Message from President

In 1997, Thailand was engulfed by a severe economic crisis. The national economy regressed and became sluggish. A large number of borrowers were unable to repay their debts, leading to a huge amount of non-performing loans. The non-performing loan problem seriously affected the normal business of financial institutions, which, in turn, prevented the recovery of major business sectors and deepened the national crisis.

The government and concerned institutions realized that the problem was truly a national issue, thus requiring an immediate and proactive solution. If left to linger, the status of financial institutions would continue to deteriorate and the nation's economy would stagnate. As a result, after much consideration, the idea of establishing a national asset management organization emerged.

The Thai Asset Management Corporation (TAMC) was established by the Emergency Decree on the Thai Asset Management Corporation B.E. 2544. It is a state agency responsible for expediting the solution for impaired asset problem by taking transfer of impaired assets from financial institutions and asset management companies in both the public and private sectors. Once under TAMC control, these assets are managed by prescribed methods to enable honest debtors be in positions to continue their business operations.

This Manual has been published by TAMC to publicize the organization's important information, as well as the criteria, methods and conditions used in managing impaired assets. Frequently asked questions are also noted and answered to in order to enhance public understanding.

We hope this brief Manual will prove useful and enlightening to all parties concerned regarding impaired asset management.

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Disclaimer: This document is for informational purposes only. For specific legal provisions, please refer to the Emergency Decree on the Thai Asset Management Corporation B.E. 2544.

Q: Can debtors request to transfer their debts to TAMC?

A: No. The debtor remains responsible for its debt. TAMC will only accept transfer of impaired assets meeting the criteria specified in the Emergency Decree from financial institutions and asset management companies.

However, in the event that a debtor finds that its debt meets those criteria, but the financial institution or asset management company holding the impaired asset does not transfer it to TAMC, the debtor can file a petition to the Board of Directors to order the transfer.

Q : How does the debtor know when its debt is transferred from the original creditor to TAMC?

A: Initially, the debtor should examine whether or not its debt is an impaired asset according to the legal definition and meets the criteria for transfer, e.g. no verdict from the court, no debt restructuring agreement. In addition, the debtor may ask its original creditor if and when its debt will be transferred. Nonetheless, TAMC will inform each debtor in writing after the impaired assets are transferred.

Q: Does the debtor's debt obligation rise if its impaired asset is transferred to TAMC?

A: No. The debtor's obligation to TAMC remains the same as it was to its original financial institution or asset management company that is its original creditor.

Q: When a debtor's impaired asset is transferred to TAMC, does its collateral assets also belong to TAMC?

A: No. The debtor remains the owner of the property used as collateral for its debt. However, when TAMC takes possession of the debtor's impaired asset, it will also take possession of the right to claim such collateral, as well as binding rights or obligations as a creditor, from the original creditors.

Q: What action should a debtor take if it is in the court process and the court orders it to take evidence and investigate, but its impaired assets are, at the same time and unbeknownst to it, transferred to TAMC?

A: The debtor should continue with the court process to prevent confusion, as each court may exercise its discretion differently. However, after TAMC has received the impaired assets, it will exercise its right as the litigant against the debtor, and will consider against which debtors it should proceed, or it may request the court to dismiss the debtor's pending case from the case file so that the debtor and TAMC may proceed with debt restructuring. This depends on the debtor's viability.

Q: As part of debt restructuring, approximately how much reduction of principal or interest ("hair cut") can a debtor expect, and on what basis will TAMC decide. Will its determination be related to the transfer price of impaired asset?

A: There is no standard "hair cut"; determinations of principal or interest reductions, if any, will be made case by case, and based primarily on the debtor's business situation and ability to repay its debts. The transfer price is not a factor in that determination. TAMC's consideration will be fair and transparent, as the objective of debt restructuring is to assist honest debtors to remain in business by several means.

Frequently Asked Questions

Q: What kinds of impaired assets are considered eligible for transfer to TAMC?

