

20 DECEMBER 2021

THAILAND / ASSET MANAGEMENT COMPANIES

BANGKOK COMMERCIAL AM BAM TB

BUY

UNCHANGED

The sleeping giant has awoken

- Bright profit growth outlook in 2022 backed mainly by stronger cash collection and a healthier property market.
- We expect an accelerated asset-heavy expansion in 2022. It could be the greatest beneficiary of the potential JV license announcement.
- BUY maintained, GGM-based TP raised to THB25.5 from THB22.

Net profit set to increase materially in 2022

BAM's net profit base has been significantly below its normal level for two years due to the Covid storm and the poor property market. We believe that its net profit will surge 41% y-y in 2022, backed by 1) solid cash collection following an economic recovery and increasing troubled debt restructuring (TDR) debtors; 2) an improving margin thanks to a healthier property market; and 3) higher non-performing loan (NPL) acquisitions.

Better margin and improving recurring cash collection

We expect that BAM's discount rate to encourage non-performing asset (NPA) selling will gradually improve along with the property market. As a result, its profitability margin trend is on the rise. Moreover, we expect that TDR debtors could increase in 2022 after the Covid dust settles. This could lead to a more consistent net profit profile. Thus, we expect its 2022 quarterly earnings to have good momentum, increasing y-y and q-q in every quarter. Its current cash collection structure (40% from TDR) could imply at least a quarterly recurring net profit of THB500m-600m.

More aggressive NPL acquisitions

BAM has typically had a more conservative NPL acquisition plan than its peers, especially in 2021, due to its longer cash collection cycle and more constrained D/E. However, after its shorter turnaround time strategy (by increasing TDR debtors and implementing a pricing strategy) and locking its long-term funding into a slightly lower cost of funds in 2021, we believe that BAM will be more comfortable in accelerating its asset-heavy distressed asset acquisitions in 2022. We expect bad asset acquisitions to amount to THB8.7b (+121% y-y) in 2022. The increase in bad asset purchases would gradually benefit its bottom line.

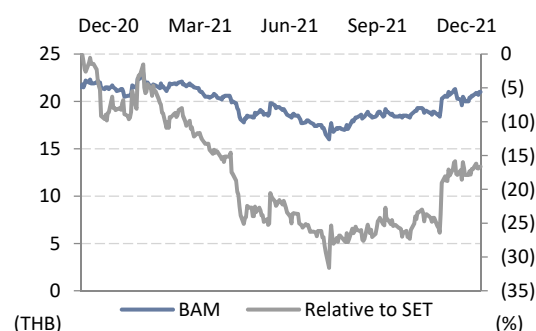
Increase 2022 GGM-based TP to THB25.5, select as top pick

We increase our 2021-23E net profit by 2%/6%/8%, mainly to reflect our higher cash collection assumptions. We maintain BUY and select BAM as one of our top picks in the sector. We believe BAM is now at a recovery inflection point and think its valuation is still attractive. BAM trades at 21.2x 2022E P/E, with 2022E net profit growth of 41% y-y. We believe an ROE recovery is underway, with a 6.9% ROE estimated in 2022 from only 5.2% estimated in 2021. On top of that, we think BAM would benefit the most from the potential JV licence announcement between banks and AMCs in Dec-21, as this could unlock its long-term growth.

TARGET PRICE	THB25.50
CLOSE	THB21.00
UP/DOWNSIDE	+21.4%
PRIOR TP	THB22.00
CHANGE IN TP	+15.9%
TP vs CONSENSUS	+13.6%

KEY STOCK DATA

YE Dec (THB m)	2020	2021E	2022E	2023E
Operating profit	2,196	2,831	4,005	5,070
Net profit	1,841	2,265	3,204	4,056
EPS (THB)	0.57	0.70	0.99	1.25
vs Consensus (%)	-	(2.2)	6.9	7.2
Core net profit	1,841	2,265	3,204	4,056
Core EPS (THB)	0.57	0.70	0.99	1.25
Chg. In EPS est. (%)	-	1.8	6.1	7.7
EPS growth (%)	(73.8)	23.0	41.5	26.6
Core P/E (x)	36.9	30.0	21.2	16.7
Dividend yield (%)	2.4	2.8	4.0	5.1
Price/book (x)	1.6	1.5	1.5	1.3
ROE (%)	4.4	5.2	6.9	8.1
ROA (%)	1.5	1.8	2.6	3.3



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	2.4	11.1	(9.9)
Relative to country (%)	2.6	8.5	(18.6)
Mkt cap (USD m)	2,038		
3m avg. daily turnover (USD m)	16.5		
Free float (%)	21		
Major shareholder	FIDF (46%)		
12m high/low (THB)	23.70/15.80		
Issued shares (m)	3,232		

Sources: Bloomberg consensus; FSSIA estimates



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Investment thesis

BAM is the largest asset management company (AMC) in Thailand. We believe BAM will be able to deliver sustainable growth in the long run, since nearly 100% of its portfolio consists of secured distressed assets, for which the asset price will appreciate over time.

We increase our 2021-23E net profit by 2%/6%/8%, mainly to reflect our higher cash collection assumptions. We maintain BUY and select BAM as one of our top picks in the sector. We believe BAM is now at a recovery inflection point and think its valuation is still attractive. BAM trades at 21.2x 2022E P/E, with 2022E net profit growth of 41% y-y. We believe an ROE recovery is underway, with a 6.9% ROE estimated in 2022 from only 5.2% estimated in 2021. On top of that, we think BAM would benefit the most from the potential JV licence announcement between banks and AMCs in Dec-21, as this could unlock its long-term growth.

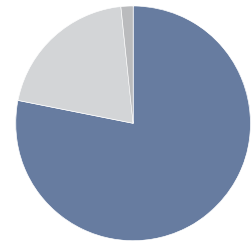
Company profile

BAM was established in 1998 following the financial crisis in Thailand. Its key businesses include the purchase or transfer of non-performing loans (NPLs) and non-performing assets (NPAs) for management or for further disposal or transfer.

www.bam.co.th

Principal activities (revenue, 2020)

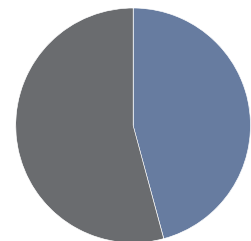
- NPLs management - 78.1 %
- NPAs management - 20.2 %
- Other income - 1.7 %



Source: Bangkok Commercial Asset Mngt.

Major shareholders

- FIDF - 45.8 %
- Others - 54.2 %



Source: Bangkok Commercial Asset Mngt.

Catalysts

Potential catalysts to drive BAM's share price include:

- 1) Higher-than-expected distressed asset purchases;
- 2) Cash collection from mid- to large-sized NPLs/NPAs.

Risks to our call

Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; 2) lower-than-expected bad debt acquisition; and 3) the prolonged slowdown of the property market.

Event calendar

Date	Event
End Feb 2022	4Q21 results announcement

Key assumptions

	2021E (THB m)	2022E (THB m)	2023E (THB m)
Norm profit	2,265	3,204	4,056
<i>Norm profit growth (%)</i>	23.0	41.5	26.6
Cash collection	15,279	17,433	18,846
<i>Cash collection ratio (%)</i>	12.3	13.9	14.6
NPL + NPA purchases	3,918	8,675	9,492
<i>NPL + NPA purchase growth (%)</i>	(66.6)	121.4	9.4
Cost to income (%)	25.9	25.6	25.7

Source: FSSIA estimates

Earnings sensitivity

		----- 2021E -----		
Cash collection ratio	±50bp	11.8	12.3	12.8
<i>% change in net profit</i>		(7.0)	-	7.0
Cost to income	±1ppt	24.9	25.9	26.9
<i>% change in net profit</i>		(4.0)	-	4.0

Source: FSSIA estimates

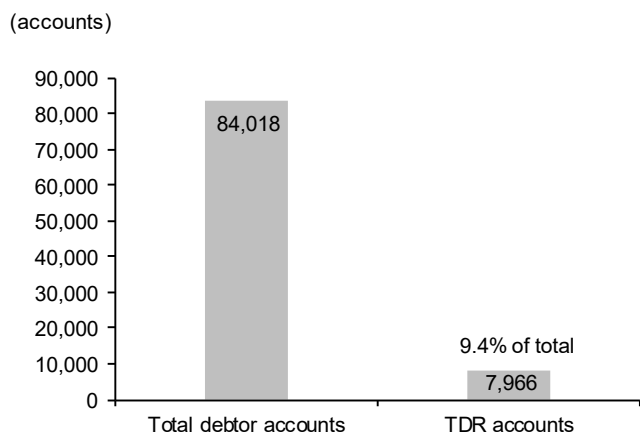
Key investment ideas

1) Higher TDR debtors – a more secure revenue stream

We think the advantage TDR debtors can provide to asset management companies (AMCs) is a more stable and consistent income stream. It's better than relying on one-time asset sales, for which a company would earn a large sum of money just once. JMT is a great example of having TDR debtors as a majority of its portfolio. This allows JMT to have consistently growing profits every quarter.

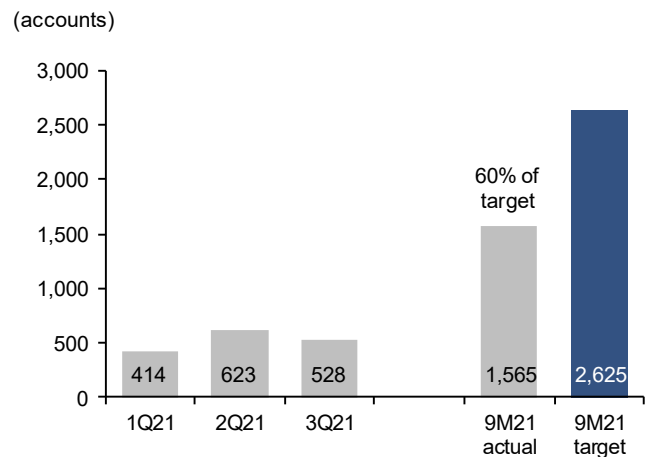
BAM plans to continue to increase its TDR debtors to more than 10% of its total portfolio from 9.4% currently. As of 9M21, BAM still lagged behind its target, with the increase in TDR debtors numbering 1,565 accounts vs its target of 2,625 accounts, due mainly to the impact from Covid-19. However, we saw an improving trend in 2Q-3Q21 from its more lenient debt restructuring criteria strategy to encourage its debtors to participate in the TDR program. With this strategy, we believe that BAM should be able to achieve its TDR debtor target in 2022 after the Covid dust settles. Therefore, we expect that its recurring revenue and net profit stream would be in a rising trend.

Exhibit 1: BAM's TDR debtor accounts as of 9M21



Sources: BAM; FSSIA's compilation

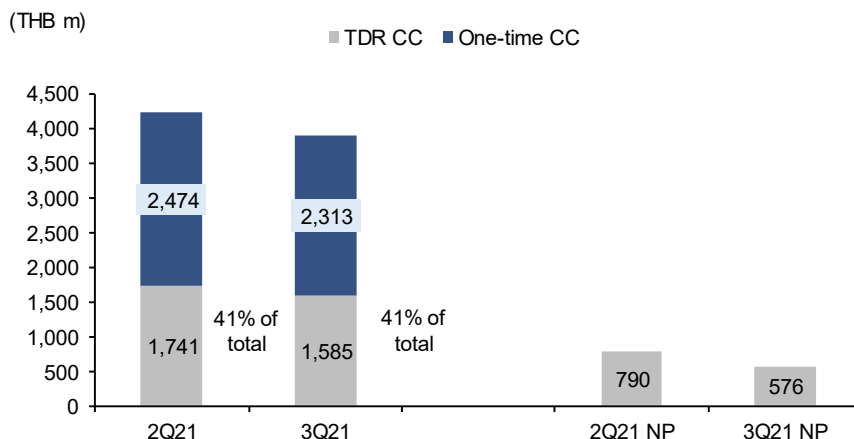
Exhibit 2: BAM's 2021 quarterly TDR debtor accounts



Sources: BAM; FSSIA's compilation

Presently, around 40% of its total cash collection (CC) – both NPLs and NPAs – comes from TDR debtors. Its quarterly CC is around THB3.5b-4.0b. This implies a quarterly net profit of around THB500m-600m. Accordingly, assuming there is a continued increase in TDR clients, we expect that BAM's quarterly CC and net profits in 2022 could be at least THB3.5b-4.0b and THB500m-600m, respectively, plus potentially more stable net profits from the increase in TDR debtors to supplement the volatile one-time asset sales.

Exhibit 3: c40% of BAM's cash collection came from TDR as of 3Q21



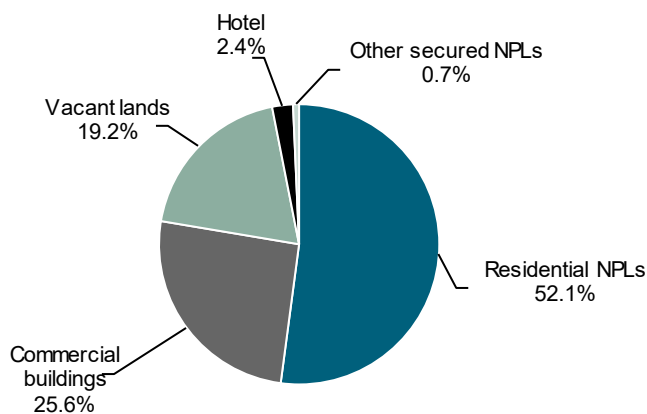
Sources: BAM; FSSIA's compilation

2) A healthier property market favours BAM's revenue and margin

The property market in Thailand had been in a downcycle since 2019 because of the loan-to-value (LTV) restrictions mandated by the Bank of Thailand (BoT) as a result of the slowdown in consumer purchasing power and the oversupply of residential properties.

