Standard Chartered Bank (Thai) Pcl: Background

Standard Chartered aspires to be the best international bank for its customers across its markets.

Standard Chartered PLC, listed on both London and Hong Kong stock exchanges, ranks among the top 25 companies in the FTSE-100 by market capitalisation. The Group earns around 90 per cent of its income and profits in Asia, Africa and the Middle East, with over 1,600 branches and outlets located in over 70 countries. Leading by example to be the right partner for its stakeholders, the Group is committed to building a sustainable business over the long term and is trusted worldwide for upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity. The bank’s heritage and values are express in its brand promise, ‘Here for good’.

Standard Chartered Bank (Thai) Public Company Limited is one of the oldest banks in Thailand, first established as a foreign bank branch in 1894. Between 1898-1902, the Bank was one of 3 banks who printed the first bank notes that is the foundation of the Kingdom’s currently used banknotes. In September 1999, the bank acquired a majority stake of Nakornthon Bank and then renamed Standard Chartered Nakornthon Bank. Standard Chartered since then operated into 2 entities – The Standard Chartered Bank - Bangkok Branch and Standard Chartered Nakornthon Bank. Then in January 2004, the government announced its Financial Sector Master Plan, a blueprint to strengthen the financial sector, including consolidating the many deposit-taking entities in Thailand. Standard Chartered took up the decision to integrate the two entities and by then was renamed Standard Chartered Bank (Thai) Pcl. The integration is reaffirmation of Standard Chartered Group’s long-term commitment to Thailand and to the development of the Thai financial sector.

Standard Chartered Thai holds local bank license while benefiting from international network, with 99.87% owned by Standard Chartered Group. Standard Chartered Thai is operated under robust risk management in compliance with both Group Policies under FSA and local regulations under the Bank of Thailand. Since 2007, Standard Chartered Thai stands among best rated local banks by Fitch and Moody’s rating agencies.

Standard Chartered Thai provides universal banking services with completed suite of Consumer, Corporate and Financial Institutional products to retail and corporate customers. Its strategy focuses on selected market with some 27 branches in Greater Bangkok and a few in major provinces.

### Growth and Performance Measures 2008-2011

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<tr>
<th></th>
<th>2011</th>
<th>%</th>
<th>2010</th>
<th>%</th>
<th>2009</th>
<th>%</th>
<th>2008</th>
<th>%</th>
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</thead>
<tbody>
<tr>
<td>Tier 1 capital (figures + % change)</td>
<td>31,725</td>
<td>1.26</td>
<td>30,599</td>
<td>0.78</td>
<td>30,362</td>
<td>43.91</td>
<td>21,098</td>
<td>9.02</td>
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<tr>
<td>Assets (figures + % change)</td>
<td>284,005</td>
<td>8.94</td>
<td>281,014</td>
<td>5.97</td>
<td>265,172</td>
<td>(8.69)</td>
<td>290,396</td>
<td>28.01</td>
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<tr>
<td>Net Profits (figures + % change)</td>
<td>3,594</td>
<td>94</td>
<td>1,849</td>
<td>5.84</td>
<td>1,747</td>
<td>(14.58)</td>
<td>2,045</td>
<td>17.1</td>
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Currency: THB’m

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<tr>
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<th>2011</th>
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<th>2009</th>
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<th>2008</th>
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<tbody>
<tr>
<td>Return on Equity</td>
<td>10.05%</td>
<td></td>
<td>9.90%</td>
<td></td>
<td>9.50%</td>
<td></td>
<td>15.80%</td>
<td></td>
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<tr>
<td>Cost-to-income Ratio</td>
<td>48.00%</td>
<td></td>
<td>59.80%</td>
<td></td>
<td>58.30%</td>
<td></td>
<td>51.20%</td>
<td></td>
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<tr>
<td>Non-performing Loan Ratio</td>
<td>2.76%</td>
<td></td>
<td>1.07%</td>
<td></td>
<td>1.64%</td>
<td></td>
<td>1.57%</td>
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</table>
We are Different Kind of Bank

By committing to our customers, staff and the community that we operate in, in good times and bad times, is always what we intend to keep doing. It is in our brand promise – to be ‘Here for good’.

