

# BANGKOK COMMERCIAL ASSET MANAGEMENT PLC

No. 34/2025  
24 March 2025

## FINANCIAL INSTITUTIONS

Company Rating:	A-
Issue Ratings:	
Senior unsecured	A-
Outlook:	Negative

Last Review Date: 01/07/24

### Company Rating History:

Date	Rating	Outlook/Alert
17/02/20	A-	Stable

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## RATIONALE

TRIS Rating revises the rating outlook on Bangkok Commercial Asset Management PLC (BAM) to “negative” from “stable” and affirms the company rating and the ratings on BAM’s outstanding senior unsecured debentures at “A-”. The revision reflects the slower-than-expected recovery of the company’s financial performance, as evidenced by its stable cash collections against growing managed assets.

The “A-” ratings continue to reflect the company’s extensive experience and dominant market position as the largest distressed asset management company (DAMC). The ratings also take into consideration BAM’s acceptable financial leverage and diversified funding sources.

The ratings are partly constrained by several risk factors. Apart from economic risk and uncertain cashflows, other key risks including high exposure to real estate and asset pricing risk. These risks could have a significant impact on the company’s financial performance if not well managed. However, BAM’s expertise in asset pricing, selective investment strategy, and diversification in terms of types and locations of assets help mitigate these risks to some extent, in our view.

## KEY RATING CONSIDERATIONS

### Rating outlook revision reflects weak performance, but improvement expected

The outlook revision reflects BAM’s weak cash collection and earnings in recent years as well as downside risks due to the subdued economy. BAM’s operating performance in 2024 was below our expectations with total cash collection of THB15.2 billion, unchanged from the previous year. The net profit was THB1.6 billion, up 4.4% year-on-year (y-o-y). Return on average assets (ROAA), a profitability metric, was at 1.15% in 2024, stable compared with 2023.

Nonetheless, the ratings are underpinned by our anticipation of an improvement in BAM’s cash collections and earnings in 2025-2027. Cash collections are likely to increase steadily, driven by stepped-up efforts in non-performing loan (NPL) collections and restructuring as well as non-performing asset (NPA) disposals. We project its cash collection to increase to THB17 billion by 2027 from THB15 billion in 2024.

In terms of earnings, we expect BAM’s net profit in 2025 to remain largely the same level as in 2024 due to lower income on NPLs and heightened financing costs, and to gradually improve in 2026-2027 as various NPL and NPA management measures take effect.

### Challenges in NPA management: property oversupply and tightened lending

BAM is implementing NPA disposal as a key component of its cash collection improvement strategy in 2025. The primary approach involves accelerating outright sales of NPAs, where buyers either complete transactions with direct cash payments to BAM or secure mortgage loans from financial institutions. Despite adopting a discount pricing strategy, significant challenges persist due to the oversupply of second-hand properties and tightened mortgage lending criteria across financial institutions.

To address these challenges, BAM has launched an aggressive financing campaign for its "instalment sales" program, which is a form of hire-purchase financing where buyers make loan payments directly to BAM instead of securing loans from financial institutions. A notable feature of the current campaign is the zero-interest rate offered during the first two years. The effectiveness of this financing campaign remains to be evaluated.

### **Dominant market position maintained**

BAM's business position is considered "strong", supported by its dominance as the largest DAMC in Thailand, with a market share of approximately 46% by asset size in 2024. BAM's total assets increased by 2.4%, reaching THB140.6 billion at the end of 2024. The gross managed assets totalled THB133.9 billion, including NPLs with an outstanding principal balance (excluding accrued interest) of THB86.4 billion, NPAs of THB45.7 billion, and instalment sale receivables of THB1.8 billion.

The company's dominant market position is underpinned by over 20 years of experience. The company's expertise, coupled with a comprehensive database and established network with financial institutions, together play a crucial role in formulating effective strategies for asset selection and pricing. Additionally, longstanding relationships with legal execution departments further enhance its competitive edge. These strengths have solidified the company's leadership in the industry.

### **More selective asset acquisitions**

We anticipate BAM's asset investments in each of the next few years to be below THB10 billion, considering the company's financial position. BAM's consolidated debt has steadily increased over recent years, reaching THB93.9 billion by the end of 2024 due to continuous asset acquisitions. This expansion has significantly increased the company's interest expense burden, which is now constitutes equivalent to 38% of total income (excluding accrued interest), up considerably from 18% in 2019.

In response to these financial pressures and property sector downturn, BAM is implementing a more selective investment strategy through targeted acquisition of corporate NPLs while reducing large-scale purchases of retail mortgage portfolios to better align with current cash flows. The company also has begun prioritizing improved cash collections over new asset acquisitions. In 2024, the company elected to participate in half of the invited NPL auctions, with notably fewer investment activities observed in the fourth quarter of 2024. These strategic adjustments support our expectation of moderate investment activities from BAM in the coming years.