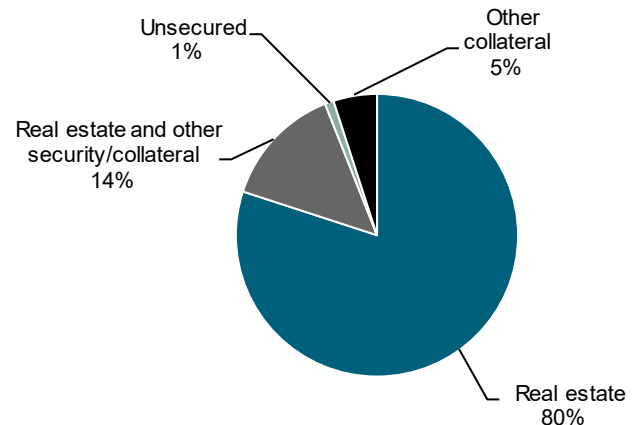
The impact from Covid-19 caused the real estate market to further stagnate due to the lower demand from both Thais and foreigners. Thus, property developers have offered significant price discounts to increase their sales volumes. This could be seen in 2Q20, when the transfer amount of nine listed property developers increased 19% y-y and 22% q-q – especially for the low-rise group – whereas the gross profit margin significantly dropped by 630 bps y-y, which was due to the significant price discount promotion.

Exhibit 4: BAM – NPAs by collateral type as of 3Q21



Sources: BAM; FSSIA's compilation

Exhibit 5: BAM – NPLs by collateral type as of 2Q20



Sources: BAM; FSSIA's compilation

We, therefore, believe that the slowdown in the property market and the big discount campaign by property developers pressured second-hand residential properties during 2020. Thus, BAM was one of the most affected, as c50% of its NPAs are residential properties. Its NPA sales went down significantly in 2020. On top of that, its margin was hurt. According to BAM's management, the company normally offers a 5-10% discount from the appraisal value to encourage buyers. During 2020-21, however, BAM has had to offer a 15-20% discount.

Exhibit 6: Easing of LTV regulations until December 2022

House price	Number of mortgage contracts	Minimum down payment	
		New	Previous
<THB 10m	First	- No minimum requirement but borrowers can seek a home loan of up to 110% if top-up mortgage is included	- No minimum requirement but the loan was capped at 100% if a top-up mortgage was included
	Second	- 0% if the first mortgage has been paid ≥ 2 years - 0% if the first mortgage has been paid < 2 years	- 10% if the first mortgage has been paid ≥ 3 years - 20% if the first mortgage has been paid < 3 years
	Third and subsequent	0%	30%
≥THB 10m	First	0%	20%
	Second	0%	20%
	Third and subsequent	0%	30%

Source: BoT

However, on 21 Oct-21, the BoT announced it would temporarily ease its LTV regulations for mortgage lending to 100% until Dec-22 to boost property demand and support second home buyers after seeing low speculation on the property market. Hence, the second and third mortgage loans for houses priced both below and above THB10m/unit will increase to 100% from 70-90%. The first mortgage loans for houses priced below THB10m/unit are unchanged at 110% if the top-up mortgage is included.

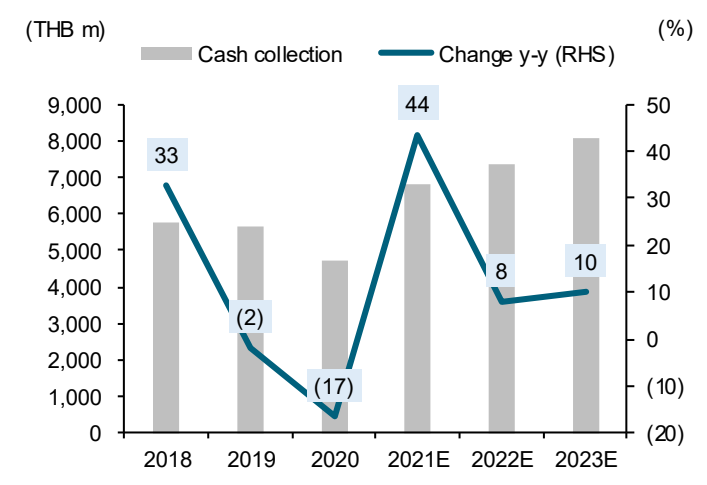
We are positive on the LTV easing as we expect that the one-year LTV cancellation should improve property demand along with the economic recovery. We expect BAM to benefit from the improving trend of the property market. Moreover, BAM has formulated its own NPA management strategies, such as increasing its online platform presence and offering tailormade pricing strategies for specific groups. Therefore, we believe BAM's NPA CC has passed its bottom in 2020 and expect a 20% three-year CAGR during 2021-23. We also expect that BAM's discount rate will gradually improve following the property market's recovery.

Exhibit 7: BAM's NPA strategies



Source: BAM

Exhibit 8: BAM's NPA cash collection



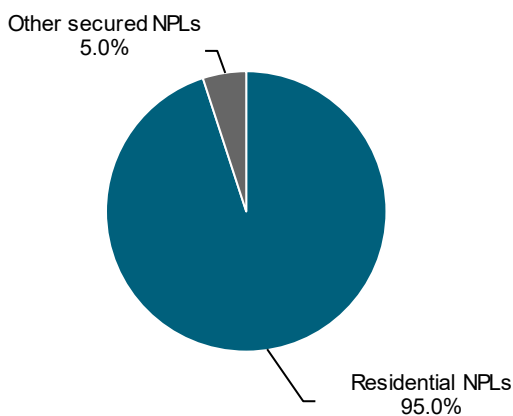
Sources: BAM; FSSIA's estimates

3) More aggressive NPL acquisitions

BAM has typically had a more conservative NPL acquisition plan than its peers due to its longer cash collection cycle and more constrained D/E. BAM's payback period is around six to eight years vs three to five years for JMT. We believe this is because its NPA portfolio's residential segment only accounts for 52% of the total, compared to 95% for JMT. Generally, homeowners tend to treasure their properties more than other types of real estate owners. Thus, homeowners are inclined to service their debts as best as they can, in our view.

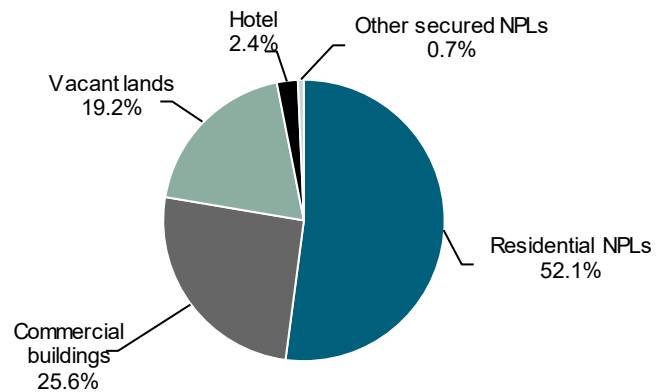
Moreover, we believe that BAM's NPL management efficiency is lower than JMT's. JMT can encourage its clients to participate in the TDR program, which allows its clients to easily repay their debts on a regular basis. Most of JMT's clients are TDR debtors, while less than 10% of BAM's clients are TDR debtors.

Exhibit 9: JMT's secured portfolio breakdown as of 3Q21



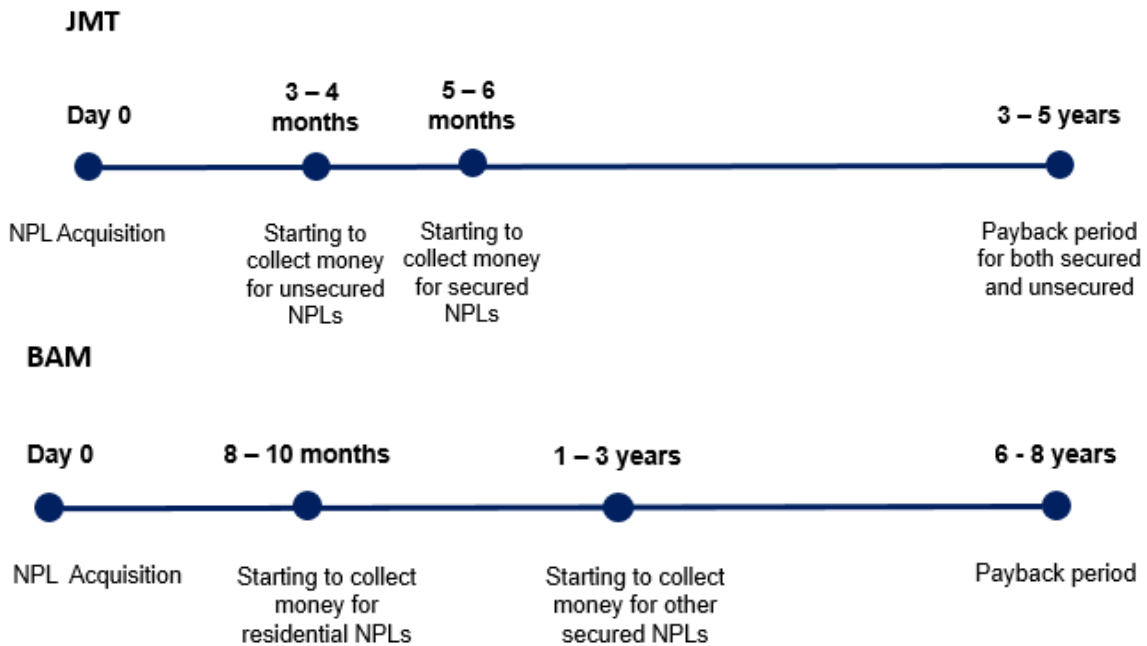
Source: JMT

Exhibit 10: BAM – NPAs by collateral type as of 3Q21



Source: BAM

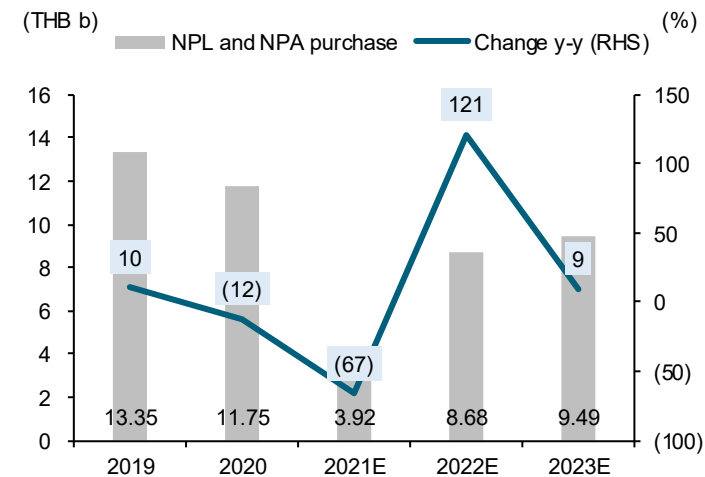
Exhibit 11: NPL management timeline for JMT vs BAM



Source: Company data; FSSIA estimates

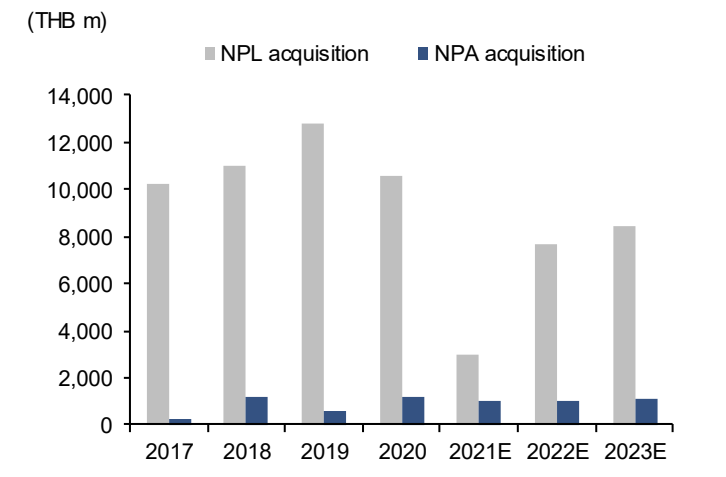
However, BAM has attempted to shorten its turnaround time by using a lenient debt-restructuring criteria strategy: increasing its online selling platforms and implementing a pricing strategy. Moreover, after locking in its long-term funding with a slightly lower cost of funds in 2021, we believe that BAM will be more comfortable in accelerating its asset-heavy distressed asset acquisitions in 2022. We expect NPL and NPA acquisitions to amount to THB8.7b (+121% y-y) in 2022. The increase in bad asset purchases would gradually benefit its bottom line.

Exhibit 12: BAM's bad asset acquisitions



Sources: BAM; FSSIA estimates

Exhibit 13: BAM's bad asset acquisitions by type



Sources: BAM; FSSIA estimates

4) BAM could benefit the most from a JV license

Apart from asset-heavy expansion, BAM might accelerate its business growth via an asset-light strategy. We believe that the BoT might allow the establishment of JVs between banks and AMCs to solve the potential influx of NPLs, which could be announced in Dec-21. (details in industry overview).