Our commitment is being recognised. We are the best rated bank in Thailand by Fitch Ratings upgrading Standard Chartered Thai’s local currency credit rating to AAA.

The world’s economy is still shaky, internal political situation is still unstable and banking industry is facing more severe and changing competitive landscape; however, Standard Chartered Thai has come up with business strategies and initiatives that differentiate us from competitors and continue to offer sustainable benefits to our stakeholders as follows;

1. We capture changing behaviour patterns by investing in infrastructure and product / service innovation to bring greater convenience to our customers. A clear example is our award-winning ‘Mobile Financial Services Vans’ that enables us to reach customers in outlying areas. Innovative services have been consistently introduced to the market i.e. eSaver and Online Bill Payment Service.

2. We have maintained our leadership position in global markets, financial markets and transaction banking. Our Wholesale Banking has continued to lead the way in innovative and high value-added products, on the following perspectives;

   Standard Chartered is tapping into new alternatives as cash-rich and underleveraged Thai corporations are looking for options to expand their operations overseas. Combining our local expertise and international network to offer cross-border deals for Thai corporations. We completed the biggest cross-border deal for Thai Union Frozen facilitating their market expansion to Europe.

   We continue to be a major player in the efforts to facilitate RMB trade settlements and account solutions to benefit corporations’ trade flows.

3. We continue to build on the business momentum we have whilst continuing to have cost and risk disciplines.

4. Our One Bank strategy has yielded very positive outcomes. As Consumer Banking and Wholesale Banking collaborated in key areas such as bond distribution, payroll referral, and further leveraged the breadth of our customer and client relationships.

Principal Office Address:
90 North Sathorn Road, Silom, Bangrak, Bangkok 10500
Tel: 0 2724 4000 Phone Banking 1595

Bangkok & Greater Bangkok Branches

- Head Office (Sathorn)
  - Bankkae
  - Charoenkrung
  - Charoennakorn
  - Central Bangna
  - Central Chaengwattana

- Central World
  - Future Park Rangsit
  - Lotus Rama 3
  - Lotus Rattanathibet
  - Lotus Sukhumvit 50
  - Mahanak

- Patthanakan
- Phahurat
- Pratunam
- Rachadaphisek
- Ratchoyothin
- Thadindaeng
- The Mall 3 Ramkhamhaeng
- Thonglor
- Sampeng
- Silom
- Silom Soi 6
- Srivara

Upcountry Branches

- Chiangmai
- Nakhonpathom
- Rayong

We are Different Kind of Bank

2011 has marked another year of success for Standard Chartered Thai with profits totalling THB 4,004 million and revenues of THB 11,006 million which has been the highest ever profit since 2005. These figures become remarkable because they were posted during the world’s economic volatility and the greatest domestic political upheaval over 2 decades.

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The followings are examples of Standard Chartered Bank Thai’s key initiatives in both businesses reflecting our 4 above strategies;

- **Innovative Products & Services**

  - The customer behaviour has been changed a great deal, both in retail and corporate space. Retail customers want banks to fit into their lifestyle with emphasis on ability to access banking services ‘anytime, anywhere’ in the most convenient way, and providing them with consistent and high quality experience in all such interactions. While corporate wants banks to seamlessly integrate into their operations and provide them with high quality transaction convenience and stable platform while being able to the right partner at strategic level through value-added services. All these require banks to use sophisticated CRM solutions and business intelligence tools to understand customer needs and develop solutions. What we have done to serve the changing needs of customers are; for example,

  - **Mobile Financial Service Vans:**
    The Bank has invested in infrastructure to bring greater convenience to the customers. A clear example is the award-winning Mobile Financial Service Vans, launched to serve customers in outlying areas. The services provided by the vans include account opening, ATM, credit card application and opening, personal loan, mortgage, and standby cash. Recently, the Mobile Financial Service Vans hit the road to reach more of the customers and support the marketing events.