A: Impaired assets eligible for transfer to TAMC are those which belong to commercial banks, finance companies, finance and security companies, credit foncier companies, as well as asset management companies. In addition, such assets are those which were classified as loss, doubtful of loss, doubtful or substandard as of 31 December 2000.

As for impaired assets belonging to private financial institutions and asset management companies that are eligible for transfer, they must be of juristic persons fully backed by collateral assets, and the property of at least two creditors. In addition, the outstanding amount of debt balance of each debtor at all financial institutions and asset management companies must be at least Thai Baht 5.0 million.

Q: Which impaired assets are exempt from transfer to TAMC?

A: Impaired assets exempt from transfer to TAMC are:

1. Those which their business rehabilitation plans are approved by the Central Bankruptcy Court prior to the date of transfer (In the case of private financial institutions or asset management companies, must be before the effective date of the Emergency Decree on the Thai Asset Management Corporation B.E. 2544).
2. Those for which a financial institution or asset management company has entered a charge before a court, and the lower court has issued a verdict, regardless of whether or not an appeal has been filed, or for which the court has issued a temporary or final receivership of assets.
3. Those which have reached debt restructuring agreements prior to the date of transfer, provided that no payments have been missed nor have anything contradicted their restructuring conditions (In the case of private financial institutions or asset management companies, those must be prior to 9 July 2001).
4. Those against which debts have been fully and completely repaid.
5. Those resulting from the sale of the Financial Sector Restructuring Authority.
6. Those which belong to finance companies, finance and security companies, or credit foncier companies which have been closed down by the Ministry of Finance, and/or are in the process of settlement.
7. Those which belong to state-owned financial institutions or asset management companies and for which the value of the collateral exceed their book value.

Q: What is the significance of the 31 December 2000 date for determining the transfer of impaired assets?

A: The year-end 2000 date was chosen to prevent "strategic" non-performing loans; that is, debtors with repayment capability simply refusing to pay debts in order to obtain privilege or special benefits by transferring assets to TAMC.

Q: What action will be taken regarding impaired assets which arise after 31 December 2000?

A: These assets will not be transferred to TAMC. Each financial institution or asset management company holding such assets will take whatever action it feels most appropriate.

- As TAMC is a centralized organization with the primary objective of solving the problems of impaired assets, its work eliminates the separate and redundant efforts at individual creditor institutions and allows them to put their management and staff to work on more productive activities.
- Business restructuring under TAMC's guidance will result in a newly energized, efficient and competitive industrial sector, also with transparency and good corporate governance. As economic growth resumes, it will create new employment and fuel domestic demand and supply.

TAMC's Benefits to Thai Society

TAMC provides real and tangible benefits to debtors, financial institutions and asset management companies, in the particular, and to Thai society and the overall national economy in the general.

Benefits to Debtors

- TAMC's debt and business restructuring programs provide much needed assistance to honest and viable debtors, allowing them to continue in business operation.
- Under TAMC's supervision, both debtors and guarantors gain new opportunities to be relieved from their original obligations.
- Debtors who participate in TAMC's programs gain further through an exemption from taxes, duties and fees.

Benefits to Financial Institutions & Asset Management Companies

- The transfer of impaired assets to TAMC immediately reduces the cost of managing impaired assets for financial institutions.
- With the relief provided by TAMC's intervention, the overall financial system is reorganized into a "Good Bank" system, that is, these financial institutions can resume their normal activities.
- The overall operational situation is improved since the impaired assets have been converted into no-risk instrument with interest payment.
- Financial institutions will take parts in managing impaired assets and will share profit/loss occurring from managing impaired assets.

Benefits to National Economy

- As financial institutions reduce the burdensome overhang of impaired assets, the overall financial system regains its health. Financial institutions can resume normal lending practices, providing the necessary engine for growth and national development as well as economic recovery.

Sale of Collateral

If TAMC finds that the debtor's business is not viable, or that it will be unable to repay its debts, TAMC may consider, as a final resort, compelling the sale of the collateral assets pledged against the original loan.