To motivate the establishment of JVs, we think the BoT could 1) allow AMCs and banks to deconsolidate JVs from their own financial statements to reduce the burden on their balance sheets (liabilities for AMCs and NPLs for banks); and 2) lift restrictions on the source of funds that banks can provide to JVs (from currently not over 25% of JVs' liabilities). In our view, banks might prefer to partner with AMCs which have outstanding NPL management capabilities and notable experience. Thus, we believe all AMCs under our coverage (especially BAM and JMT) could be targets for partnership. In the event that the BoT unlocks sources of funding for JVs, BAM would likely benefit the most, as BAM has a more conservative NPL acquisition plan than its peers due to its longer cash collection cycle and more constrained D/E. We believe a JV could unlock its growth trajectory.

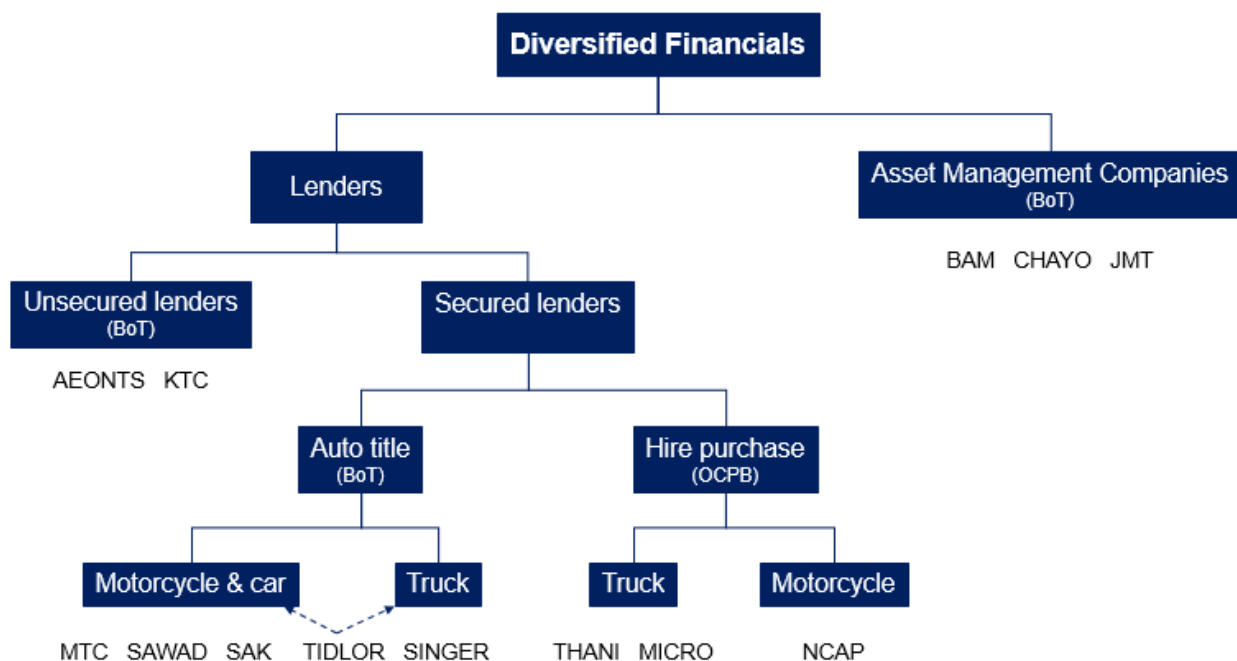
Although we think it would take some time for the net benefit from a JV to materially kick in, this could be a key factor to unlock BAM's value and drive up its share price, in our view.

Industry overview

Among diversified financial companies (DFs) under our coverage, we believe that AMCAs are the most attractive for investors to invest in due to three reasons. First, we believe that asset management is probably one of the few industries whose current regulations favour their operations. Second, we think AMCAs have a limited competitive landscape. To be a successful AMC and one of the market leaders, this business requires long experience and high initial capital. Third, we believe that, at least in the next four to five years from now, there will be an opportunity for all AMCAs to build their portfolios at a good acquisition price and with a good asset class selection, due to the potentially large supply of NPLs from many financial institutions.

Note that we separate the DFs under our coverage into two main groups: AMCAs and lending operators, including unsecured lenders and secured lenders. Moreover, we break the secured lending segment up into two groups according to their legal contracts: auto title loans and hire purchase loans.

Exhibit 14: Diversified financials under our coverage



Source: FSSIA's compilation

1) Regulations would favour AMCAs' operations

Tighter regulations are another concern for investors. Although the DF sector is less regulated than the banking sector, in recent years we have started to see regulators exert more control over DFs. For example, auto title loan lenders were regulated by the BoT in 2019. This led to the implementation of an interest rate cap. In Aug-20, the BoT reduced the ceiling rate of credit cards, personal loans, and auto title loans to 16%/25%/24% from 18%/28%/28%, respectively. Then, in Sep-21, the government capped debt collection fees for all loan types. Recently, the Office of the Consumer Protection Board (OCPB) is holding a hearing with the public regarding a potential interest rate cap at 15-20% p.a. (EIR basis) from no rate cap currently.

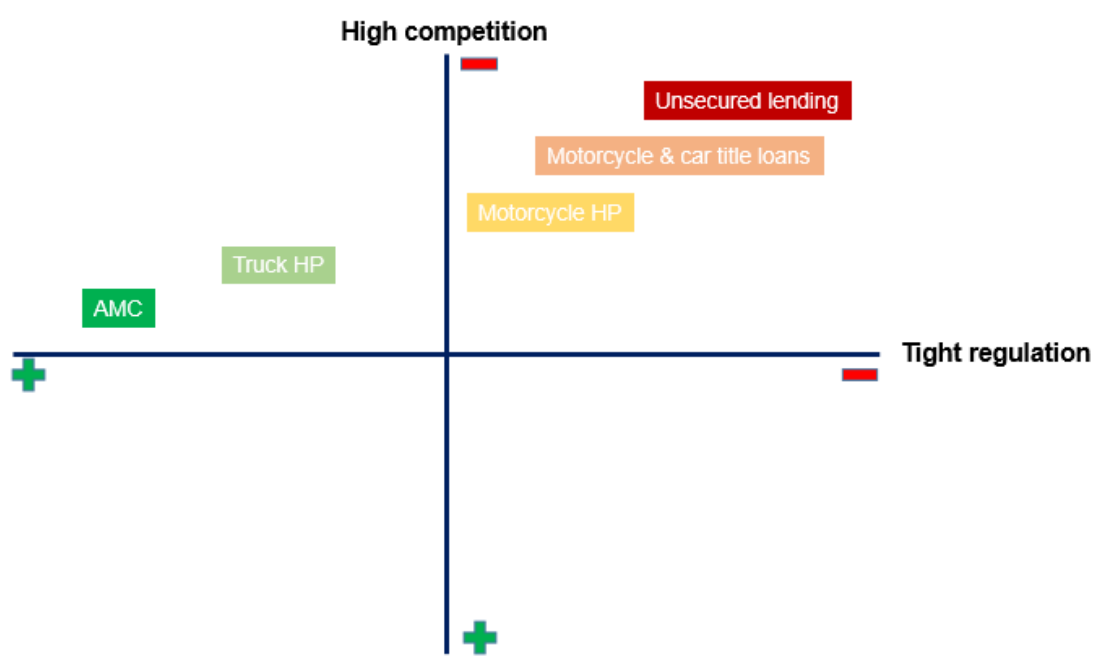
Exhibit 15: Regulation timeline for both banks and DFs

Implemented period	2015-2019	2017-Present	2019	Apr 20
Mandate	TFRS 9 preparation	Insurance market conduct	Regulated auto title loan	Debt holiday#1
Most affected segment	Bank	Bank	Auto title	Bank, non-bank
Impacted items	Credit cost	Non-NII	Loan yield	Loan yield, fee, credit cost
Implemented period	Aug 20	Sep 21	Oct 21-Present	Dec 21
Mandate	Ceiling rate cap of retail loans	New restriction on debt collection fees	New regulation of HP contract	JV AMCs
Most affected segment	Credit cards, P-loan, auto title loan	All lenders esp. non bank	Motorcycle HP	AMCs, Bank
Impacted items	Loan yield	Fee	Loan yield	

Source: FSSIA's compilation

From our analysis, among the DFs under coverage, we have found that the segment whose business operations would benefit from regulations is the AMC sector (JV licence and some changes to AMC law). Meanwhile, the segment that has the most stringent controls is the unsecured lending segment, followed by auto title loans. Motorcycle hire purchase loans is a group that has a high chance of being regulated, in our view. We have completed a competition and regulation impact scatter diagram, shown below.

Exhibit 16: Competition and regulation impact scatter diagram



Source: FSSIA estimates

JVs between banks and AMCs could be announced in Dec 2021

According to the Prachachart newspaper, the BoT is likely to allow the establishment of JVs between banks and AMCs to solve the potential influx of NPLs from the Covid pandemic, which could be announced in Dec-21.

We believe that JVs would benefit all parties, including AMCs, the banking sector and the economy as a whole. We see three benefits to AMCs. First, AMCs should be able to expand their businesses at a faster pace. JVs would have secure NPL backlogs from banks at reasonable acquisition prices. We also believe that funding for JVs would be provided by banks. This could unlock a limited source of funds for AMCs. Second, AMCs would receive NPL management fees from the JVs. We believe JVs would hire their own partner AMCs to manage NPLs instead of hiring all new staff. This would allow AMCs to more efficiently utilise their resources and earn cash faster vs solely running their own NPL management. Third, AMCs would realise a share of profits from the JVs.

We believe that AMCs that decide to partner with banks will continue to purchase and manage NPLs at their own level as usual. To us, partnering with banks would not decrease AMCs' original profits. Instead, we believe there would be additional benefits from the JVs.

Exhibit 17: Potential net benefits to AMCs when setting up a 49% holding JV with a bank to manage secured NPLs

	2022E (THB m)	2023E (THB m)	2024E (THB m)
Assumptions			
NPL acquisition	1,000		
Cash collection (%)	5	20	20
Management fee to total outstanding NPL acquisition (%)	5	13	15
Profit and Loss			
Interest income (net Interest expense and ECL)	15	65	185
Management fee	50	125	150
Other OPEX	20	30	40
Tax	0	0	0
Net profit	(55.00)	(60.00)	35.00
Benefit to AMC (holding 49% in JV)			
Share loss/gain from JV	(27)	(29)	17
Management fee (net of tax)	40	100	120
Net benefit to AMC	13	71	137

Source: FSSIA estimates

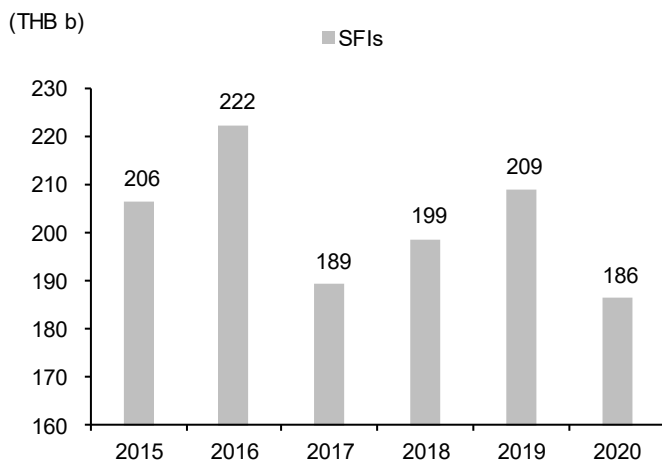
We think it is still too difficult to identify the net incremental profits to AMCs in the case of setting up a JV with a bank. It would depend on many factors such as the structure of the JV's shareholders, the JV's NPL acquisitions, NPL management fees, and types of NPLs to manage. We can provide a preliminary idea that the net benefit that AMCs might receive in the first one to two years would likely not be very high. In our view, the JV may still be a loss maker in the first one to two years due to the nature of the bad debt management business, and the collection rate in the first two years would not likely accelerate much. However, AMCs would receive compensation from management fees. We think that the management fee would be 10-20% of total outstanding bad assets (based on JMT and CHAYO's debt collection business and our calculation). Accordingly, we believe that partnering with banks might not significantly affect AMCs' profits in the next one to two years. However, we think their valuations might rerate first due to the brighter and more sustainable outlook.

Changing AMCs' mandates benefits all SET-listed AMCs

Apart from the potential announcement of JV licenses, the BoT announced a public hearing regarding a change in AMC law which will be held during 22 Nov-21 to 21 Dec-21. The BoT is likely to allow AMCs to provide debt collection services to public agencies selected by the Ministry of Finance. Moreover, the BoT could add more restrictions on registration requirements and governance for AMC licenses.

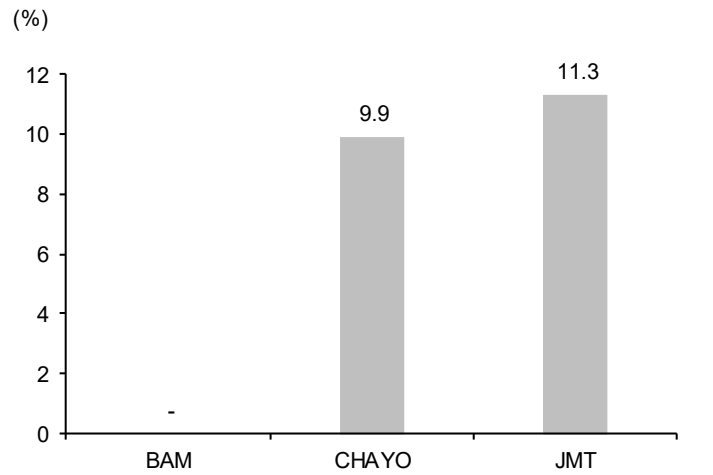
We think these changes would favour AMCs under our coverage. We think the new law would increase the potential number of clients – debtors in specialised financial institutions (SFIs) in particular – who AMCs can provide debt collection services to. As of 2020, SFIs had a high level of NPLs at THB186b (vs THB541b NPLs for commercial banks as of 3Q21) and delinquent loans of THB204b. On top of that, the stricter business conduct requirement would be a barrier to entry for new players.