  - **eSaver:**
    Savings account that can be opened real-time through online banking for the existing customers. The reduction of transactions at the branches makes Bank able to pay back to customers by giving the interest rate as high as 2.5 per cent (the policy rate was 1.5 per cent when launched)

  - **Online Bill Payment Service:**
    Through a first-in-market collaboration with local aggregator mPAY, that enables customers to conveniently pay several types of bills. The innovation has supported eChannel drive resulting in an increase of 30 per cent in electronic customer based and 20 per cent increase in electronic transaction volume. It was awarded the ‘Best eBanking Project’ at the Asian Banker Summit in last April in Hong Kong.

  - **AIP System:**
    Approval in Principle system, the pre-screening tool for credit card and loan applications which delivers ‘go/no go’ decision to the sales agents, thereby shortening turnaround time for loan disbursal and increase in application approval rate. This supports the successful launch of ‘48-hour Service Guarantee’ for loan applications. This AIP system has recently received the ‘Process Excellence’ award from BPA Trailblazer 2011.

  - **Smart Banking Pack:**
    According to the survey of wealth management customers across 10 key markets in Asia, Thai customers are typed as ‘Convenience Seekers’. In response to the changing environment and customer needs, the Consumer Banking launched ‘Smart Banking Pack’, the all-in-one financial bundling package consisting of savings / current account with ATM / Debit card, free interbank money transfer, free SMS banking, and free 3-month accident insurance. The customers can extend their accident insurance at only 550-baht fee per year, with unlimited claims, up to THB 10,000 of cover per claim.
• The Pilot RMB Trade Settlement Scheme and RMB Internationalisation:
One year after the Bank’s landmark role in the first domestic RMB cross-border trade settlement transaction outside China, significant milestones and transactions were completed for clients across the Bank’s key markets, including Thailand. To date, in a move that further demonstrates the pioneering approach to this initiative, Standard Chartered Thai has offered Renminbi payments, clearing, FX, trade services, Renminbi clearing, and settlement services to corporate and institutional clients. Additionally, Standard Chartered Thai offers Renminbi denominated deposits and current accounts for corporate and SME clients.

• Thai Union Frozen Products acquired MW Brands:
The deal is valued at approximately THB 28.5 billion (USD 883 million, EUR 680 million). Thailand’s largest canned- and frozen-seafood producer outbid canned-tuna maker Bolton Group and private equity firms such as Blackstone Group and Permira Advisers for the French canned-seafood producer. With the support from the Bank on the acquisition, Thai Union Frozen Products can now add 4 processing plants in France, Portugal, Seychelles, and Ghana to its existing five in Thailand, Indonesia, Vietnam, and the US. The company’s tuna-processing capacity will now total 500,000 metric tons of whole round fish, making it one of the world’s largest canned-tuna producers. The acquisition will increase Europe’s contribution to Thai Union’s total sales from 11 per cent to more than one-third. MW Brands is market leader in France, the United Kingdom, Ireland, the Netherlands and Italy.

• Hana Baht Debentures:
Together with Kasikornbank (KBank), Standard Chartered Thai was appointed the arrangers of Hana Bank’s 1st issuance of baht-denominated debenture in Thailand. The deal is worth THB 8 billion, the highest in value that has been permitted by the Finance Ministry.

• eCustom Service:
Standard Chartered Thai collaborate with Customs Department on electronic customs tax payment service via direct debit platform. In support of the paperless customs policy, this joint collaboration on alternative payment channel between Standard Chartered Thai and Customs Department will help the bank’s corporate import/export customers on cost reduction and payment convenience.
Liverpool Sponsorship: Raise the Bank’s profile through a partnership with Liverpool FC

Standard Chartered signed a four-year deal with Liverpool Football Club from 2010/11 season. The sponsorship provides a platform to significantly step up the Bank’s brand awareness across its core markets in Asia, Africa, and the Middle East.

