



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	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	 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

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

Janice

Sudargo

Sayam

Montira

Tak

Kris

Sant

Yaowaluck Yao

ที่ บกร. 61/2555

23 กรกฎาคม 2555

เรียน

ปธ. ผภ. (HCSME) (คุณสยาม)

ผช.กญ. (คุณยุกต์)

ผฝ. (คุณพีรกิตติ์)

เพื่อโปรดทราบมติของคณะอนุกรรมการกลยุทธ์ราคา ในการประชุมครั้งที่ 7/2555 เมื่อวันที่ 20 กรกฎาคม 2555

และดำเนินการในส่วนที่เกี่ยวข้องต่อไป

(เยาวลักษณ์ จรรยาภรณ์พงษ์)

Yanalah

อนุกรรมการและเลขานุการ

คณะอนุกรรมการกลยุทธ์ราคา

Asset Type	Total Credit Limit (X	Bank Exposure	TCG Guarantee
	times of collateral	(X times of collateral	(X times of collateral
	value	value)	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

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)



3.2 <u>Deviation Authority</u>

				Authority	Proposed			
		Limit	<10 MB			Limit >	= 10 MB	
			Fee Reduction	n, Nederlânsk	Interest		Fee Reduction	n in in the Assisting
Authorized Person	Interest Rate Reduction	Front End Fee	Prepaymen t Fee, Cancellatio n Fee	Credit related fee (TF fee, LG fee)	Rate Reduction from 3.1.1	Front End Fee	Prepaymen t Fee, Cancellatio n Fee	Credit related fee (TF fee, LG fee)
Zone Director / ผู้อำนวยการเรตSME	-	-		_	Up to 0.25%	-	-	-
Regional Director / ผู้อำนวยการภาค SME	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 / ประธานคณะ เจ้าหน้าที่ด้านถูกค้าองค์กร	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.

(1)

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)

Ready Sully

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
Kev Wetrics	1000							
Stabilition and the control of the c	%ANR	8.29%	9.56%	9.56%	9.55%	9.55%	9.00%	9.58%
FTP %	%ANR	3.03%	3.48%	3.46%	3.43%	3.37%	3.09%	3.44%
NIM %	%ANR	5.26%	6.08%	6.10%	6.13%	6.18%	5,91%	6.14%
FEE %	%ANR	1.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.08%
Loan CV%	%ANR	6.36%	6.08%	6.10%	6.13%	6.18%	5.91%	6.22%
Deposit CV%	%ANR	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%
Total CV %	%ANR	6.48%	6.21%	6.25%	6.31%	6.42%	6.32%	6.40%
%SSO7	%ANR	2.18%	1.00%	2.06%	1.35%	3.88%	4.37%	2.12%
RACV%	%ANR	3.99%	4.89%	3.87%	4.64%	2.22%	1.65%	3.96%
OPEX%	%ANR	1.25%	0.56%	0.60%	0.66%	0.76%	0.86%	0.70%
ROI% (LOAN + DEPOSIT)	%ANR	2.35%	3.72%	2.87%	3.44%	1.42%	0.88%	2.85%
ROE% (LOAN + DEPOSIT)	%ANR	23.47%	37.18%	28.75%	34.40%	14.18%	8.76%	28.55%

Appendix 2: P&L (No Deviation)

		Ba Term loan (Base case Term loan 60% Revolve 40%				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Interest Income	207,179,707	896,140,944	769,152,027	629,871,172	477,687,762	241,493,707	3,221,525,319
Interest Expense	(75,707,189)	(326,328,495)	(278,477,531)	(226,010,802)	(168,683,716)	(82,921,456)	(1,158,129,189)
Fee from loan	27,500,000	0	0	0	0	0	27,500,000
Loan CV	158,972,517	569,812,450	490,674,497	403,860,369	309,004,046	158,572,251	2,090,896,130
Deposit NIM	3,015,569	12,022,858	12,022,858	12,022,858	12,022,858	11,001,739	62,108,740
Total CV	161,988,087	581,835,308	502,697,355	415,883,227	321,026,904	169,573,990	2,153,004,870
Loss	(54,496,570)	(94,026,968)	(165,483,978)	(89,019,004)	(194,167,310)	(117,264,964)	(714,458,794)
RACV	99,676,683	457,966,846	311,600,614	305,889,513	110,952,591	44,267,285	1,330,353,532
OPEX	(31,346,165)	(52,177,148)	(47,948,417)	(43,310,365)	(38,242,657)	(22,932,177)	(235,956,929)
Income before Tax	76,145,352	435,631,191	289,264,959	283,553,859	88,616,937	29,376,849	1,202,589,147
Income Tax	(17,513,431)	(87,126,238)	(57,852,992)	(56,710,772)	(17,723,387)	(5,875,370)	(242,802,190)
Net Income	58,631,921	348,504,953	231,411,967	226,843,087	70,893,549	23,501,479	959,786,957

Appendix 3: Key Top Lines (No Deviation)