Exhibit 18: SFIs' outstanding NPLs



Sources: Fiscal Policy Office; FSSIA's compilation

Exhibit 19: AMCs' 2020 debt servicing revenue



Sources: Company data; FSSIA's compilation

In our view, the potential mandate change for AMCs would benefit JMT and CHAYO the most, as they already operate large debt collection service businesses representing 9% and 6%, respectively, of their total revenue in 2020. We believe the changes would provide more opportunities for them to enhance their service.

2) AMCs have a limited competitive landscape

We think DF is a competitive sector. On top of that, Siam Commercial Bank (SCB TB, BUY, TP THB160)'s reforms have made the market even more worried about the fierce competition in the future.

From our analysis, we have found that the segments with intense competition both currently and likely to continue into the future are the unsecured lending and auto title loan segments. Meanwhile, we think AMCs will face only slight to moderate competition in the next two to three years.

Exhibit 20: Current competition level and outlook by segment

Competition		Current	Outlook
1 AMCs	Competition level (out of 5)	2	3
	Big to medium players/ potential players	BAM, SAM, JMT, CHAYO	BAM, JMT, CHAYO, small to medium new players
2 Lending operators			
2.1 Unsecured lending	Competition level (out of 5)	4	5
	Big to medium players/ potential players	KTC, AEONTS, SCB, KBANK, BAY	KTC, AEONTS, KBANK, BAY, Card X, digital lending platforms, fintech companies
2.2 Secured lending			
<i>Auto title loans</i>			
Motorcycles and cars	Competition level (out of 5)	4	5
	Big to medium players/ potential players	MTC, SAWAD, TIDLOR, SAK, Ngen Turbo, Nim See Seng, local lenders	MTC, SAWAD, TIDLOR, SAK, Ngen Turbo, Nim See Seng, local lenders, Auto X
Truck	Competition level (out of 5)	3	4
	Big to medium players/ potential players	TIDLOR, SINGER, local lenders	TIDLOR, SINGER, local lenders, ASK, THANI, MICRO, NCAP
<i>Hire purchase loans</i>			
Motorcycles	Competition level (out of 5)	3	4
	Big to medium players/ potential players	AYCAL, Summit Capital, TK, S11, MTC, SAWAD, Hi-Way, local lenders	AYCAL, Summit Capital, TK, S11, MTC, SAWAD, Hi-Way, local lenders
Cars	Competition level (out of 5)	4	4
	Big to medium players/ potential players	Banks, captive finance	Banks, captive finance
Trucks	Competition level (out of 5)	3	3
	Big to medium players/ potential players	ASK, THANI, MICRO, some banks, local lenders	ASK, THANI, MICRO, some banks, local lenders

Full name of mentioned companies: Sukhumvit Asset Management (SAM, not listed), Card X (SCB's subsidiary), Auto X (SCB's subsidiary), Ayudhya Capital Auto Lease (AYCAL) under Bank of Ayudhya (BAY, not rated), Summit Capital Leasing, NCAP, Thitikorn (TK TB, not rated), S11 Group (S11 TB, not rated), Hi-Way under Tisco Financial (TISCO TB, BUY, TP THB110), Asia Sermkij (ASK, not rated)

Source: FSSIA estimates

Competition analysis by segment**1. AMCs**

Current: The main players are BAM, Sukhumvit Asset Management (SAM, not listed), JMT, and CHAYO. There are also small new players jumping into the AMC business due to the potentially higher NPL supply post Covid outbreak.

Outlook: We think there is a sufficient NPL supply for AMCs in 2021-22. Moreover, we believe banks will accelerate their NPL sales in 2023 after the relaxed loan classification and provision measures end in 2023. Thus, we see mild competition in the next two to three years.

2. Lending operators**2.1 Unsecured lending**

Current: The competition is fierce. There are many major players in this segment including banks and non-banks. There are many fintech companies expanding into this segment.

Outlook: We expect the fierce competition to continue. Moreover, in the next one to two years, we think banks will expand more aggressively into this segment.

2.2 Secured lending**2.2.1 Auto title loans****Motorcycles and cars**

Current: The competition is fierce, especially between big players. There is currently price competition.

Outlook: We expect the fierce competition among the existing players to continue. Moreover, in the next three to five years, we think banks will penetrate this market.

Trucks

Current: After the successful expansion of SINGER, key truck hire purchase lenders, e.g. THANI and ASK, have started to expand into this market.

Outlook: We expect that the competition will be moderately tighter in the next two to three years. However, we believe that price competition will not occur soon.

2.2.2 Hire purchase

Motorcycles

Current: There are four to five major players. The market is fragmented amongst local competitors. We think the current competition is moderate.

Outlook: The demand for motorcycles should increase gradually. SAWAD and MTC have penetrated this segment for two years. We think the competition is getting tight.

Trucks

Current: There are three to four major players. The market is fragmented amongst local competitors. We think the current competition is moderate.

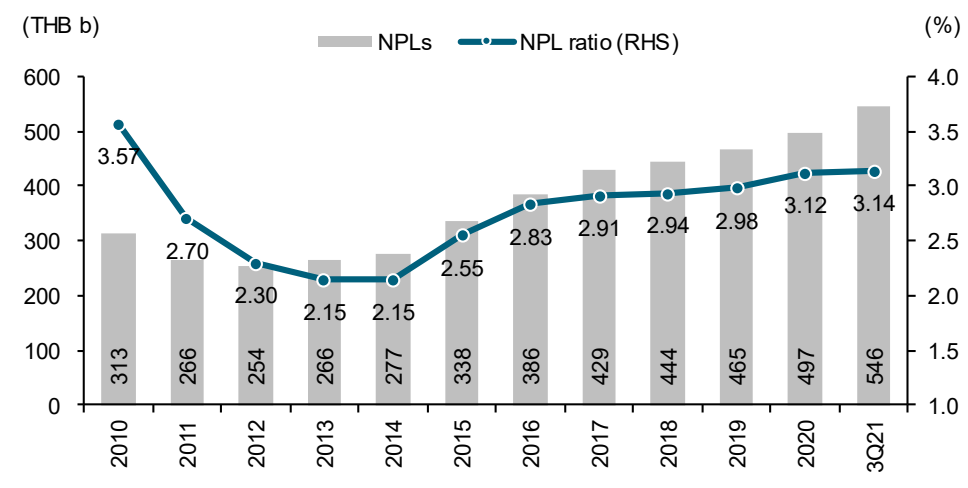
Outlook: The demand for trucks should increase continuously. We think few big new players will tap into this market. We think the competition will not be intense in the next two to three years.

3) The potentially large supply of NPLs from many financial institutions

Thai banks tend to write-off and sell portions of their NPLs from their balance sheets, especially when a tremendous flow of NPLs builds up in their portfolios, in order to 1) manage their overall NPL ratio at an appropriate level; and 2) lower the carrying cost of troubled debts, including capital consumption cost and expected credit loss. Banks' profitability can potentially be higher after an NPL sell-off, owing to a release of some loan loss reserves.

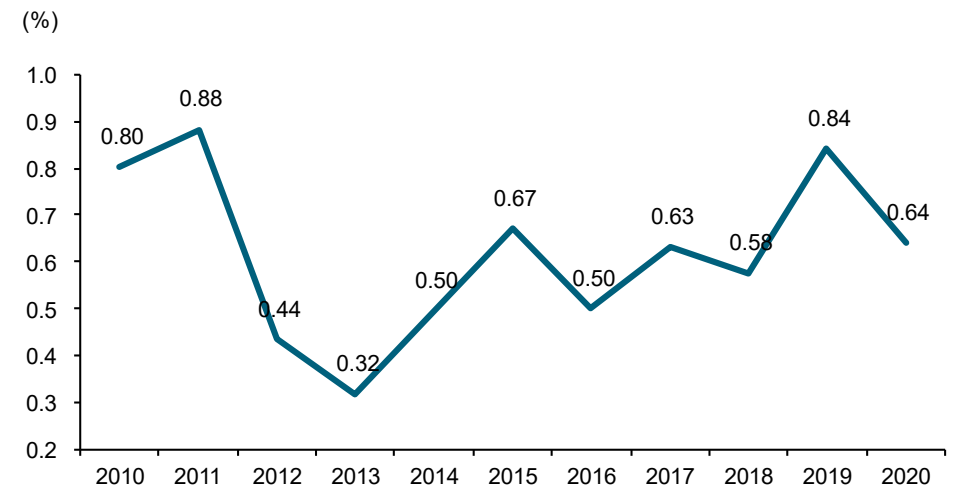
Before Covid-19, NPLs for commercial banks had accelerated again after a downcycle since 2014 – the lowest NPL ratio of 2.15%. Outstanding NPLs rose to THB465b in 2019, increasing 67% compared with the 2014 level, with an NPL ratio of 2.98%.

Exhibit 21: Commercial bank NPLs and NPL ratios



Sources: Bank of Thailand; FSSIA's compilation

Given the continued rise in NPLs, banks accelerated their sell and write-off rates from 0.5% of total loans in 2014 to 0.84% in 2019. This confirms our view that the higher the NPL rate, the greater the sell/write-offs.

Exhibit 22: NPL sell/write-off rate

Sources: Bank of Thailand, FSSIA's compilation

Banks should accelerate NPL sales again in 2023

Although the banking sector's NPLs have increased insignificantly for six consecutive quarters since 2Q20 thanks to the extended relaxed loan classification, we believe that there are many debtors, especially in the retail and SME segments, whose ability to repay debts declined due to the Covid impact. Thus, we think the sale of NPLs might rise again in 2023 before the end of the financial measures.

We believe that, at least in the next four to five years from now, there will be an opportunity for all AMC's to build their portfolios at a good acquisition price and with a good asset class selection, due to the potentially large supply of NPLs from many financial institutions.

Exhibit 23: Summary of new financial measures

	New measures	Previous measures
1. Liquidity preservation and injection measures		
For SME clients		
1. New debtors	BoT raising credit lines up to THB50m.	Credit lines were up to THB20m.
2. Existing debtors	For credit lines not over 30% of outstanding loans (outstanding loans not over THB150m) or for clients who have outstanding loans of less than THB150m, they can borrow at a maximum of not over THB50m.	Credit lines not over 30% of outstanding loans (outstanding loans not over THB150m).
The Bank of Thailand (BoT) will also ease credit guarantee conditions to accept higher credit risk for both new and existing debtors.		
For retail clients		
1. Credit card	BoT extended the 5% minimum repayment to 2022.	5% minimum repayment in 2020-21, 8% in 2022 and 10% (normal rate before Covid) in 2023.
2. Personal loans	BoT allows no limit for lenders to 2022.	Limited to 3 lenders.
3. Credit card and personal loans	BoT extending an increase in credit lines up to 2x income for THB30k income customers to 2022.	An increase in credit lines of up to 2x income for THB30k income customers ending in 2021.
4. Digital personal loans	BoT increasing credit lines up to THB40k and repayment terms to 12 months.	Credit lines of up to THB20k and repayment terms not over 6 months.
2. Comprehensive long-term debt restructuring (CDR)		
1. Relaxation of loan classification	An extension of the relaxation of loan classification and provision setting measure if financial institutions provide additional assistance to debtors in addition to extending the repayment period alone to Dec-23 from Dec-21 (note that to allow financial institutions to have sufficient time to consider appropriate L-T debt restructuring, the BoT temporarily extended the relaxation of loan classification to Mar-22).	Relaxation of loan classification would end in Dec-21.
2. FIDF fee	BoT extending the reduction of the Financial Institutions Development Fund (FIDF) fee at 0.23% to Dec-22.	FIDF fee is at 0.23% in 2020-21 and would be back to the normal rate of 0.46% in 2022.

Sources: BoT; FSSIA's compilation

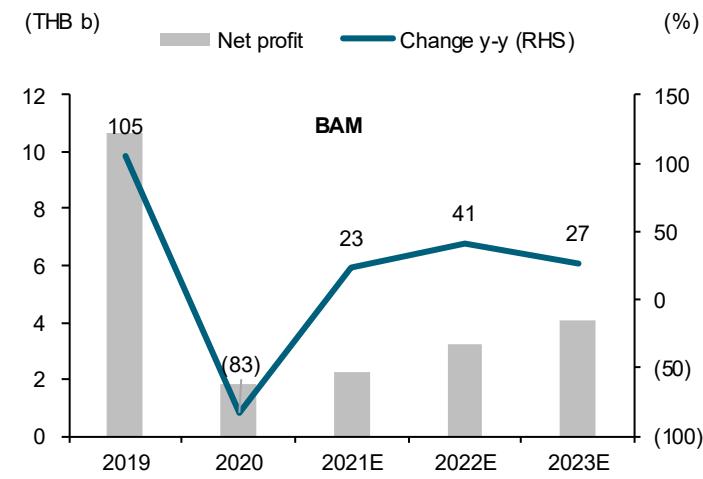
Financial highlights

1) 2022 earnings could be close to the normal level

We expect BAM's 2022 net profit to surge 41% y-y to THB3.2b, close to its normal level of around THB4b-5b. We expect the material rise in its net profit to be supported by 1) solid CC following an economic recovery and more TDR debtors; 2) an improvement in its profitability margin thanks to a healthier property market; and 3) a significant rise in its NPL acquisitions.