Liverpool FC is a global iconic brand with a deep heritage and a group of huge followers with over 130 million fans worldwide and 5 million in Thailand alone. Standard Chartered Thai sees the opportunities to continue growing business through the robust and mutually beneficial partnership that delivers the extra value to the Bank’s clients and the Club’s fans in Thailand market.

Standard Chartered Thai started off 2011 with ‘Liverpool Lucky Draw’ campaign – the activity that reached the fan’s passion by taking the lucky draw winners to Anfield stadium to see the live match between Liverpool and Tottenham Hot Spur. Customers simply do transaction with Standard Chartered Thai to have a chance to win a lucky draw.

To keep the momentum going, Standard Chartered Thai launched ‘Savings for Fans’ savings account with limited edition Liverpool FC ATM / debit card in April. Since then, it was not only the product launch for Standard Chartered Thai but the long-term relationship building with Liverpool FC fans. The Bank continues to give extra value to the customers / Liverpool FC fans in engaging them through various events such as; the ‘Liverpool Expo – Passion of the Fans’, the grand get-together of the Kop where they enjoyed the glorious moments of the Club captured in many activities such as a display of rare collectibles from raving fans, fan challenge game, and the unforgettable classic matches, and ‘Red War Party’, the party dedicated to Liverpool FC fans to cheer their beloved team against Manchester United. With the fan-led events, the Bank can expand its customer base while deepening relationship with its existing customers.
Sustainability Programme

At Standard Chartered Thai, sustainability programme truly supports our ‘Here for good’ brand promise and it is core to the Bank’s strategy that addresses pressing issues in the societies and communities where the Bank operates.

To create long-term value for our shareholders, Standard Chartered Thai helps address some of the critical environmental and social issues that affect the communities where the Bank and its people live and work. The staff are crucial to this effort while the Bank takes seriously its operational impact on the environment and empowers the employees to help minimise its footprint through their everyday business activity. The Bank carefully chooses to run the community investment programme that focuses on generating high social returns and the economic health of the market.

Employee volunteering is at the heart of Standard Chartered Thai’s commitment to play an active role in tackling the challenges faced by disadvantaged populations. In 2011, the staff donated 3,119 days of paid volunteering leave to the community, making Thailand no.1 in volunteerism among the Group.

Great Place to Work – The Bank’ staff are crucial to the delivery of its sustainable business model. In the continuous drive to make the Bank a great place to work, Standard Chartered Thai focuses on attracting the talent and enhancing employee engagement. At Standard Chartered Thai, high performance is not just about generating large profits; it is also about living the Bank’s values, demonstrating the many ways that we are really ‘Here for good’. Since 2001, we have measured the employee engagement through an internal audit survey, The Gallup Organisation’s Q12 Employee Engagement Survey. This year, the result of staff engagement across the business is at 4.39 on a scale 1 to 5. Standard Chartered Thai also progressed on its targets for diversity and inclusion, ensuring employees continue to feel valued and appreciated for who they are.

Community Investment – At Standard Chartered Thai, there are four sustainability pillars which are; Living with HIV, Seeing is Believing, Environment, and Microfinance.

- Living with HIV: The programme aims to give education about HIV and AIDS to people, whether they are children, hill-tribe people, prisoners, or the less privileged. Up until now, the target of 5,000 trained people is almost achieved.

- Seeing is Believing: The global collaboration to tackle avoidable blindness across Standard Chartered’s markets. Launched in 2006 in Thailand, the Bank has established the collaborative ‘Rak Duang Ta’ (Eyes Caring) project with The Christian Foundation for the Blind in Thailand under the Royal Patronage H.M. the King. Throughout the years, the project has been successful in screening the patients with eye diseases and in cataract operations. Until today, around 4,000 patients have had the operation, thanks to the good management of the project leader and the effort of all concerned parties. In 2011, Standard Chartered Thai supported the mobile eye care clinic that costs THB 2.6 million to the Lampang Eye Foundation. The new mobile eye care clinic is ready to serve people in the far-reaching areas by ‘World Sight Day’ in October this year. Because of the mobile eye care clinic, the patients will be reached to have their eyes checked and in case they have cataract, they will be transferred to the nearby hospital for operations.