### **Maintained financial leverage**

BAM's financial leverage measured by the debt to equity (D/E) ratio rose to 2.18 times at the end of 2024 from 2.15 times at the end of 2023. Given our assumptions of moderate investment and a gradual recovery in cash collection during 2025-2027, we expect the company's D/E ratio to stay at around 2.2 times over the next few years. A higher level of NPL acquisition than our base-case scenario could result in the D/E ratio trending upward. A significant increase in financial leverage could pressure the ratings.

### **Minimal contribution from joint venture operation in the near term**

In 2024, BAM entered into two joint ventures (JV): Ari Asset Management Co., Ltd. (Ari), a JV with Government Savings Bank (GSB), initially capitalized at THB275 million (with plans to increase to THB1 billion) to manage both secured and unsecured NPLs from GSB; and Arun Asset Management Co., Ltd. (Arun), a JV with Kasikornbank PLC (KBANK), capitalized at THB1 billion to focus exclusively on secured NPLs from KBANK. Dividend contributions from these JVs to BAM are expected to be immaterial during their first two years of operation due to the early operational stage and the predominance of secured assets, which typically require longer management timeframes before generating significant returns.

### **Funding and liquidity remain manageable**

BAM's funding profile is assessed as "adequate", underpinned by credit facilities from diverse financial institutions. A portion of the credit lines are from commercial banks that offload NPLs to BAM. In our view, this is a mutual benefit to both parties. The company is also a frequent issuer in the debt capital market.

At the end of 2024, BAM's total borrowings increased to THB93.9 billion, 74% of which were long-term. This included THB15.4 billion in outstanding long-term borrowings from financial institutions, THB8.7 billion in short-term borrowings from financial institutions, and THB69 billion in long-term debentures.

The company's debenture repayment obligations, while substantial, are considered manageable as the maturity dates are well spread out. The company has THB13.1 billion of debentures maturing in 2025, which will likely be refinanced by new issuances and bank credit facilities. The company is currently requesting additional credit facilities from financial institutions as an alternative funding source. As of December 2024, THB7 billion of the bank credit facilities remained unused and could be utilized to support its liquidity needs.

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## BASE-CASE ASSUMPTIONS

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TRIS Rating's base-case assumptions for BAM's operations in 2025-2027 are:

- New NPL investments of THB8-THB10 billion per year.
- D/E ratio to remain around 2.2 times.
- Total cash collection of THB16-THB17 billion per year.
- Funding cost of around 3.5%-3.6%.
- Operating expense to total income (excluding accrued interest income) ratio of around 32%.

## RATING OUTLOOK

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The "negative" outlook reflects a slower-than-expected improvement in BAM's cash collections and earnings. While we expect BAM's financial performance to recover gradually over the next few years, down-side risks persist due to uncertain economic environment and a downturn in the property sector.

## RATING SENSITIVITIES

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The outlook could be revised back to "stable" if BAM's performance improves as expected while financial leverage is maintained at a level not materially higher than the current level.

The ratings could be downgraded if BAM's operating performance weakens or financial leverage increases beyond our base-case scenario.

## COMPANY OVERVIEW

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On 7 January 1999, BAM was founded under the Financial Institutional Development Plan of the Ministry of Finance (MOF) to acquire and manage NPAs from Bangkok Bank of Commerce PLC (BBC). In 2002, BAM was approved by the Bank of Thailand (BOT) to register as a limited company and expanded its scope of operations to manage the NPAs of other financial institutions under the Financial Institution Asset Management Decree (2001).

In 2005 under a Cabinet resolution, BAM merged with Financial Institution Asset Management Corporation (AMC). As a result, BAM received the transfer of AMC's distressed assets portfolio including NPLs and NPAs as well as the personnel of AMC. The combined resources enhanced the scale and efficiency of BAM's business in terms of customer reach, with 25 branches and over 1,200 staff.

In 2012, BAM was privatized under a strategic initiative of the Financial Institutions Development Fund (FIDF) approved by the MOF. The privatization was completed in late 2019 with a reduction of the FIDF's shareholding to 46% from 100%.

BAM's core business is distressed asset management which includes NPLs, acquired from financial institutions, and NPAs, transferred from NPLs or acquired from financial institutions. BAM's business is counter-cyclical in nature, acquiring large amounts of distressed assets during economic downturns and turning those assets into high-margin income during economic upcycles. The business is capital intensive due to long break-even periods of around 5-10 years.

## FINANCIAL STATISTICS AND KEY FINANCIAL RATIOS

Unit: Mil. THB

	-----Year Ended 31 December -----				
	2024	2023	2022	2021	2020
Total assets	140,635	137,315	132,804	125,904	132,070
Total managed assets	115,668	113,648	105,313	103,905	106,532
Loan purchased – net	77,503	77,959	72,384	73,406	77,726
Properties foreclosed – net	37,627	34,947	32,026	29,666	28,078
Total borrowings	93,912	90,518	85,552	80,154	87,421
Short-term borrowings	28,102	23,687	17,059	17,539	22,537
Long-term borrowings	65,810	66,831	68,493	62,615	64,884
Shareholder’s equity	44,224	43,629	43,708	42,755	41,797
Total revenue	12,811	12,005	12,781	13,306	12,427
Interest expenses	3,231	2,908	2,637	2,559	2,391
Operating expenses	2,914	3,029	2,888	2,727	2,641
Earnings before interest and taxes (EBIT)	5,180	4,751	5,844	5,814	4,586
Net profit	1,602	1,534	2,725	2,600	1,841

