE SHARES ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED HEREIN. EACH SELLER OF THE SHARES AGREES TO PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS SET FORTH HEREIN TO THE PURCHASER AND TO ANY EXECUTING BROKER.”

13. We acknowledge that if at any time our representations in this letter cease to be true, we agree to immediately resell the Shares at the Company’s request and we agree that pending such required sale, the Company shall not consider us to be a beneficial or legal owner of the Shares.
14. We agree, on our own behalf and on behalf of any investor account for which we are acting in connection with the Shares on behalf of our customer as fiduciary or agent, that, whether or not we acquire any Shares in the Combined Offering, if we purchase Shares during the 40-day period after the Shares are first admitted to trading on the Stock Exchange of Thailand, then: (i) at the time of such purchase we will not be a U.S. Person and will be located outside the United States (within the meaning of the U.S. Securities Act); and (ii) such Shares so purchased will be offered, resold, pledged or otherwise transferred only outside the United States to a purchaser not known by us to be a U.S. Person (by pre-arrangement or otherwise) and in an offshore transaction complying with the provisions of Rule 904 of Regulation S (including, for the avoidance of doubt, a bona fide sale on the Stock Exchange of Thailand).
15. We agree to indemnify and hold the Company, the Selling Shareholder and the Managers (or their respective affiliates, as applicable) harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach or alleged breach of these representations and warranties. We agree that we will not hold any of the Company, the Selling Shareholder or the Managers (or their respective affiliates, as applicable) liable with respect to our investment in the Shares, and that the indemnity set forth in this paragraph shall survive the resale of the Shares.
16. Where we are subscribing to the Shares for one or more managed accounts, we represent and warrant that we are authorized in writing, by each such managed account to subscribe to the Shares for each managed account and to make (and we hereby make) the acknowledgements and agreements herein for and on behalf of each such account, reading the reference to “it” to include such accounts.
17. We understand that the Company may receive a list of participants holding positions in its securities from one or more book-entry depositaries.
18. We acknowledge that our purchase of the Shares is subject to and based upon all the terms, conditions, representations, warranties, agreements, undertakings and acknowledgements provided herein and other information summarized or contained in the Preliminary Offering Circular and the Final Offering Circular.
19. We acknowledge that the Company, the Selling Shareholder and the Managers, and their respective affiliates, directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements and agrees that, if any of such acknowledgements, representations or agreements is no longer accurate or have not been complied with, we will promptly notify the Company, the Selling Shareholder and the Managers.
20. We irrevocably authorize the Company, the Selling Shareholder and the Managers, and their respective affiliates, directors, officers, agents, employees, advisers and any person acting on their behalf to produce these representations, warranties, agreements, undertakings and acknowledgements or a copy hereof to any interested party in any administrative or legal proceedings, dispute or official inquiry with respect to the matters covered hereby.

We hereby consent to the actions of each of the Managers (or their respective affiliates, as applicable), and hereby waive any and all claims, actions, liabilities, damages or demands we may have against any Manager in connection with any alleged conflict of interest arising from the engagement of each of the Managers (or their respective affiliates, as applicable) with respect to the sale by the applicable Manager of the Shares to us.

We acknowledge that each of the Managers, the Company, the Selling Shareholder and their respective affiliates and others will rely on the acknowledgements, representations and warranties contained in this Offshore Transaction Letter as a basis for exemption of the sale of the Shares under the Securities Act, the Investment Company Act, under the securities laws of all applicable states and for other purposes. The party signing this Offshore Transaction Letter agrees to promptly notify the Company, the Selling Shareholder and the Managers if any of the acknowledgements, representations or warranties set forth herein are no longer accurate.

This Offshore Transaction Letter shall be governed by and construed in accordance with the laws of the State of New York.

Where there are joint applicants, each must sign this Offshore Transaction Letter. Applications from a corporation must be signed by an authorized officer or be completed otherwise in accordance with such corporation's constitution (evidence of such authority may be required).

Very truly yours,

NAME OF PURCHASER:

By:

Name:

Title:

Address:

Date:

Form of Exit Letter¹

Bangkok Commercial Asset Management Public Company Limited
99 Surasak Rd.
Silom Sub-district, Bangrak District
Bangkok 10500
Thailand

(the “**Company**”)

The undersigned purchased shares of THB each (the “**Shares**”) of the Company in a transaction not involving any public offering in the United States within the meaning of the U.S. Securities Act of 1933 (the “**U.S. Securities Act**”). The undersigned represents and warrants to the Company that it has transferred such Shares in compliance with the U.S. Securities Act and other applicable securities laws, outside the United States to a purchaser not known by it to be a U.S. person (as defined under Regulation S under the U.S. Securities Act (“**Regulation S**”)) and in an offshore transaction complying with the provisions of Rule 904 of Regulation S.

NAME OF PURCHASER:

By:

Name:

Title:

Address:

Date:

¹ This letter must be delivered to the Company in this form (or in a form otherwise acceptable to the Company), upon any offer, resale, pledge or other transfer by the investor of the Shares. Such offer, resale, pledge or other transfer may be made only outside the United States to a purchaser not known by it to be a U.S. person (as defined in Regulation S under the U.S. Securities Act) in an offshore transaction complying with Rule 904 of Regulation S and under circumstances which will not require the Company to register under the U.S. Investment Company Act, in each case in accordance with all applicable securities laws.

COMPANY

Bangkok Commercial Asset Management Public Company Limited

BAM Building
99 Surasak Road
Silom, Bangrak
Bangkok 10500
Thailand

LEGAL ADVISORS TO THE COMPANY

As to certain matters of U.S. federal securities law

As to Thai law

Latham & Watkins LLP

18th Floor, One Exchange Square
8 Connaught Place, Central
Hong Kong

Thanathip & Partners Legal Counsellors Limited

17th Floor, Tonson Tower
900 Ploenchit Road
Lumpini, Pathumwan
Bangkok 10330
Thailand

LEGAL ADVISORS TO THE INTERNATIONAL BOOKRUNNER AND THE THAI BOOKRUNNERS

As to certain matters of U.S. federal securities law

As to Thai law

Allen & Overy LLP

50 Collyer Quay
#09-01 OUE Bayfront
Singapore 049321

Allen & Overy (Thailand) Co., Ltd.

23rd Floor, Sindhorn Building Tower III
130-132 Wireless Road
Lumpini Pathumwan
Bangkok 10330
Thailand

INDEPENDENT AUDITOR

The State Audit Office of the Kingdom of Thailand

Soi Areesampan, Rama 6 Road
Bangkok 10400
Thailand