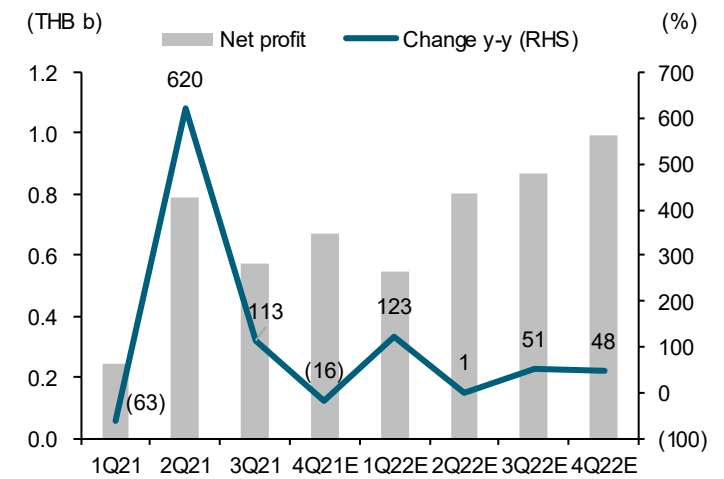
We also expect good momentum in its 2022 quarterly earnings, expecting an increase y-y and q-q in every quarter. A continued increase in TDR clients could lead to a more consistent net profit profile.

Exhibit 24: BAM's yearly net profit



Sources: BAM; FSSIA estimates

Exhibit 25: BAM's quarterly net profit

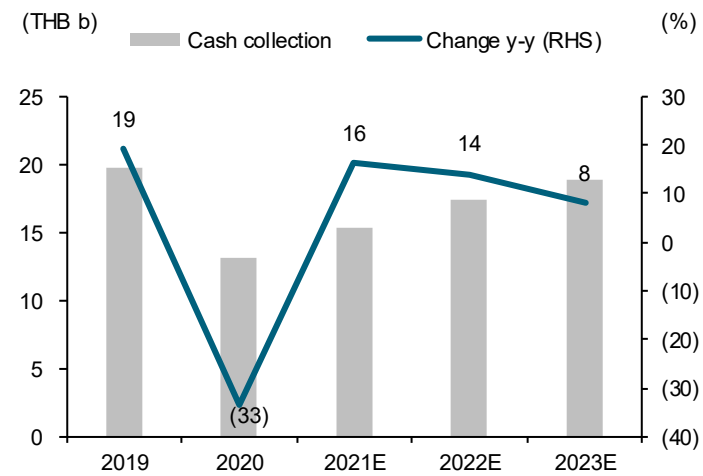


Sources: BAM; FSSIA estimates

2) Stronger cash collection

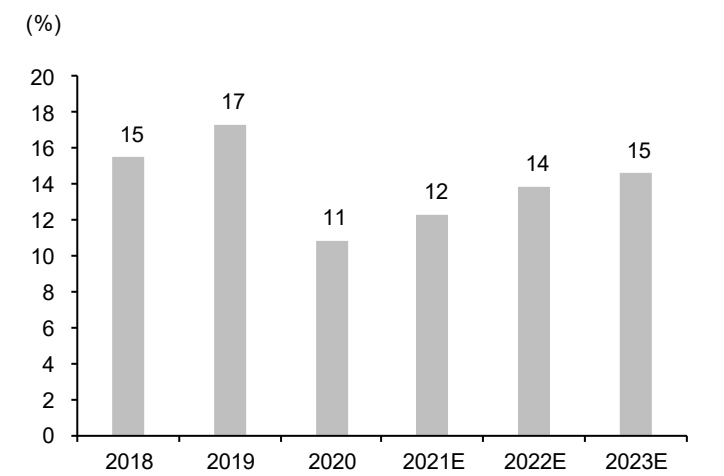
We expect BAM's 2022 CC to increase by 14% y-y to THB17.4b, which is still more conservative than the company's target by 8%. Its CC ratio could also improve to 14% in 2022. We expect the increase in its CC to be driven by 1) an economic recovery; 2) an increase in TDR debtors; and 3) a healthier of property market.

Exhibit 26: BAM's cash collection is expected to rise continuously



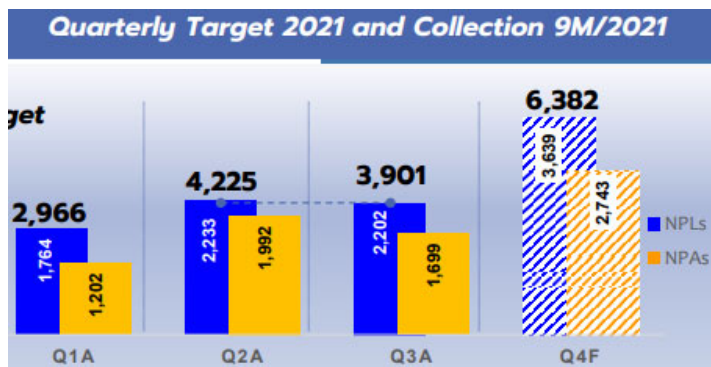
Sources: BAM; FSSIA estimates

Exhibit 27: BAM's cash collection ratio



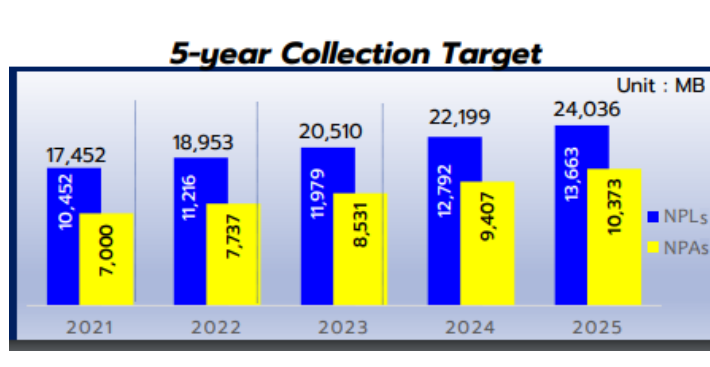
Sources: BAM; FSSIA estimates

Exhibit 28: BAM's 2021 quarterly cash collection target



Source: BAM

Exhibit 29: BAM's five-year cash collection target

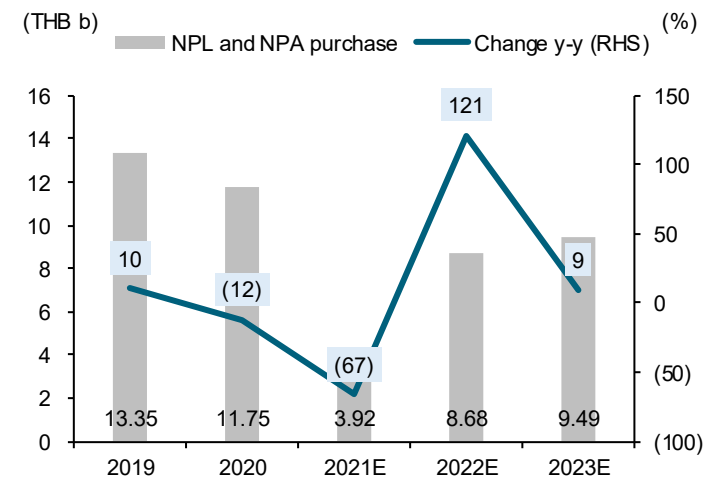


Source: BAM

3) More aggressive bad asset acquisition

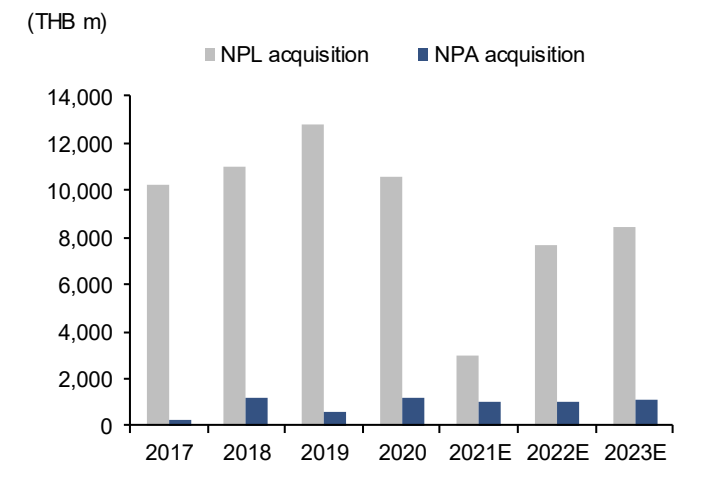
In 2022, we expect BAM to accelerate its bad asset acquisitions (including NPLs and NPAs) by 121% y-y, supported by an expected increase in NPL sales by banks; 2) BAM's potentially shorter turnaround time; and 3) its more appropriate funding structure with a slightly lower cost of funds.

Exhibit 30: BAM's bad asset acquisitions



Sources: BAM; FSSIA estimates

Exhibit 31: BAM's bad asset acquisitions by type



Sources: BAM; FSSIA estimates

Valuation and recommendation

We increase our 2021-23 net profit forecasts by 2%/6%/8%, mainly to reflect our higher CC assumptions by 3%/14%/6% due to BAM's efficient strategies to shorten its turnaround time. We are starting to see BAM's pricing strategy and growing debt restructuring portfolio strategy as a benefit to its CC and revenue generation. The increase in our CC estimates is reflected in our higher interest income from NPLs, higher gains on NPLs (revenue from fully amortised portfolio) and lower expected credit loss assumptions for 2022-23.

Exhibit 32: Change of key assumptions

	2021E			2022E			2023E		
	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)	Old (THB m)	New (THB m)	Change (%)
Interest income	9,635	9,749	1.2	10,654	10,870	2.0	11,756	11,440	(2.7)
- Interest income from NPLs	6,264	6,255	(0.1)	6,775	6,809	0.5	6,868	6,884	0.2
- Gain on NPLs (fully amortised)	2,858	3,243	13.5	3,397	3,715	9.4	4,464	4,271	(4.3)
- Other	514	251	(51.1)	482	346	(28.1)	424	285	(32.8)
Interest expense	2,613	2,516	(3.7)	2,488	2,179	(12.4)	2,498	2,073	(17.0)
Net interest income	7,022	7,233	3.0	8,167	8,692	6.4	9,258	9,367	1.2
Non-interest income	3,382	3,321	(1.8)	4,090	3,303	(19.2)	4,105	3,783	(7.8)
- Gain on sale of properties for sale	2,993	2,686	(10.3)	3,826	3,087	(19.3)	3,829	3,549	(7.3)
- Other	389	635	63.3	264	217	(18.1)	276	234	(15.2)
Total operating income	10,404	10,554	1.4	12,257	11,995	(2.1)	13,363	13,151	(1.6)
Operating expense	2,706	2,738	1.2	3,031	3,067	1.2	3,334	3,373	1.2
Pre-operating profit before tax	7,698	7,816	1.5	9,226	8,928	(3.2)	10,029	9,777	(2.5)
Expected credit loss	4,917	4,985	1.4	5,450	4,923	(9.7)	5,320	4,708	(11.5)
Taxes expenses	556	566	1.8	755	801	6.1	942	1,014	7.7
Norm. profit	2,225	2,265	1.8	3,020	3,204	6.1	3,767	4,056	7.7
Extraordinary items	0	0		0	0		0	0	
Net profit	2,225	2,265	1.8	3,020	3,204	6.1	3,767	4,056	7.7
EPS (THB)	0.69	0.70	1.8	0.93	0.99	6.1	1.17	1.25	7.7
Key statistic and ratio									
Leverage ratios (x)									
Liabilities / equity	1.8	1.7		1.9	1.6		1.5	1.2	
Interest-bearing debt / equity	1.8	1.6		1.9	1.5		1.5	1.2	
Profitability ratio (%)									
Cost of funds	3.0	3.1		2.9	3.0		3.0	3.0	
Cost to income	26.0	25.9		24.7	25.6		24.9	25.7	
Specific data for business									
NPL and NPA purchases (THB m)	5,445	3,918	(28.0)	11,018	8,675	(21.3)	11,764	9,492	(19.3)
NPL and NPA cash collection (THB m)	14,881	15,279	2.7	15,294	17,433	14.0	17,759	18,846	6.1
Cash collection to gross NPLs and NPAs (%)	11.8	12.3		11.7	13.9		12.9	14.6	
Change y-y (%)									
Core profit (y-y %)	20.9	23.1		35.8	41.5		24.7	26.6	
NPL and NPA purchases (y-y %)	(53.6)	(66.6)		102.3	121.4		6.8	9.4	
NPL and NPA cash collection (y-y %)	13.3	16.3		2.8	14.1		16.1	8.1	

Sources: BAM; FSSIA estimates

We revise up our GGM-based TP to THB25.5 from THB22.0, as we 1) increase our EPS forecast, leading to a higher book value; and 2) revise up our target 2022 P/BV from 1.5x to 1.8x to reflect our ROE target increase to 7.3% from 7.2%.

