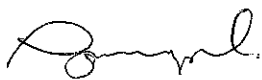




12 July 2012

Ref: CP 56/2012

From: Credit Product Department

Via: Khun Sayam Prasitsirigul, Head of SME Banking 

To: Pricing Subcommittee

Subject: Approval for standard pricing scheme for SME-Small (S) segment with Thai Credit Guarantee Corporation (TCG) Guarantee Program

1. Background

- Except for Big Bag (flood program), SME-S segment does not have lending program with standard pricing guideline.
- Portfolio profitability of SME-S cannot be properly managed and controlled because loan pricing is approved with subject to SME-S underwriting team judgment.
- SME-S Model should be a lending program for SME-S segment that provides standard lending criteria as well as standard pricing and deviation guideline.

2. Product Program in Brief

To be competitive in SME Market and increase credit volume and customer base to the Bank, the program in brief as follows:

Item	Detail
Target customer	<ul style="list-style-type: none"> • Existing and new customer who pass program eligibility criteria (per RMC Approval)
Facility types	Term Loan (T/L), Overdraft (O/D), Promissory Note(P/N), Letter of Guarantee (L/G), Trade Finance (T/F)
Maximum credit limit per group customer on each request	THB 20 Million
Maximum exposure per group customer	THB 30 Million
Collateral	<ul style="list-style-type: none"> • Cash (Normal saving, Mix and Max Saving, Max Saving, Step Saving) • Fixed asset (core asset, non-core asset and vacant land) • Guarantee by TCG with portfolio Guarantee Scheme #4 (PGS4) for unsecured portion

คณะกรรมการกลยุทธราคาในการประชุมครั้งที่ 7/2555
เมื่อวันที่ 20 กรกฎาคม 2555 มีมติอนุมัติตามเสนอ
(Pricing Subcommittee Meeting No. 7/2012
on July 20, 2012 approve as proposed)

Janice



Sudargo

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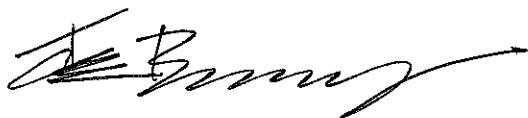
Sayam

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Montira

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Tak



Kris



Sant



Yaowaluck



ที่ บกร. 61 / 2555

23 กรกฎาคม 2555

เรียน ปธ. ผก. (HCSME) (คุณสยาม)

ผช.กณ. (คุณยุกต์)

ผผ. (คุณพิรภิตต์)

เพื่อโปรดทราบมติของคณะกรรมการกลยุทธราคา
ในการประชุมครั้งที่ 7/2555 เมื่อวันที่ 20 กรกฎาคม 2555
และดำเนินการในส่วนที่เกี่ยวข้องต่อไป



(เยาวลักษณ์ จรรยาภรณ์พงษ์)

อนุกรรมการและเลขานุการ

คณะกรรมการกลยุทธราคา

Item	Detail																											
	<table><tr><th>Asset Type</th><th>Total Credit Limit (X times of collateral value)</th><th>Bank Exposure (X times of collateral value)</th><th>TCG Guarantee (X times of collateral value)</th></tr><tr><td>Cash</td><td>3.33X</td><td>1X</td><td>2.33X</td></tr><tr><td>Fixed asset</td><td>2X – 3.33X</td><td>0.50X-0.85X</td><td>1.25X-2.48X</td></tr><tr><td>- Core asset</td><td>3.33X</td><td>0.85X</td><td>2.48X</td></tr><tr><td>- Non-core asset</td><td>2X</td><td>0.60X-0.75X</td><td>1.25X-1.40X</td></tr><tr><td>- Vacant land</td><td>2X</td><td>0.50X-0.60X</td><td>1.40X-1.50X</td></tr></table>	Asset Type	Total Credit Limit (X times of collateral value)	Bank Exposure (X times of collateral value)	TCG Guarantee (X times of collateral value)	Cash	3.33X	1X	2.33X	Fixed asset	2X – 3.33X	0.50X-0.85X	1.25X-2.48X	- Core asset	3.33X	0.85X	2.48X	- Non-core asset	2X	0.60X-0.75X	1.25X-1.40X	- Vacant land	2X	0.50X-0.60X	1.40X-1.50X	Note: Max limit subjects to %LTV as per RMC approval		
Asset Type	Total Credit Limit (X times of collateral value)	Bank Exposure (X times of collateral value)	TCG Guarantee (X times of collateral value)																									
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- Vacant land	2X	0.50X-0.60X	1.40X-1.50X																									

3. Purpose of this request

- To approve for standard pricing scheme for SME-S segment
- To approve for deviation authority and %deviation cap