		Termioa	Base case Term loan 60% Revolve 40%				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Unit: THB Baht Key Top Lines No. of Months	w	12	5	5	7		45
Set up credit limit Term loan OD/PN	12,500,000,000 7,500,000,000 5,000,000,000						
New volume (Given Target) Term loan OD/PN	10,000,000,000 7,500,000,000 2,500,000,000						
Loan NEA Term loan	9,937,916,377 7,198,687,047	8,735,252,594 5,926,696,642	7,343,940,715 4,535,384,762	5,822,114,185 3,013,558,232	4,157,529,829 1,348,973,876		1 1
Nel/OO	2,739,229,330	2,808,555,953	2,808,555,953	2,808,555,953	2,808,555,953	1	•
Loan ANR Term loan OD/PN	5,977,255,595 4,359,738,464 1,617,517,130	9,373,967,919 6,571,402,973 2,802,564,946	8,049,124,947 5,240,568,994 2,808,555,953	6,593,449,562 3,784,893,609 2,808,555,953	5,001,221,785 2,192,665,832 2,808,555,953	2,930,819,735 632,910,319 2,297,909,416	6,299,778,584 3,716,680,078 2,583,098,505
Deposit Average Balance	1,200,000,000	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000	2,000,000,000	1,937,166,324

Appendix 4: Assumption

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

Assumption

SME-S (<= 20 MMTHB) Target group

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Leverage Ratio Deposit Loan

7.75% MOR 7.50% MLR

Standard rate

8.45% M RR

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

Rate @ 9.00% 9.00% 9.00% 3.60% 3.19% Pricing MLR +1.50% MOR+1.25% FTP (3MX1M)+0.41% FTP (3MX1M)		% Interest rate		% ПР		% Front End Fee
9.00% 3.60% MOR+1.25% FTP (3NX1M)+0.41%		Term loan	OD, PN	Term loan	OD, PN	
MOR+1.25% FTP (3NX1M)+0.41%	ate @	%00.6	%00.6	3.60%	3.19%	1.50%
	icing	MLR +1.50%	MOR+1.25%	FTP (3NX1M)+0.41%	FTP (3MX1M)	

OD Utilization% Drawdown Vol. % Limit Setup Approve vol. % Approval rate (Given) (Avg. SME_S) 12,376,754,645 8,251,169,764 20,627,924,409 60.60% 60.60% 7,500,000,000 10,000,000,000 100% 7,500,000,000 Term Loan 60% 5,000,000,000 OD & PN 40% Expect unit (Given) Credit Limit Size /Customer | Credit limit set up | 10,000,000

18,629,733,163 12,419,822,109 31,049,555,272 App In vol.

66.44% 66.44%

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

3.57% FTP (12MX1M) As of 31 May 2012 2.50% 0.01% 0.46% 0.60% Interest paid for Avg. High Saving

Deposit CV % P A

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Appendix 5: Profitability on loan life by customer

	% ROE	26.5%
an life by customer	% CV	2.8%
Profitability on loan life by customer	NI / Customer	709,980 Baht
	CV / Customer	1,536,579 Baht

Appendix 6: Key Metrics of financial pro-forma in detail (Include Deviation Cap 20%)

		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Key Metrics	WAR SANS		Devi	Deviation 20%: Interest Rate 1% and Front End Fee 1%	st Rate 1% and	Front End Fee 1	% ·	1
Yield %	%ANR	7.79%	8.99%	8.98%	8.98%	8.98%	8.47%	9.01%
FTP %	%ANR	3.03%	3.48%	3.46%	3.43%	3.37%	3.09%	3.44%
NIM %	%ANR	4.76%	5.51%	5.53%	5.56%	5.61%	5.38%	5.57%
FEE %	%ANR	1.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.08%
Loan CV%	%ANR	5.87%	5.51%	5.53%	5.56%	5.61%	5.38%	5.65%
Deposit CV%	%ANR	0.61%	0.60%	0.60%	0.60%	0.60%	0.60%	0.60%
Total CV %	%ANR	5.99%	5.63%	5.67%	5.74%	5.85%	5.79%	5.83%
%SSO7	%ANR	2.18%	1.00%	2.06%	1.35%	3.89%	4.38%	2.13%
RACV%	%ANR	3.52%	4.33%	3.32%	4.09%	1.67%	1.13%	3.40%
OPEX%	%ANR	1.22%	0.54%	0.58%	0.64%	0.75%	0.84%	0.68%
ROI% (LOAN + DEPOSIT)	%ANR	1.99%	3.27%	2.43%	3.00%	0.97%	0.46%	2.41%
ROE% (LOAN + DEPOSIT)	%ANR	19.88%	32.75%	24.32%	29.99%	9.74%	4.62%	24.13%

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

		Scenario : D	Scenario : Deviation 20%				
Addition to the state of the st	Yest	C 100/	× 200×	7			
	- 5		י בפו ס	1 0 4	rear o	Yearo	lotal
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 Ioan	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
орех	(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 :	Scenario : Deviation 20%				
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Unit: THB Baht Key Top Lines No. of Months	ເນ	75	5	5	5	7	49
Set up credit limit Term loan OD/PN	12,500,000,000 7,500,000,000 5,000,000,000			·			12,500,000,000 7,500,000,000 5,000,000,000
New volume Term loan OD/PN	10,000,000,000 7,500,000,000 2,500,000,000						10,000,000,000 7,500,000,000 2,500,000,000
Loan NEA Term loan OD/PN	9,936,388,075 7,197,158,745 2,739,229,330	8,728,833,607 5,920,277,654 2,808,555,953	7,334,974,497 4,526,418,544 2,808,555,953	5,813,396,607 3,004,840,655 2,808,555,953	4,152,370,924 1,343,814,972 2,808,555,953		r 3 t
Loan ANR Term loan OD/PN	5,976,536,174 4,359,019,044 1,617,517,130	9,369,831,164 6,567,266,218 2,802,564,946	8,041,236,867 5,232,680,914 2,808,555,953	6,584,375,367 3,775,819,414 2,808,555,953	4,994,009,439 2,185,453,486 2,808,555,953	2,928,266,569 630,357,153 2,297,909,416	6,294,014,088 3,710,915,583 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