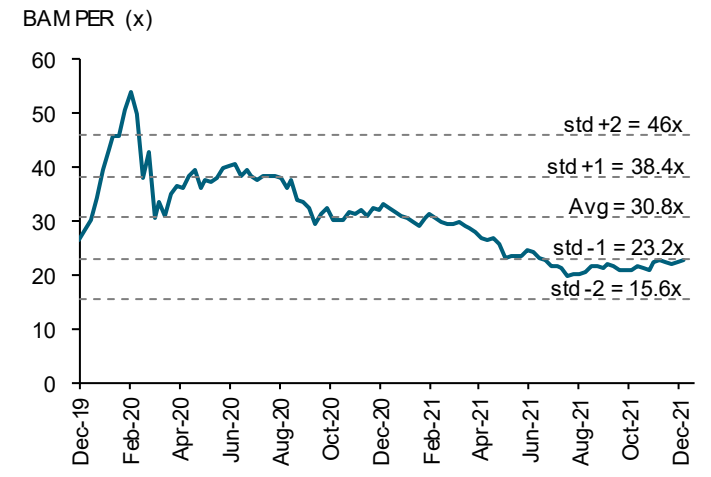
Exhibit 33: BAM – GGM-derived target price

Target price	THB 25.5 (from 22.0)
Recommendation	BUY (unchanged)
Risk-free rate (%)	3.0 (unchanged)
Market risk premium (%)	8.0 (unchanged)
Terminal growth (%)	6.6 (unchanged)
ROE target (%)	7.3 (from 7.2)
Target PBV (x)	1.8 (from 1.5)
Risk to TP	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; 2) lower-than-expected bad debt acquisition; and 3) the prolonged slowdown of the property market.

Source: FSSIA estimates

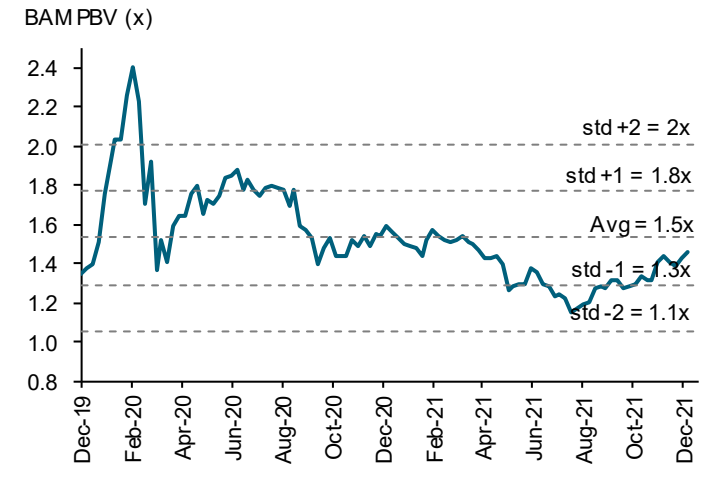
We maintain our BUY call and select BAM as one of our top picks (including JMT, SINGER, and MICRO) among the diversified financial companies under our coverage. We believe BAM's bottom has passed in 3Q21 and it is now at a recovery inflection point. Moreover, we think its valuation is still attractive. BAM trades at 21.2x 2022E P/E, with 2022E net profit growth of 41% y-y. We believe an ROE recovery is underway, with a 6.9% ROE estimated in 2022 from only 5.2% estimated in 2021. On top of that, we think BAM would benefit the most from the potential JV licence announcement between banks and AMCs in Dec-21, as this could unlock its long-term growth.

Exhibit 34: BAM – one-year prospective P/E band



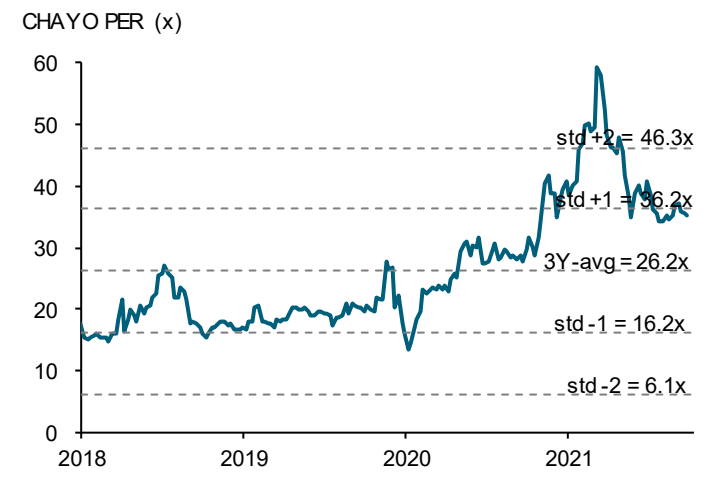
Sources: Bloomberg; FSSIA estimates

Exhibit 35: BAM – one-year prospective P/BV band



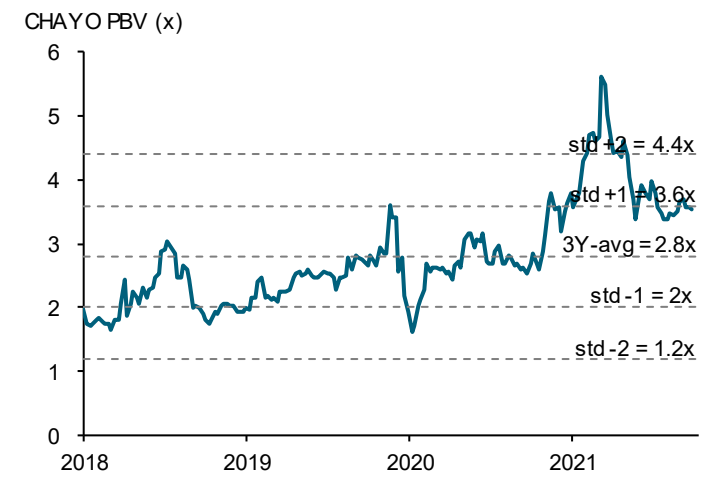
Sources: Bloomberg; FSSIA estimates

Exhibit 36: CHAYO – one-year prospective P/E band



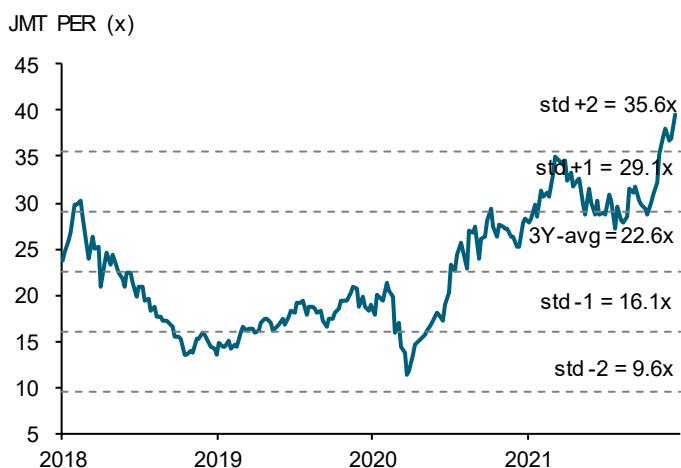
Sources: Bloomberg; FSSIA estimates

Exhibit 37: CHAYO – one-year prospective P/BV band



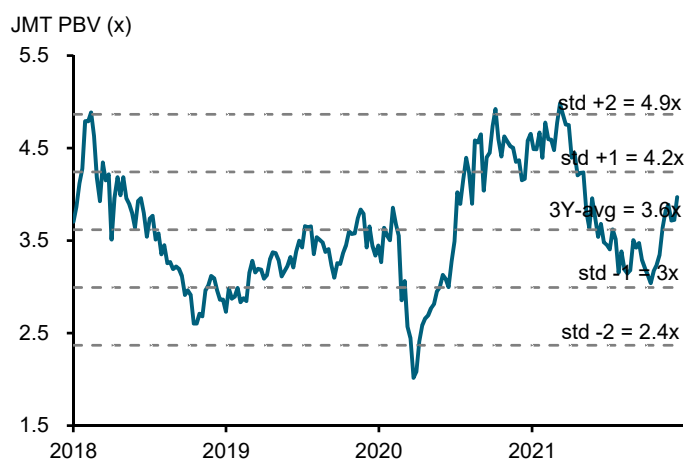
Sources: Bloomberg; FSSIA estimates

Exhibit 38: JMT – one-year prospective P/E band



Sources: Bloomberg; FSSIA estimates

Exhibit 39: JMT – one-year prospective P/BV band



Sources: Bloomberg; FSSIA estimates

Exhibit 40: Thailand diversified financials – peers comparison

	BBG code	Rec	---Share price---		Up side (%)	Market Cap (USD m)	EPS growth		---P/E---		---ROE---		---PBV---	
			Current (THB)	Target (THB)			21E (%)	22E (%)	21E (x)	22E (x)	21E (%)	22E (%)	21E (x)	22E (x)
Diversified financials						23,188	12.1	22.8	26.3	21.4	18.4	18.0	4.2	3.3
Unsecured-loan lenders						5,833	14.3	13.1	21.0	18.5	24.0	23.4	4.7	4.1
Aeon Thana Sinsap (Thailand)	AEONTS TB	HOLD	189.00	204.00	8	1,419	7.5	13.9	11.9	10.5	21.5	21.1	2.4	2.1
Krungthai Card	KTC TB	HOLD	57.00	52.00	(9)	4,414	15.4	13.0	23.9	21.1	24.8	24.1	5.5	4.8
Auto-title lenders						9,411	5.3	23.2	23.6	19.1	20.3	20.6	4.1	3.6
Muangthai Capital	MTC TB	BUY	57.75	69.00	19	3,677	(0.5)	24.6	23.6	18.9	22.7	23.4	4.9	4.0
Srisawad Corp	SAWAD TB	BUY	61.50	80.00	30	2,536	4.2	20.6	17.8	14.7	20.2	22.0	3.4	3.1
Saksiam Leasing	SAK TB	BUY	10.70	11.00	3	674	(19.5)	39.1	37.8	27.1	12.6	15.9	4.6	4.1
Ngern Tid Lor	TIDLOR TB	BUY	36.25	43.00	19	2,525	23.8	17.8	25.5	21.7	18.9	16.4	3.7	3.3
Truck lenders						1,803	11.7	10.5	28.4	25.7	13.2	12.7	3.3	2.5
Micro Leasing	MICRO TB	BUY	8.15	10.70	31	229	23.1	33.5	37.4	28.0	10.8	13.2	3.9	3.5
Singer Thailand	SINGER TB	BUY	51.00	51.00	0	819	24.8	2.4	37.5	36.6	13.0	9.8	4.2	2.7
Ratchthani Leasing	THANI TB	BUY	4.44	4.80	8	755	(30.2)	19.8	15.8	13.2	14.2	15.8	2.2	2.0
Asset management						4,683	17.0	33.9	41.5	31.0	12.8	11.0	5.0	2.8
Bangkok Commercial Asset Mngt.	BAM TB	BUY	21.00	25.50	21	2,038	23.0	41.5	30.0	21.2	5.2	6.9	1.5	1.5
Chayo Group	CHAYO TB	BUY	12.40	18.80	52	358	18.5	39.6	48.4	34.6	12.8	11.7	4.3	3.5
JMT Network Services	JMT TB	BUY	63.00	70.00	11	2,287	13.6	29.5	50.7	39.1	19.5	14.5	8.3	3.8
Other						1,189	8.1	11.6	9.6	8.6	6.4	6.8	0.6	0.6
Thanachart Capital	TCAP TB	HOLD	37.75	35.00	(7)	1,189	8.1	11.6	9.6	8.6	6.4	6.8	0.6	0.6
Hire purchase motorcycle						269	55.9	33.4	28.5	21.3	17.4	19.8	4.6	3.9
Next Capital	NCAP TB	BUY	9.95	16.80	69	269	55.9	33.4	28.5	21.3	17.4	19.8	4.6	3.9

Share prices as of 17 Dec 2021

Sources: Bloomberg; FSSIA estimates

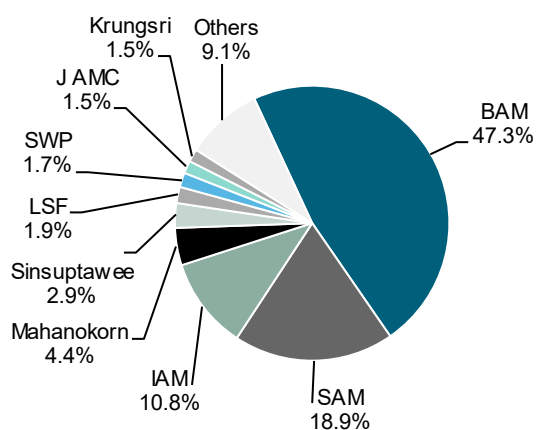
Company profile

Bangkok Commercial Asset Management Co., Ltd. (BAM) was established in 1998 to manage distressed assets arising from the 1997 financial crisis and in particular the distressed assets of Bangkok Bank of Commerce Plc. (BBC). So far, BAM has more than twenty years of experience in distressed asset management and still plays an important role in the financial system as the country's largest distressed-asset manager.

BAM had a 47.3% share of the AMC market by assets as of 2018. BAM has 26 offices (1 headquarter and 25 branches) nationwide and more than 1,200 employees. Its largest network in the country allows it to effectively manage distressed assets.

