

No. GL 05/2017

February 14<sup>th</sup>, 2016

Subject: Clarification for the operating result of the year ended 31 December 2016 (Unaudited)

Attention: The President

The Stock Exchange of Thailand

Duplicate: The Secretary General

The Securities and Exchange Commission

Group Lease Public Company Limited would like to clarify the operating result for the year ended 31 December 2016 for the consolidated and separate financial statements as follow:

### **Consolidated Financial Statements**

GL PCL announced reviewed operating results for the year 2016, with a new high consolidated net profit of Baht 1,062.82 million, a 82.34% yoy increase of Baht 479.93 million from the net profit of the year 2015. The increase in net profit was mainly the result of the higher hire purchase interest income, higher asset-backed loan interest income, higher interest on loan receivables, lower bad debts and doubtful accounts, lower loss on disposals of foreclosed assets and lower credit costs.

1. GL's consolidated hire purchase interest income was Baht 1,949.69 million, increasing Baht 51.25 million or 2.70%, due mainly to an increase of interest income from the subsidiaries in Cambodia, Laos and Indonesia by Baht 235.10 million, Baht 71.91 million and Baht 3.18 million respectively, in tandem with rising loan volume in foreign countries. However, the increase was partially offset by decreasing in interest income from GL and from local subsidiary by Baht 138.86 million and Baht 120.11 million respectively. This is in line with the company's strategy and the business model "Digital Finance". The objective is to reach 'Stability and Quality in Thailand for new Motorcycles, Growth and Creation in Emerging countries and Emerging consumers.

2. Asset-backed loan interest income was Baht 116.93 million, increasing Baht 91.44 million, from the new Thai subsidiary showing the success of the business expansion.

3. Interest on loan receivables was Baht 484.86 million, increasing Baht 311.49 million, which is related to "supplier side income" which came from several products suppliers. GL's subsidiaries provide Business Expansion Solution service and Financial Support to the distributors who want to expand their sales to the countries where GL's subsidiaries existing. The new business model of GL group "Digital Finance" generates these types of incomes in addition of the Hire purchase income.

4. GL's consolidated other income has decreased from Baht 391.41 million to Baht 370.67 million representing decreased by Baht 20.75 million or 5.30% which can be explained by the fact that GL did not sale any bad debt in 2016 compared to the sale of bad debts in 2015 for the amount of Baht 63.83 million. Excluding this amount, the other income has increased by Baht 43.08 million or 13.15%

5. GL's consolidated service and administrative expenses totaled Baht 887.38 million, increasing by Baht 103.00 million or 13.13% when compared to previous year, mainly resulting from the higher expenses from the foreign business expansion. However, the service and administrative expenses grew at a slower rate than revenue, showing the cost efficient management.

6. GL's consolidated bad debts and doubtful accounts has decreased compared to the same period of last year by Baht 43.30 million or 12.14% showing the improvement of the quality of the portfolio. There are two reasons explaining the increase of quality of the portfolio. First, the foreign and new business portfolio with lower bad debt significantly increased. Secondly, the original business in Thailand is using strict policy on credit approval and improvement on debt follow up process.

7. There were a decrease in loss on disposals of foreclosed asset from Baht 355.03 million to Baht 232.25 million representing decreased by Baht 122.78 million or 34.58%, which resulted from a gradually increasing market value of asset foreclosed and increasing of repossession units related to the hire-purchase portfolio expansion. When comparing the ratio between the loss on disposals of foreclosed assets and the hire purchase receivables as of end of Q4/2016, the ratio decreased to 3.54% compared with Q4/2015 which was 5.54%.

8. Share of profit from investments in associates was Baht 48.35 million resulting from a 29.99-per-cent stake in an associated company in Sri Lanka.

9. GL's consolidated finance cost was Baht 272.75 million, increasing by Baht 5.98 million, or 2.24%, compared to Baht 266.77 million in 2015, primarily a result of large interest expense amounting of Baht 96.19 million from USD-130-million convertible debentures issued in Q3/2016. However it is important to note that the average cost of funding has decreased from 6.28% to 4.66%.

### **Separate Financial Statements**

Net profit of the year 2016 increased from Baht 340.21 million to Baht 481.93 million, representing increased by Baht 141.72 million or 41.66% compare to same period of last year, which are resulted from the major factors as follow:

1. The hire-purchase interest income decreased by Baht 138.86 million or 10.42% yoy to Baht 1,193.98 million in 4Q/2016 from Baht 1,332.84 million in Q4/2015 as total hire-purchase portfolio in Q4/2016 slightly decreased by Baht 243.89 million or 5.84% from Q4/2015. This is the result of the company's strategy with the objective to reach 'Stability and Quality in Thailand for new Motorcycles, Growth and Creation in Emerging countries and Emerging consumers. Stricter policies on customer screening was also one of the reason explaining of the improvement of portfolio quality in Thailand.

2. Other incomes increased from Baht 457.17 million to Baht 610.50 million, representing an increase by Baht 153.33 million or 33.54%. Other incomes are mainly composed of the interest income from loans to foreign subsidiaries amounting of Baht 322.41 million, incomes related to the activities of hire purchase amounting of Baht 143.50 million and the realized gain on exchange of Baht 36.40 million.

3. Service and administrative expenses increased from Baht 476.32 million to Baht 506.85 million, representing increased by Baht 30.53 million or 6.41%, mainly resulting from the higher expenses from the foreign business expansion.

4. In 2016, GL bad debts and doubtful accounts reached the level of Baht 220.95 million, a decrease of Baht 101.62 million or 31.50% compare to last year, relating to the improvement of quality of GL's portfolio and the enhancement of loan collection process.

5. Loss on disposals of asset was Baht 214.61 million, decreasing Baht 94.59 million or 30.59%, as a result of higher market price of second-hand motorcycles and more efficient controlling risk from loss in sales of foreclosed assets.

6. Finance cost was Baht 261.14 million, slightly increasing by Baht 4.23 million, or 1.65%, compared to Baht 256.91 million in Q4/2015, primarily a result of the interest expense amounting of Baht 96.19 million from USD-130-million convertible debentures issued in Q3/2016. The average cost of funding has however significantly decreased from 6.94% to 3.43%.

Please be informed accordingly.

Yours sincerely,

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(Mr. Tatsuya Konoshita)

Director