For such an event to occur, the debtor must:

- Have closed its business or ceased operation, and TAMC has found that it is unable to continue in operation, or;
- Have failed to cooperate in executing an agreed debt restructuring or business restructuring plan or have removed or concealed any of its assets, or;
- Demonstrate that it is unable to comply with the criteria, procedures or conditions of a debt restructuring or business restructuring plan.

Procedures for the Sale of Collateral

If TAMC determines it has no alternative but to compel the forfeiture of mortgaged assets or a pledge of collateral, it will proceed as follows:

- Give notice to the debtor, and the mortgagor or pledgor, once TAMC's Executive Committee has decided to enforce the pledge, within five days of such decision.
- The notice will demand that the debtor repay its debts to TAMC in full amount within one month after receiving such notice.
- In the event the debt is not repaid within the specified month, prescribe the method of asset liquidation or, if the assets are to be transferred to TAMC, have an appraisal performed so as to set the value to be credited against the debtor's debts, subject to the approval of the Executive Committee.
- In the case of liquidation, announce the pending disposition of collateral at least 15 days prior to sale on the Internet, and in at least one daily newspaper for at least three consecutive days.

Business Restructuring Methods and Conditions

In overseeing business restructuring, TAMC applies the same general principles used in debt restructuring, with the addition of certain conditions specific for business reorganization.

Important criteria, procedures and conditions for mergers and acquisitions:

In the case of a merger or acquisition of the debtor's company and another firm, which is not debtor of TAMC, the other firm must be in a stronger financial condition, possess more modern technology, or have better business prospects, any or all of which will bring greater benefits to both debtor and TAMC.

The merger or acquisition should also result in production and operational cost reductions as well as improved competitiveness.

If a merger or acquisition meets the criteria noted above, but is likely to give one business a market share large enough to hinder free competition, retard product innovation and restrict consumer benefit, TAMC's restructuring planner must conduct a study on the anti-competitive effects of the merger or acquisition, and propose ways to prevent the emergency of monopoly and protect the consumer. The study will be included in the business restructuring plan and, after approval by TAMC's Executive Committee, submitted to the government's cabinet for final approval. All actions against anti-competitive issues must follow policies set by the government's cabinet.

Criteria, procedures and conditions for joint ventures, and holding shares in limited companies, public limited companies or other juristic persons.

For TAMC to enter into a joint venture with other persons, or holds shares in limited companies, public limited companies, or other juristic persons, the arrangement should have clear objectives, and must add value to and facilitate the management of assets for sale held by TAMC.

TAMC has the authority to hold shares in limited companies, public limited companies or other juristic persons which are the debtor of TAMC for the purposes of debt or business restructuring, or merger or acquisition which requires debt-to-equity conversion.

by TAMC. Once transferred, the appraised value will be credited against the outstanding debt principal and accrued interest respectively.

7. **Transfer of non-collateral assets for debt repayment:**

   A debtor can transfer its own property or the property of others (with the owner's consent) which is unencumbered to TAMC to pay part or all of its outstanding debts, provided that such property is liquid and exchangeable. The valuation of such property must be in accordance with the criteria, procedures and conditions regarding appraisal of such assets prescribed by TAMC. Once transferred, the appraised value will be credited against the outstanding debt principal and accrued interest respectively.

8. **Repurchase rights granted to the debtor:**

   Under certain conditions, TAMC may grant the debtor the First Buyer Option of the assets specified in the conditions under No. 6 and 7, provided that such right does not restrict the asset purchase rights of former creditors or others or the rights of TAMC to sell the assets as it chooses. Should the debtor choose to exercise this right, the price will be the appraised value at the time of transfer plus TAMC's carrying costs, which will not be less than the average MLR of all of the debtor's former creditors which are financial institutions or asset management companies from the date of appraisal to the date of repurchase. TAMC will set the payment period for such repurchase according to the type of asset, but in no case will it exceed three years.

9. **Lease-back of assets transferred to TAMC for debt repayment:**

   TAMC may allow the debtor to lease back assets transferred for debt repayment if they are necessary or useful to the debtor in continuing its business. The lease agreement can be made year by year, or at the appropriate duration according to the condition and types of assets.