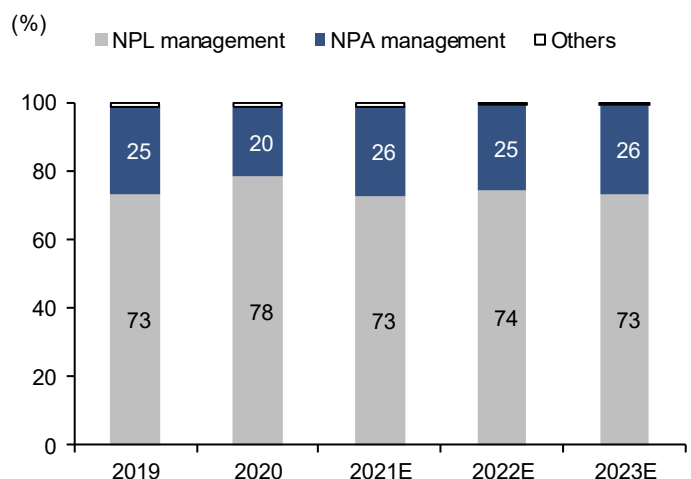
BAM has two principal businesses: 1) NPL management (78% of total revenue as of 2020); and 2) NPA management (20% of total revenue). As of 3Q21, BAM's outstanding balance portfolio was THB105.8b, of which 77% or THB81.5b consisted of NPLs and 23% or THB24.3b consisted of NPAs. The appraisal value of NPLs was THB186.5b, while for NPAs it was THB48.9b. BAM currently has 84,018 debtors under its management.

Exhibit 41: AMC's market share by asset size as of 2018



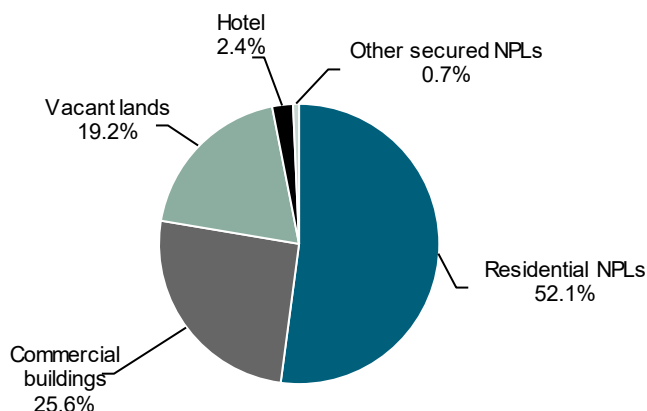
Sources: BAM; FSSIA estimates

Exhibit 42: BAM's revenue breakdown



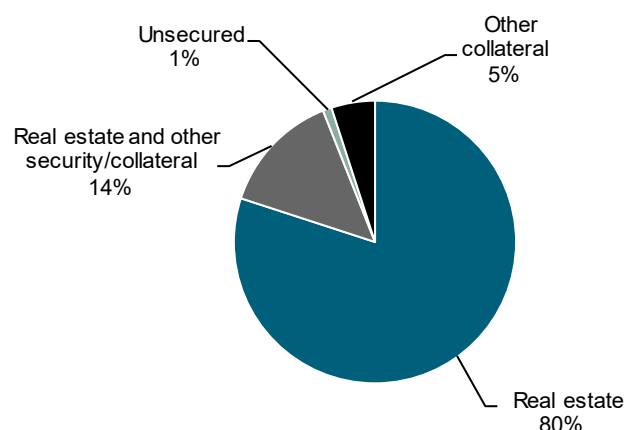
Sources: BAM; FSSIA estimates

Exhibit 43: NPA breakdown by collateral type as of 3Q21



Sources: BAM; FSSIA's compilation

Exhibit 44: NPL breakdown by collateral type as of 2Q20



Sources: BAM; FSSIA's compilation

Risks and concerns

We see three main risks which could impact BAM's operations, including:

1) Risks from failing to acquire NPLs/NPAs to properly grow the business

The growth of the company relies on its ability to acquire a sufficient amount of NPLs/NPAs at an appropriate cost. There are several factors that can impact NPL/NPA selling prices, such as the economic situation, the real estate market, and competition among AMCs in debt acquisition. Higher competition from other operators could result in higher costs for BAM in acquiring NPLs or NPAs and thus squeeze its profitability.

2) Risks to changes in economic conditions

The company's CC activities depend on the health of the property market, debtor's financial conditions and legal enforcement processes, which are all related to the macroeconomy and government policies. A poor property market could impact both the liquidity and profitability of NPL and NPA sales leading to longer asset-holding durations, higher sales and marketing costs, and lower CC.

3) Risks from the misevaluation of asset values

To set the purchase price of assets for NPL and NPA management, there is no "fair value" for the acquired NPLs/NPAs, and BAM relies on its own due diligence processes and estimates. The valuation is determined by professionals. An inaccurate valuation could lead to BAM bidding on NPLs/NPAs at higher-than-appropriate prices, which could hurt its profitability.

Financial Statements

Bangkok Commercial Asset Mngt.

Profit and Loss (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Interest Income	9,140	9,946	9,749	10,870	11,440
Interest expense	(2,132)	(2,391)	(2,516)	(2,179)	(2,073)
Net interest income	7,007	7,555	7,233	8,692	9,367
Net fees & commission	-	-	-	-	-
Foreign exchange trading income	-	-	-	-	-
Securities trading income	-	-	-	-	-
Dividend income	38	0	0	0	0
Other income	3,058	2,498	3,321	3,303	3,783
Non interest income	3,096	2,498	3,321	3,303	3,783
Total income	10,104	10,053	10,554	11,995	13,151
Staff costs	-	-	-	-	-
Other operating costs	(3,757)	(2,658)	(2,738)	(3,067)	(3,373)
Operating costs	(3,757)	(2,658)	(2,738)	(3,067)	(3,373)
Pre provision operating profit	6,347	7,395	7,816	8,928	9,777
Provision for bad and doubtful debt	(135)	(5,199)	(4,985)	(4,923)	(4,708)
Other provisions	-	-	-	-	-
Operating profit	6,212	2,196	2,831	4,005	5,070
Recurring non operating income	0	0	0	0	0
Associates	-	-	-	-	-
Goodwill amortization	-	-	-	-	-
Non recurring items	4,130	0	0	0	0
Profit before tax	10,342	2,196	2,831	4,005	5,070
Tax	337	(355)	(566)	(801)	(1,014)
Profit after tax	10,679	1,841	2,265	3,204	4,056
Minority interests	0	0	0	0	0
Preferred dividends	-	-	-	-	-
Other items	-	-	-	-	-
Reported net profit	10,679	1,841	2,265	3,204	4,056
Non recurring items & goodwill (net)	-	-	0	0	0
Recurring net profit	6,549	1,841	2,265	3,204	4,056
Per share (THB)					
Recurring EPS *	2.17	0.57	0.70	0.99	1.25
Reported EPS	3.54	0.57	0.70	0.99	1.25
DPS	1.05	0.51	0.60	0.84	1.07
Growth					
Net interest income (%)	50.9	7.8	(4.3)	20.2	7.8
Non interest income (%)	(7.2)	(19.3)	32.9	(0.5)	14.5
Pre provision operating profit (%)	25.7	16.5	5.7	14.2	9.5
Operating profit (%)	19.2	(64.7)	28.9	41.5	26.6
Reported net profit (%)	105.3	(82.8)	23.0	41.5	26.6
Recurring EPS (%)	14.2	(73.8)	23.0	41.5	26.6
Reported EPS (%)	86.2	(83.9)	23.0	41.5	26.6
Income Breakdown					
Net interest income (%)	69.4	75.2	68.5	72.5	71.2
Net fees & commission (%)	-	-	-	-	-
Foreign exchange trading income (%)	-	-	-	-	-
Securities trading income (%)	-	-	-	-	-
Dividend income (%)	0.4	-	-	-	-
Other income (%)	30.3	24.8	31.5	27.5	28.8
Operating performance					
Gross interest yield (%)	-	-	-	-	-
Cost of funds (%)	3.20	2.93	3.11	2.98	3.03
Net interest spread (%)	(3.20)	(2.93)	(3.11)	(2.98)	(3.03)
Net interest margin (%)	-	-	-	-	-
Cost/income(%)	37.2	26.4	25.9	25.6	25.7
Cost/assets(%)	3.3	2.1	2.1	2.5	2.8
Effective tax rate (%)	-3.3	16.2	20.0	20.0	20.0
Dividend payout on recurring profit (%)	48.3	90.0	85.0	85.0	85.0
ROE (%)	15.8	4.4	5.2	6.9	8.1
ROE - COE (%)	5.0	(6.4)	(5.6)	(3.9)	(2.7)
ROA (%)	5.8	1.5	1.8	2.6	3.3
RORWA (%)	-	-	-	-	-

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Bangkok Commercial Asset Mngt.; FSSIA estimates

Financial Statements

Bangkok Commercial Asset Mngt.

Balance Sheet (THB m) Year Ending Dec	2019	2020	2021E	2022E	2023E
Gross customer loans	83,622	85,922	81,098	79,563	78,660
Total provisions	(6,247)	(13,243)	(16,606)	(19,938)	(23,073)
interest in suspense	0	5,047	4,866	4,774	4,720
Net customer loans	77,375	77,726	69,358	64,399	60,307
Bank loans	-	-	-	-	-
Government securities	-	-	-	-	-
Trading securities	-	-	-	-	-
Investment securities	70	451	474	498	522
Cash & equivalents	5	5	243	396	4,983
Other interesting assets	25,927	36,514	34,116	37,879	41,339
Tangible fixed assets	1,243	1,190	1,197	1,221	1,245
Associates	-	-	-	-	-
Goodwill	-	-	-	-	-
Other intangible assets	-	-	-	-	-
Other assets	15,299	16,183	17,556	16,928	13,351
Total assets	119,920	132,069	122,945	121,321	121,748
Customer deposits	-	-	-	-	-
Bank deposits	-	-	-	-	-
Other interest bearing liabilities	75,688	87,421	74,308	72,079	64,871
Non interest bearing liabilities	3,036	2,852	2,500	2,625	2,756
Hybrid Capital	-	-	-	-	-
Total liabilities	78,724	90,273	76,808	74,704	67,627
Share capital	15,075	16,160	16,160	16,160	16,160
Reserves	26,121	25,637	29,977	30,457	37,960
Total equity	41,196	41,797	46,137	46,617	54,121
Minority interests	0	0	0	0	0
Total liabilities & equity	119,920	132,070	122,945	121,321	121,748
Supplementary items					
Risk weighted assets (RWA)	n/a	n/a	n/a	n/a	n/a
Average interest earning assets	n/a	n/a	n/a	n/a	n/a
Average interest bearing liabilities	66,699	81,555	80,864	73,193	68,475
Tier 1 capital	n/a	n/a	n/a	n/a	n/a
Total capital	0	0	0	0	0
Gross non performing loans (NPL)	n/a	n/a	n/a	n/a	n/a
Per share (THB)					
Book value per share	13.66	12.93	14.27	14.42	16.75
Tangible book value per share	13.66	12.93	14.27	14.42	16.75
Growth					
Gross customer loans	2.3	2.8	(5.6)	(1.9)	(1.1)
Average interest earning assets	-	-	-	-	-
Total asset (%)	11.4	10.1	(6.9)	(1.3)	0.4
Risk weighted assets (%)	-	-	-	-	-
Customer deposits (%)	-	-	-	-	-
Leverage & capital measures					
Customer loan/deposits (%)	-	-	-	-	-
Equity/assets (%)	34.4	31.6	37.5	38.4	44.5
Tangible equity/assets (%)	34.4	31.6	37.5	38.4	44.5
RWA/assets (%)	-	-	-	-	-
Tier 1 CAR (%)	-	-	-	-	-
Total CAR (%)	-	-	-	-	-
Asset Quality					
Change in NPL (%)	-	-	-	-	-
NPL/gross loans (%)	-	-	-	-	-
Total provisions/gross loans (%)	7.5	15.4	20.5	25.3	29.3
Total provisions/NPL (%)	-	-	-	-	-
Valuation					
Recurring P/E (x) *	9.7	36.9	30.0	21.2	16.7
Recurring P/E @ target price (x) *	11.7	44.8	36.4	25.7	20.3
Reported P/E (x)	5.9	36.9	30.0	21.2	16.7
Dividend yield (%)	5.0	2.4	2.8	4.0	5.1
Price/book (x)	1.5	1.6	1.5	1.5	1.3
Price/tangible book (x)	1.5	1.6	1.5	1.5	1.3
Price/tangible book @ target price (x)	1.9	2.0	1.8	1.8	1.5

* Pre-exceptional, pre-goodwill and fully diluted

Sources: Bangkok Commercial Asset Mngt.; FSSIA estimates

Corporate Governance report of Thai listed companies 2020

EXCELLENT LEVEL										
AAV	ADVANC	AF	AIRA	AKP	AKR	ALT	AMA	AMATA	AMATAV	ANAN
AOT	AP	ARIP	ARROW	ASP	BAFS	BANPU	BAY	BCP	BCPG	BDMS
BEC	BEM	BGRIM	BIZ	BKI	BLA	BOL	BPP	BRR	BTS	BWG
CENTEL	CFRESH	CHEWA	CHO	CIMBT	CK	CKP	CM	CNT	COL	COMAN
COTTO	CPALL	CPF	CPI	CPN	CSS	DELTA	DEMCO	DRT	DTAC	DTC
DV8	EA	EASTW	ECF	ECL	EGCO	EPG	ETE	FNS	FPI	FPT
FSMART	GBX	GC	GCAP	GEL	GFPT	GGC	GPSC	GRAMMY	GUNKUL	HANA
HARN	HMPRO	ICC	ICI	III	ILINK	INTUCH	IRPC	IVL	JKN	JSP
JWD	K	KBANK	KCE	KKP	KSL	KTB	KTC	LANNA	LH	LHFG
LIT	LPN	MAKRO	MALEE	MBK	MBKET	MC	MCOT	METCO	MFEC	MINT
MONO	MOONG	MSC	MTC	NCH	NCL	NEP	NKI	NOBLE	NSI	NVD
NYT	OISHI	ORI	OTO	PAP	PAP	PCSGH	PDJ	PG	PHOL	PLANB
PLAT	PORT	PPS	PR9	PREB	PRG	PRM	PSH	PSL	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QTC	RATCH	RS	S	S & J	SAAM
SABINA	SAMART	SAMTEL	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SDC
SEAFCO	SEOIL	SE-ED	SELIC	SENA	SIRI	SIS	SITHAI	SMK	SMPC	SNC
SONIC	SORKON	SPALI	SPI	SPRC	SPVI	SSSC	SST	STA	SUSCO	SUTHA
SVI	SYMC	SYNTEC	TACC	TASCO	TCAP	TFMAMA	THANA	THANI	THCOM	THG
THIP	THRE	THREL	TIP	TIPCO	TISCO	TK	TKT	TTB	TMILL	TNDT
TNL	TOA	TOP	TPBI	TQM	TRC	TRC	TSC	TSR	TSTE	TSTH
TTCL	TTW	TU	TVD	TVI	TVO	TWPC	U	UAC	UBIS	UV
VGI	VIH	WACOAL	WAVE	WHA	WHAUP	WICE	WINNER	TRUE		