Unit: %

	----- Year Ended 31 December -----				
	2024	2023	2022	2021	2020
<b>Profitability</b>					
Operating income/average assets	6.89	6.73	7.84	8.33	7.97
Operating income/total income	74.78	75.78	79.37	80.77	80.76
Operating profit/average assets	4.80	4.49	5.61	6.22	5.87
Earnings before taxes/average assets	1.40	1.36	2.48	2.52	1.74
Return on average assets	1.15	1.14	2.11	2.02	1.46
Return on average equity	3.65	3.51	6.30	6.15	4.43
<b>Capitalization</b>					
Debt/equity (times)	2.18	2.15	2.04	1.94	2.16
Shareholders’ equity/total managed assets	38.23	38.39	41.50	41.15	39.23
<b>Funding and Liquidity</b>					
Stable funding ratio	93.84	96.19	105.40	100.29	99.03
Liquidity coverage measure (times)	0.09	0.09	0.42	0.22	0.36
Short-term borrowings/total liabilities	29.15	25.28	19.15	21.09	24.97
Total managed assets/total assets	82.25	82.76	79.30	82.53	80.66
<b>Operating efficiency</b>					
Operating expenses/operating income	30.42	33.29	28.47	25.37	26.32
Non-performing loan (NPL) cash collection to net NPL	11.10	11.24	13.87	11.54	10.83
Non-performing asset (NPA) cash collection to net NPA	17.69	19.74	21.81	24.83	17.82

## RELATED CRITERIA

- Issue Rating Criteria, 26 December 2024
- Financial Institution Rating Methodology, 25 September 2024

## Bangkok Commercial Asset Management PLC (BAM)

<b>Company Rating:</b>	A-
<b>Issue Ratings:</b>	
BAM256A: THB370 million senior unsecured debentures due 2025	A-
BAM259A: THB3,200 million senior unsecured debentures due 2025	A-
BAM250A: THB1,334 million senior unsecured debentures due 2025	A-
BAM25NA: THB5,370 million senior unsecured debentures due 2025	A-
BAM25NB: THB1,000 million senior unsecured debentures due 2025	A-
BAM264A: THB6,000 million senior unsecured debentures due 2026	A-
BAM264B: THB240 million senior unsecured debentures due 2026	A-
BAM265A: THB3,200 million senior unsecured debentures due 2026	A-
BAM267A: THB405 million senior unsecured debentures due 2026	A-
BAM267B: THB1,416 million senior unsecured debentures due 2026	A-
BAM260A: THB209 million senior unsecured debentures due 2026	A-
BAM26DA: THB1,300 million senior unsecured debentures due 2026	A-
BAM274A: THB2,545 million senior unsecured debentures due 2027	A-
BAM274B: THB1,535 million senior unsecured debentures due 2027	A-
BAM276A: THB1,500 million senior unsecured debentures due 2027	A-
BAM277A: THB1,715 million senior unsecured debentures due 2027	A-
BAM279A: THB5,000 million senior unsecured debentures due 2027	A-
BAM27NA: THB850 million senior unsecured debentures due 2027	A-
BAM284A: THB1,300 million senior unsecured debentures due 2028	A-
BAM285A: THB350 million senior unsecured debentures due 2028	A-
BAM286A: THB2,400 million senior unsecured debentures due 2028	A-
BAM280A: THB903 million senior unsecured debentures due 2028	A-
BAM28DA: THB1,200 million senior unsecured debentures due 2028	A-
BAM294A: THB1,065 million senior unsecured debentures due 2029	A-
BAM294B: THB845 million senior unsecured debentures due 2029	A-
BAM297A: THB5,000 million senior unsecured debentures due 2029	A-
BAM297B: THB115 million senior unsecured debentures due 2029	A-
BAM304A: THB700 million senior unsecured debentures due 2030	A-
BAM305A: THB300 million senior unsecured debentures due 2030	A-
BAM307A: THB1,050 million senior unsecured debentures due 2030	A-
BAM300A: THB670 million senior unsecured debentures due 2030	A-
BAM30NA: THB580 million senior unsecured debentures due 2030	A-
BAM30NB: THB2,000 million senior unsecured debentures due 2030	A-
BAM317A: THB3,500 million senior unsecured debentures due 2031	A-
BAM324A: THB2,140 million senior unsecured debentures due 2032	A-
BAM335A: THB1,700 million senior unsecured debentures due 2033	A-
BAM330A: THB1,734 million senior unsecured debentures due 2033	A-
BAM344A: THB1,240 million senior unsecured debentures due 2034	A-
BAM347A: THB1,000 million senior unsecured debentures due 2034	A-
BAM347B: THB134 million senior unsecured debentures due 2034	A-
<b>Rating Outlook:</b>	Negative

**TRIS Rating Co., Ltd.**

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