   In such event, lease payments will be due monthly. The lease price will be fair-market value or, if none can be determined, an amount not less than five percent of the appraised value of the assets annually. The lease conditions shall not restrict the right of TAMC to sell such assets.

10. **Sale of collateral assets to pay debts according to schedule:**

TAMC may, with the consent of the other creditors, allow the debtor to sell its own assets or those of its guarantor which have been pledged as collateral against the original loan, provided that they are non-core assets to the debtor's business, and unencumbered in any other way. In cases where core assets are to be sold, the debtor must follow the rules determined by the Executive Committee on a case-by-case basis.

The sales price must not be less than the appraised value set in accordance with the criteria, procedures and conditions concerning the appraisal of assets transferred for debt repayment. Payment against the debtor's debts will be made the day after the proceeds from such sale are received, and will be credited against principal and/or accrued interest according to the terms specified in the debt restructuring plan or agreement.

11. **Conversion of debt to equity:**

If the debtor recognizes its accumulated loss by a commensurate reduction in its capital, and TAMC will gain equity worth at least 25 percent of the debtor's registered and paid-up capital, TAMC may consider converting debt to equity. In this event, the conversion price will not be more than the business value of such equity nor more than the par value of the resulting shares.

If a debt-to-equity conversion is approved, TAMC will retain the right to resell the shares it receives to the debtor, its creditors or other concerned persons specified in the debt restructuring plan. Such plan will also specify the price, conditions and method of such resale, which could be through the Stock Exchange of Thailand or other means. In addition, if the debtor and its management cooperate fully with TAMC and use their best efforts to faithfully execute the plan, TAMC may consider a gradual allocation of the shares or other instruments it receives from debt-to-equity conversion to the debtor or its management.

12. **Release from guarantee liability:**

If the debtor and its management cooperate fully with TAMC, use their best efforts to faithfully execute the debt restructuring plan, and conduct their business transparently and in accordance with sound administrative and internal control procedures, as well as allowing creditor representatives to participate in the management of the debtor's business, TAMC may consider reducing or terminating the liability of the debtor's guarantor.

Other special conditions governing release from indebtness (as specified in section 58 of the Emergency Decree on the Thai Asset Management Corporation B.E. 2544):

1. **Placement of additional security to relieve the guarantor's obligation.**

   If the debtor pledges additional unencumbered assets with at least the same value as the outstanding debts, then TAMC will remove any remaining obligation from the debtor's guarantor. To qualify, the owner of the assets must give its consent in writing and provide a debt guarantee document for value of the assets, valid until the debts are fully paid or until the assets are liquidated for debt repayment. An appraisal of the assets must be performed in accordance with the criteria, procedures and conditions regarding appraisal of such assets prescribed by TAMC; the costs of such appraisal must be paid by the debtor.

2. **Release from indebtness by the guarantor's agreement to pay outstanding debts.**

   If the guarantor agrees to transfer its assets or other persons' assets of a certain value to TAMC in payment of all outstanding debts, both the debtor and its guarantor will be released from such indebtness, provided that the appraisal, which must be performed in accordance with the criteria, procedures and conditions regarding appraisal of such assets prescribed by TAMC, shows the assets to be worth at least two-thirds of the debtor's total outstanding debts after debt restructuring. The costs of such appraisal must be paid by the debtor or its guarantor.

Business Restructuring

TAMC believes that a debtor's viability can often be enhanced by more efficient management and a streamlining of its organization structure. Business restructuring, therefore, is another vehicle through which TAMC can facilitate the debtor's business rehabilitation. The more efficient the debtor's business, the more robust, and thus better able to repay its debts, which is beneficial to both debtors and creditors. In addition, it provides productive employment for its workers and contributes to the national economy.