VERY GOOD LEVEL										
2S	ABM	ACE	ACG	ADB	AEC	AEONTS	AGE	AH	AHC	AIT
ALLA	AMANAHA	AMARIN	APCO	APCS	APURE	AQUA	ASAP	ASEFA	ASIA	ASIAN
ASIMAR	ASK	ASN	ATP30	AUCT	AWC	AYUD	B	BA	BAM	BBL
BFIT	BGC	BJC	BJCHI	BROOK	BTW	CBG	CEN	CGH	CHARAN	CHAYO
CHG	CHOTI	CHOW	CI	CIG	CMC	COLOR	COM7	CPL	CRC	CRD
CSC	CSP	CWT	DCC	DCON	DDD	DOD	DOHOME	EASON	EE	ERW
ESTAR	FE	FLOYD	FN	FORTH	FSS	FTE	FVC	GENCO	GJS	GL
GLAND	GLOBAL	GLOCON	GPI	GULF	GYT	HPT	HTC	ICN	IFS	ILM
IMH	INET	INSURE	IRC	IRCP	IT	ITD	ITEL	J	JAS	JCK
JCKH	JMART	JMT	KBS	KCAR	KGI	KIAT	KOOL	KTIS	KWC	KWM
L&E	LALIN	LDC	LHK	LOXLEY	LPH	LRH	LST	M	MACO	MAJOR
MBAX	MEGA	META	MFC	MGT	MILL	MITISB	MK	MODERN	MTI	MVP
NETBAY	NEX	NINE	NTV	NWR	OCC	OGC	OSP	PATO	PB	PDG
PDI	PICO	PIMO	PJW	PL	PM	PPP	PRIN	PRINC	PSTC	PT
QLT	RCL	RICHY	RML	RPC	RWI	S11	SALEE	SAMCO	SANKO	SAPPE
SAWAD	SCI	SCP	SE	SEG	SFP	SGF	SHR	SIAM	SINGER	SKE
SKR	SKY	SMIT	SMT	SNP	SPA	SPC	SPCG	SR	SRICHA	SSC
SSF	STANLY	STI	STPI	SUC	SUN	SYNEX	T	TAE	TAKUNI	TBSP
TCC	TCMC	TEAM	TEAMG	TFG	TIGER	TITLE	TKN	TKS	TM	TMC
TMD	TMI	TMT	TNITY	TNP	TNR	TOG	TPA	TPAC	TPCORP	TPOLY
TPS	TRITN	TRT	TRU	TSE	TVT	TWP	UEC	UMI	UOBKH	UP
UPF	UPOIC	UT	UTP	UWC	VL	VNT	VPO	WIJK	WP	XO
YUASA	ZEN	ZIGA	ZMICO							

GOOD LEVEL										
7UP	A	ABICO	AJ	ALL	ALUCON	AMC	APP	ARIN	AS	AU
B52	BC	BCH	BEAUTY	BGT	BH	BIG	BKD	BLAND	BM	BR
BROCK	BSBM	BSM	BTNC	CAZ	CCP	CGD	CITY	CMAN	CMO	CMR
CPT	CPW	CRANE	CSR	D	EKH	EP	ESSO	FMT	GIFT	GREEN
GSC	GTB	HTECH	HUMAN	IHL	INOX	INSET	IP	JTS	JUBILE	KASET
KCM	KKC	KUMWEL	KUN	KWG	KYE	LEE	MATCH	MATI	M-CHAI	MCS
MDX	MJD	MM	MORE	NC	NDR	NER	NFC	NNCL	NPK	NUSA
OCEAN	PAF	PF	PK	PLE	PMTA	POST	PPM	PRAKIT	PRECHA	PRIME
PROUD	PTL	RBF	RCI	RJH	ROJNA	RP	RPH	RSP	SF	SFLEX
SGP	SISB	SKN	SLP	SMART	SOLAR	SPG	SQ	SSP	STARK	STC
SUPER	SVOA	TC	TCCC	THMUI	TIW	TNH	TOPP	TPCH	TIPIP	TPLAS
TTI	TYCN	UKEM	UMS	VCOM	VRANDA	WIN	WORK	WPH		

Description

Score Range

Excellent

90-100

Very Good

80-89

Good

70-79

Disclaimer:

The disclosure of the survey results of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey results may be changed after that date. FSS International Investment Advisory Company Limited does not confirm nor certify the accuracy of such survey results.

* CGR scoring should be considered with news regarding wrong doing of the company or director or executive of the company such unfair practice on securities trading, fraud, and corruption SEC imposed a civil sanction against insider trading of director and executive; ** delisted

Source: Thai Institute of Directors Association (IOD); FSSIA's compilation

Anti-corruption Progress Indicator 2020

CERTIFIED										
2S	ADVANC	AI	AIE	AIRA	AKP	AMA	AMANAHA	AP	AQUA	ARROW
ASK	ASP	AYUD	B	BAFS	BANPU	BAY	BBL	BCH	BCP	BCPG
BGC	BGRIM	BJCHI	BKI	BLA	BPP	BROOK	BRR	BSBM	BTS	BWG
CEN	CENTEL	CFRESH	CGH	CHEWA	CHOTI	CHOW	CIG	CIMBT	CM	CMC
COL	COM7	CPALL	CPF	CPI	CPN	CSC	DCC	DELTA	DEMCO	DIMET
DRT	DTAC	DTC	EASTW	ECL	EGCO	FE	FNS	FPI	FPT	FSS
FTE	GBX	GC	GCAP	GEL	GFPT	GGC	GJS	GPSC	GSTEEL	GUNKUL
HANA	HARN	HMPRO	HTC	ICC	ICHI	IFS	INET	INSURE	INTUCH	IRPC
ITEL	IVL	K	KASET	KBANK	KBS	KCAR	KCE	KGI	KKP	KSL
KTB	KTC	KWC	L&E	LANNA	LHFG	LHK	LPN	LRH	M	MAKRO
MALEE	MBAX	MBK	MBKET	MC	MCOT	MFC	MFEC	MINT	MONO	MOONG
MPG	MSC	MTC	MTI	NBC	NEP	NINE	NKI	NMG	NNCL	NSI
NWR	OCC	OCEAN	OGC	ORI	PAP	PATO	PB	PCSGH	PDG	PDI
PDJ	PE	PG	PHOL	PL	PLANB	PLANET	PLAT	PM	PPP	PPPM
PPS	PREB	PRG	PRINC	PRM	PSH	PSL	PSTC	PT	PTG	PTT
PTTEP	PTTGC	PYLON	Q-CON	QH	QLT	QTC	RATCH	RML	RWI	S & J
SABINA	SAT	SC	SCB	SCC	SCCC	SCG	SCN	SEAOIL	SE-ED	SELIC
SENA	SGP	SIRI	SITHAI	SMIT	SMK	SMPC	SNC	SNP	SORKON	SPACK
SPC	SPI	SPRC	SRICHA	SSF	SSSC	SST	STA	SUSCO	SVI	SYNTEC
TAE	TAKUNI	TASCO	TBSP	TCAP	TCMC	TFG	TFI	TFMAMA	THANI	THCOM
THIP	THRE	THREL	TIP	TIPCO	TISCO	TKT	TTB	TMD	TMILL	TMT
TNITY	TNL	TNP	TNR	TOG	TOP	TPA	TPCORP	TPP	TRU	TSC
TSTH	TTCL	TU	TVD	TVI	TVO	TWPC	U	UBIS	UEC	UKEM
UOBKH	UWC	VGI	VIH	VNT	WACOAL	WHA	WHAUP	WICE	WIJK	XO
ZEN	TRUE									
DECLARED										
7UP	ABICO	AF	ALT	AMARIN	AMATA	AMATAV	ANAN	APURE	B52	BKD
BM	BROCK	BUI	CHO	CI	COTTO	DDD	EA	EFORL	EP	ERW
ESTAR	ETE	EVER	FSMART	GPI	ILINK	IRC	J	JKN	JMART	JMT
JSP	JTS	KWG	LDC	MAJOR	META	NCL	NOBLE	NOK	PK	PLE
ROJNA	SAAM	SAPPE	SCI	SE	SHANG	SINGER	SKR	SPALI	SSP	STANLY
SUPER	SYNEX	THAI	TKS	TOPP	TRITN	TTA	UPF	UV	WIN	ZIGA

Level	
Certified	This level indicates practical participation with thoroughly examination in relation to the recommended procedures from the audit committee or the SEC's certified auditor, being a certified member of Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) or already passed examination to ensure independence from external parties.
Declared	This level indicates determination to participate in the Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC)

Disclaimer:

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Note: Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of June 24, 2019) are categorised into: 1) companies that have declared their intention to join CAC, and; 2) companies certified by CAC.

Source: The Securities and Exchange Commission, Thailand; * FSSIA's compilation

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ANALYST(S) CERTIFICATION

Yuvanart Suwanumphai FSS International Investment Advisory Securities Co., Ltd

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Company	Ticker	Price	Rating	Valuation & Risks
Bangkok Commercial Asset Mngt.	BAM TB	THB 21.00	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; 2) lower-than-expected bad debt acquisition; and 3) the prolonged slowdown of the property market.
Aeon Thana Sinsap (Thailand)	AEONTS TB	THB 189.00	HOLD	Downside risks to our GGM-derived TP include 1) intense competition; 2) regulatory actions to curb industry growth; and 3) deteriorating asset quality. The upside risk is stronger-than-expected asset quality.
Krungthai Card	KTC TB	THB 57.00	HOLD	Upside risks to our GGM-derived TP include 1) stronger-than-expected growth for KTB Leasing; and 2) a better-than-expected bad debt recovery. Downside risks are 1) regulatory actions to curb industry growth; and 2) deteriorating asset quality.
Muangthai Capital	MTC TB	THB 57.75	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Srisawad Corp	SAWAD TB	THB 61.50	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
Saksiam Leasing	SAK TB	THB 10.70	BUY	Downside risks to our GGM-derived TP include 1) competition from existing and new players; 2) regulatory changes by the Bank of Thailand (BoT); and 3) a slower-than-expected reduction in its cost of funds due to a shift toward more long-term loans.
Ngern Tid Lor	TIDLOR TB	THB 36.25	BUY	Downside risks to our GGM-based TP include 1) the expansion into auto-title loans by the Government Savings Bank and Auto X (subsidiary of SCB); 2) further weakening asset quality could potentially hit both loan yield and credit cost; and 3) tighter supervision from related regulators.
Micro Leasing	MICRO TB	THB 8.15	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) a slower-than-expected reduction in the cost of funds due to a shift toward more long-term loans.
Singer Thailand	SINGER TB	THB 51.00	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown leading to slower loan growth and lower sales of electrical products and home appliances; and 2) deteriorating asset quality.
Ratchthani Leasing	THANI TB	THB 4.44	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for logistics activities and private investment; 2) deteriorating asset quality; and 3) changes in financial regulations from the Bank of Thailand.
Chayo Group	CHAYO TB	THB 12.40	BUY	Downside risks to our GGM-based TP include 1) lower-than-expected bad debt acquisition; and 2) higher-than-expected operating expenses.
JMT Network Services	JMT TB	THB 63.00	BUY	Downside risks to our GGM-based TP include 1) lower cash collection from its fully amortised portfolio; and 2) the lower-than-expected acquisition of new bad debt.
Thanachart Capital	TCAP TB	THB 37.75	HOLD	Upside risks to our GGM-based target price are M&A completions and long-term synergy gained, leading to a higher contribution to its earnings. Downside risks are impacts from a prolonged weak macro outlook on loan growth and asset quality which could lead to higher provisions for both TMB and THANI.
Next Capital	NCAP TB	THB 9.95	BUY	Downside risks to our GGM-derived TP include 1) an economic slowdown, especially for food delivery and logistics activities; 2) deteriorating asset quality; and 3) tighter competition from new players.
Siam Commercial Bank	SCB TB	THB 125.00	BUY	Downside risks to our SOTP-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; and 2) the impact of further interest rate cuts on its NIM.
Tisco Financial	TISCO TB	THB 93.00	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness and further waves of the Covid-19 pandemic affecting loan growth and asset quality; 2) the impact of new regulations from the Bank of Thailand on debt-servicing programs; and 3) the slow expansion of its high-yield auto cash portfolio.

Source: FSSIA estimates

Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited

FSSIA may incorporate the recommendations and target prices of companies currently covered by FSS Research into equity research reports, denoted by an 'FSS' before the recommendation. FSS Research is part of Finansia Syrus Securities Public Company Limited, which is the parent company of FSSIA.

All share prices are as at market close on 17-Dec-2021 unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.