3.1 Proposed standard pricing Scheme

3.1.1 Interest rate

T/L	W/C (O/D, P/N, T/F)
MLR + 1.50%	MOR + 1.25%

3.1.2 Fees

Fee Type	Fee Charged
Front End Fee	1.50% on credit limit
Prepayment Fee - T/L	2% of principal over paid on the first 3 years
Cancellation Fee - W/C (O/D, P/N,T/F) or L/G	2% of credit limit on T/L contractual term
Trade Finance Fee	According to bank announcement (Standard rate)
L/G Fee	2%-2.5% p.a. depending on L/G type Minimum at 500/Issue/Year (Standard rate)

Varik

3.2 Deviation Authority

Authorized Person	Authority Proposed							
	Limit < 10 MB				Limit >= 10 MB			
	Interest Rate Reduction	Fee Reduction			Interest Rate Reduction from 3.1.1	Fee Reduction		
		Front End Fee	Prepayment Fee, Cancellation Fee	Credit related fee (TF fee, LG fee)		Front End Fee	Prepayment Fee, Cancellation Fee	Credit related fee (TF fee, LG fee)
Zone Director / ผู้อำนวยการเขตSME	-	-	-	-	Up to 0.25%	-	-	-
Regional Director / ผู้อำนวยการภาคSME	Up to 0.25%	-	Up to 0.50%	-	Up to 0.50%	Up to 0.25%	Up to 0.50%	Up to 25% of standard rate*
Group Head / EVP : SME Business Division	Up to 0.50%	Up to 0.25%	Up to 1.00%	Up to 25% of standard rate*	Up to 0.75%	Up to 0.50%	Up to 1.00%	Up to 50% of standard rate*
Head of SME Banking / ประธานคณะเจ้าหน้าที่ด้านลูกค้าองค์กร	Up to 0.75%	Up to 0.50%	Up to 2.00%	Up to 25% of standard rate*	Up to 1.00%	Up to 1.00%	Up to 2.00%	Up to 50% of standard rate*

Note:

- Interest rate for W/C (O/D, P/N, T/F) not lower than MOR+0.25% and for T/L not lower than MLR+0.50%.
- This proposed pricing and deviation authority shall be applied on all SME-S loans under PGS#4 programs.
- Deviation authority per directive no. 26/2555 and 27/2555 approved from the Credit Committee shall not be exercised on this program.

3.3 Deviation cap

- Deviation cap is proposed at 20% of monthly new booking credit limit of SME-S under TCG PGS#4 program with credit limit <= THB 20 million.

4. Monitoring/ Control

- SME Portfolio Management Dept/ Credit Products Dept will report the use of deviation to Pricing Subcommittee on monthly basis.
- Effective from Aug-Dec 2012.

5. Financial Impact


- The estimated net income (NI) for this program is THB 960 Million.
- Total ROE for loan life is 28.55%.
- Key metrics of the financial pro-forma for total loan life as follows.

Items		Total Loan life
Yield %	% ANR	9.58%
FTP %	% ANR	3.44%
NIM %	% ANR	6.14%
FEE %	% ANR	0.08%
Loan CV%	% ANR	6.22%
Deposit CV%	% ANR	0.60%
Total CV%	% ANR	6.40%
LOSS%	% ANR	2.12%
RACV%	% ANR	3.96%
OPEX%	% ANR	0.70%
ROI% (LOAN + DEPOSIT)	% ANR	2.85%
ROE% (LOAN + DEPOSIT)	% ANR	28.55%

Note:

- The program's profitability in terms of key metrics of financial pro-forma in detail, P&L, key top lines, and assumption and as per appendix 1-4.

Your approval is highly appreciated.



(Peerakit Jirachetthakun)

Vice President
Credit Products Department

Corporate & SME Products Group

Contact person: Varisa (#4858), Waritha (#3950)

Appendix 1: Key Metrics of financial pro-forma in detail (No Deviation)

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Key Metrics							
Yield %	8.29%	9.56%	9.56%	9.55%	9.55%	9.00%	9.58%
FTP %	3.03%	3.48%	3.46%	3.43%	3.37%	3.09%	3.44%
NIM %	5.26%	6.08%	6.10%	6.13%	6.18%	5.91%	6.14%
FEE %	1.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.08%
Loan CV%	6.36%	6.08%	6.10%	6.13%	6.18%	5.91%	6.22%
Deposit CV%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%
Total CV %	6.48%	6.21%	6.25%	6.31%	6.42%	6.32%	6.40%
LOSS%	2.18%	1.00%	2.06%	1.35%	3.88%	4.37%	2.12%
RACV%	3.99%	4.89%	3.87%	4.64%	2.22%	1.65%	3.96%
OPEX%	1.25%	0.56%	0.60%	0.68%	0.76%	0.86%	0.70%
ROI% (LOAN + DEPOSIT)	2.35%	3.72%	2.87%	3.44%	1.42%	0.88%	2.85%
ROE% (LOAN + DEPOSIT)	23.47%	37.18%	28.75%	34.40%	14.18%	8.76%	28.55%