The debtors for who TAMC will consider business restructuring must meet the following criteria:

- The debtor must be a limited company, public company limited or juristic partnership, regardless of whether or not it has a guarantor for its debts, and;
- TAMC must be a creditor holding more than 50 percent of the debtor's total outstanding debt as shown on the latest balance sheet it has filed with the Registrar, and;
- Preliminary evidence indicates that the debtor's business can continue, or that its further operation will be beneficial to the recovery and development of the national economy, and;
- The debtor consents to or expresses a written intention to restructure its business and accepts any and all resulting obligations specified in TAMC's regulations and the Emergency Decree on the Thai Asset Management Corporation B.E. 2544, or;
- TAMC and its financial advisors feel that it is necessary to merge or combine the debtor's businesses or change the operational structure of its company or corporate group to improve the efficiency of the debtor's business operations.

Debt Restructuring

Debt restructuring is a process by which the debtor and its creditor (TAMC) agree to work together to solve debt repayment problems. The main objective of the process is to maintain the viability of the debtor's business, while TAMC stands best chance of recovering an appropriate amount of outstanding debt within a reasonable period.

The eligibility criteria under which debtors may be considered candidates for debt restructuring from TAMC is one of the following:

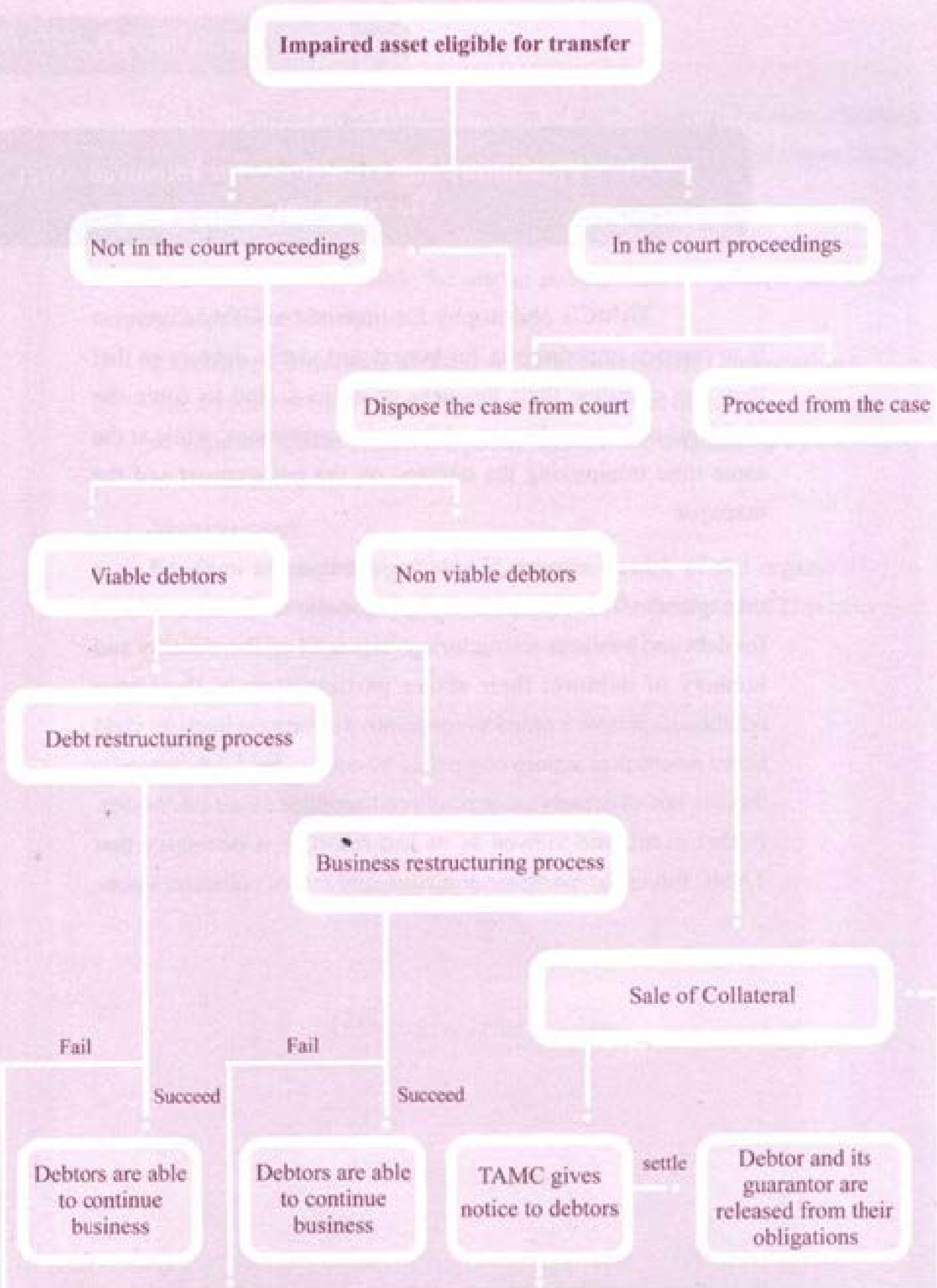
- Such debtor has signed a letter of debt acknowledgement and there is a preliminary evidence indicating that the business is viable and has the ability to make debt repayments, or;
- Such debtor has a preliminary evidence showing that the operation of its business will be beneficial to the nation's economic recovery or overall development, or;
- Such debtor has deposited additional unencumbered assets with acceptable value with TAMC as debt security, or its guarantor, having sound financial condition, has agreed to make debt repayments to TAMC.

Debt Restructuring Methods & Conditions

There are several methods of debt restructuring which TAMC employs; the exact method is chosen according to the debtor's circumstances and the nature and complexity of its debts. If the debtor's business is sufficiently complicated, TAMC may employ various methods in combination. In general, TAMC has prescribed the following methods of debt restructuring and the conditions under which they should be used:

1. **Debt repayment period:**

   The period during which the debtor makes repayment, and the amount of payments will be settled in installment in accordance with its ability to make those payments from its cash flow.


Impaired asset eligible for transfer
Not in the court proceedings
In the court proceedings
Dispose the case from court
Proceed from the case
Viable debtors
Non viable debtors
Debt restructuring process
Business restructuring process
Sale of Collateral
Fail
Succeed
Fail
Succeed
Debtors are able to continue business
Debtors are able to continue business
TAMC gives notice to debtors
settle
Debtor and its guarantor are released from their obligations

TAMC's Organization Structure

TAMC operates under the supervision of the Ministry of Finance, reporting directly to the Minister of Finance. The different levels of authority and responsibility have been prescribed as follows:

Board of Directors of the Thai Asset Management Corporation

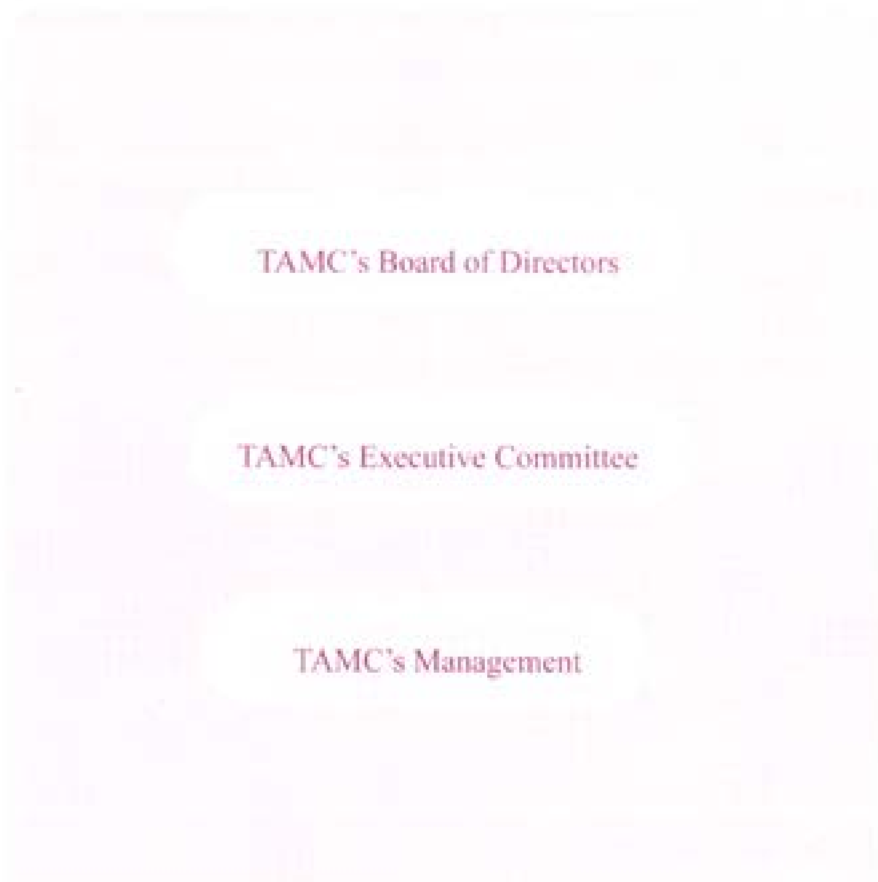
The Board is responsible for setting policies and for general supervision of TAMC's activities.