Appendix 4: Assumption

Program : SME-S with TCG (Aug - Dec 12)
Assumption

Target group SME-S (<= 20 MMTHB)
Leverage Ratio
Deposit 8
Loan 9

Standard rate	MLR	MOR	MRR
	7.50%	7.75%	8.45%

TAX @	Year 1	Year 2	Year 3	Year 4	Year 5
	23%	20%	20%	20%	20%

Rate @ Pricing	% Interest rate		% FTP		% Front End Fee
	Term loan	OD, PN	Term loan	OD, PN	
	9.00%	9.00%	3.60%	3.19%	1.50%
	MLR +1.50%	MOR+1.25%	FTP (3MX1M)+0.41%	FTP (3MX1M)	

Credit Limit Size /Customer	Credit limit set up vol.	Expect unit (Given)	OD Utilization%	Drawdown Vol. (Given)	% Limit Setup (Avg. SME_S)	Approve vol.	% Approval rate	App In vol.
10,000,000	12,500,000,000			10,000,000,000		20,627,924,409		31,049,555,272
	7,500,000,000	Term Loan 60%	100%	7,500,000,000	60.60%	12,376,754,645	66.44%	18,629,733,163
	5,000,000,000	OD & PN 40%	50%	2,500,000,000	60.60%	8,251,169,764	66.44%	12,419,822,109

Cost	Term loan	Revolve
Acquisition Cost/App-In	8,974	
Maintainance/Account/Year	7,825	7,255

FTP (12MX1M) As of 31 May 2012 3.57%
Interest paid for Avg.HighSaving 2.50%
DPA 0.01%
FIDF 0.46%
Deposit CV % 0.60%



Appendix 5: Profitability on loan life by customer

Profitability on loan life by customer			
CV / Customer	NI / Customer	% CV	% ROE
1,536,579 Baht	709,980 Baht	5.8%	26.5%



Appendix 7: P&L (Include Deviation Cap 20%)

Scenario : Deviation 20%

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Interest Income	194,735,939	842,101,726	722,472,612	591,503,254	448,659,692	227,028,773	3,026,501,995
Front end fee (Already Included)	4,051,457	17,496,067	14,976,993	12,219,974	9,213,560	4,614,653	62,572,705
Interest Expense	(75,698,483)	(326,178,535)	(278,192,466)	(225,683,099)	(168,423,120)	(82,845,130)	(1,157,020,833)
Fee from loan	27,500,000	0	0	0	0	0	27,500,000
Loan CV	146,537,455	515,923,191	444,280,146	365,820,155	280,236,572	144,183,642	1,896,981,161
Deposit CV	3,015,569	12,022,858	12,022,858	12,022,858	12,022,858	11,001,739	62,108,740
Total CV	149,553,025	527,946,049	456,303,004	377,843,013	292,259,430	155,185,381	1,959,089,901
Loss	(54,496,570)	(94,026,968)	(165,483,978)	(89,019,004)	(194,167,310)	(117,264,964)	(714,458,794)
RACV	88,022,298	405,877,093	266,760,687	269,126,951	83,151,753	30,360,359	1,143,299,141
OPEX	(30,565,488)	(50,377,642)	(46,393,993)	(42,032,713)	(37,276,022)	(22,450,495)	(229,096,352)
Income before Tax	64,490,967	383,541,439	244,425,033	246,791,296	60,816,098	15,469,922	1,015,534,755
Income Tax	(14,832,922)	(76,708,288)	(48,885,007)	(49,358,259)	(12,163,220)	(3,093,984)	(205,041,680)
Net Income	49,658,045	306,833,151	195,540,026	197,433,037	48,652,879	12,375,938	810,493,075



Appendix 8: Key Top Lines (Include Deviation Cap 20%)

Scenario : Deviation 20%							
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Unit: THB Baht	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Key Top Lines							
No. of Months	5	12	12	12	12	11	64
Set up credit limit	12,500,000,000						12,500,000,000
Term loan	7,500,000,000						7,500,000,000
OD/PN	5,000,000,000						5,000,000,000
New volume	10,000,000,000						10,000,000,000
Term loan	7,500,000,000						7,500,000,000
OD/PN	2,500,000,000						2,500,000,000
Loan NEA	9,936,388,075	8,728,833,607	7,334,974,497	5,813,396,607	4,152,370,924	-	-
Term loan	7,197,158,745	5,920,277,654	4,526,418,544	3,004,840,655	1,343,814,972	-	-
OD/PN	2,739,229,330	2,808,555,953	2,808,555,953	2,808,555,953	2,808,555,953	-	-
Loan ANR	5,976,536,174	9,369,831,164	8,041,236,867	6,584,375,367	4,994,009,439	2,928,266,569	6,294,014,088
Term loan	4,359,019,044	6,567,266,218	5,232,680,914	3,775,819,414	2,185,453,486	630,357,153	3,710,915,583
OD/PN	1,617,517,130	2,802,564,946	2,808,555,953	2,808,555,953	2,808,555,953	2,297,909,416	2,583,098,505
Deposit Average Balance	1,184,000,000	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000	1,935,893,224