Executive Committee of Thai Asset Management Corporation

The Executive Committee approves plans for and directs the management of impaired assets within the policy framework established by the Board of Directors

Management

TAMC's management personnel carry out work of the organization in accordance with the policies and criteria set by the Board of Directors and the Executive Committee



TAMC's Mission

TAMC was established in 2001, pursuant to the Emergency Decree on the Thai Asset Management Corporation B.E. 2544. It is a state agency carrying out its duty as a centralized organization for managing non-performing loans to facilitate the continued business operations of honest debtors while solving the problems caused by impaired assets of the financial institutions. The goal is to accelerate the economic recovery of the nation.

TAMC has been assigned five missions, which are:

- To manage impaired assets rapidly, transparently, and efficiently.
- To manage impaired assets in a manner that brings maximum benefit to the nation and the public.
- To manage impaired assets in a manner that minimizes the burden and loss on the government and the taxpayer
- To manage impaired assets in a manner that facilitates debtors' business rehabilitation so that they can continue business operations.
- To manage impaired assets with equal and fair treatment to all concerned parties.

Q: After a debtor is informed that its original creditor transferred its debt to TAMC, how does it make further repayments and what assurance is provided that such repayments were properly credited against its debt, and not transferred to the former creditor.

A: TAMC has established standard procedures for cooperation with all financial institutions which are original creditors to open accounts for debtors into which debt repayments can be deposited. These accounts are subject to close monitoring to ensure that all funds go to TAMC and no improper diversions occur. Any debtor who is unsure of this arrangement should contact TAMC directly for more information.

Q: Why won't TAMC disclose the names of debtors whose impaired assets are transferred?

A: International standards demand that financial institutions maintain confidentiality regarding debtors and their individual financial matters. The fact that a debtor's debt has become an impaired asset does not change this obligation of confidentiality. Furthermore, as TAMC has an obligation to manage impaired assets and conduct its business fairly, transparently and without prejudice, it must adhere to a single standard of behaviour for all debtors. TAMC will inform each debtor individually that its impaired assets have been transferred.

Q: Have any other countries established asset management companies to solve problems of impaired assets?

A: Asset management companies have been established and operated in several countries. Examples are the Resolution Trust Corporation (RTC) in the United States, FOBAPROA in Mexico, and Securum in Sweden. In Asia after the financial crisis, Indonesia, Korea, the Philippines and Malaysia established asset management companies to solve problems of impaired assets as well.

Q: Are TAMC's practices in accordance with the government's policies?

A: As the establishment of TAMC was a key part of the government's policy to have a centralized organization responsible for solving the problems of impaired assets and TAMC itself is a government agency, its practices are fully in accordance with the government's economic policies to solve the nation's problems and restore the economy to vibrant health.

Q: What measures can TAMC take regarding dishonest debtors?

A: One of TAMC's most important objectives is to help honest debtors remain in productive business for the benefit of all parties concerned. As for those who are deceptive, dishonest or uncooperative, TAMC has the legal authority to enforce the forfeiture and disposition of such debtors' collateral assets to pay their outstanding debts.