- Protecting the environment – Rather than simply continuing current business practices, the Bank works to inspire and encourage the employees, clients, and customers to minimise the environmental footprint. Through the volunteering system, until now more than 8,000 trees are planted this year. At the business side, the online banking is heavily promoted to the customers as more time is saved, the transportation cost to the branch is zero, and documentation is paperless. However, the transaction security is highly maintained.

Access to Finance

Promoting access to finance is one of the three pillars of Standard Chartered’s approach to building a sustainable business. Standard Chartered Thai seeks to use our core expertise as a bank to promote financial inclusion for segments of the population that are underserved or un-served by banks, while adhering to commercial principles.

Microfinance

Microfinance is at the centre of our access to finance strategy. Standard Chartered Group’s microfinance portfolio grew out of a commitment at the Clinton Global Initiative (CGI) to provide more than USD 500 million in microfinance and related products from 2006-2011. By the end of 2010, the Group had exceeded this commitment by providing more than USD 720 million to more than 70 microfinance institutions in 17 countries, benefiting approximately 4.8 million people.

The following case study is an example of a Standard Chartered Thai’s initiative which uses microfinance to promote financial inclusion.
Case study: Ban Nong Pruek Village - A New Microfinance Model Challenge

In Ban Nong Pruek Village in the northeastern part of Thailand, a needs assessment conducted by Thailand's Population and Community Development Association (PDA) had shown that poorer villagers often failed to secure access to credit for not having land as collateral. As a result, they were forced to borrow from informal money lenders at up to a 20 per cent daily interest rate.

Solution

In response, Standard Chartered Thai and PDA developed a village banking model, which formed part of a broader community development strategy prepared by PDA and the local community in Ban Nong Pruek.

The village of Ban Nong Pruek includes approximately 100 households or 500 people. Standard Chartered Thai drew upon Standard Chartered's wider experience in promoting microfinance across 17 countries and designed a Village Development Bank (VDB) in 2009. The initiative began to provide microfinance to the villagers of Ban Nong Pruek in 2009.

As poverty eradication and local economic empowerment are key objectives, the VDB is owned and operated by the villagers. VDB committees were set up and appointed for delivering transactional operations, debt monitoring, and other financial services. Standard Chartered Thai provided initial seed capital of USD 13,000 as a grant and then injected another grant for the following 2 years of USD 10,000 per year to strengthen VDB's liquidity base. The VDB is designed to be a resource to provide credit for income generation activities as well as to promote savings. The broader objective is to widen the villagers' access to funding and lower their debts in an effort to achieve sustainable development.

Once villagers have joined VDB and contributed deposits of USD 2 per month for 6 consecutive months, they can apply for a loan. Applicants need to submit a project plan and the VDB committee considers and approves the appropriate lending amount and terms of payment.

Impact

Since VDB was launched, it has gained 70 individual members (approximately 55 households). The savings of these members has grown to almost USD 2,850 (THB 86,760). VDB has provided 83 loans to 41 borrowers for a total lending amount of more than USD 34,923 (THB 1,088,911). Interest rates through VDB are approximately 1 per cent per month, which is substantially lower than the rates offered by local money lenders. Individual loan sizes are between USD 200-1000 and repayment terms can be up to two years. The majority of loans are for agriculture activities, including planting of key crops for resale.

The results show that the initiative is having a positive impact. Villagers have been encouraged to reduce their debts to unofficial lenders and to save for sustainable income generation. Average income levels have grown almost 17 per cent from USD 1,220 (THB 36,629) in 2009 to USD 1,475 (THB 44,267) in 2011, while average debt levels have decreased by 79 per cent from USD 2,214 (THB 66,428) to USD 450 (THB 13,524).

Conclusion

Following the success of this pilot, Standard Chartered Thai and PDA intend to set up a similar village bank in one additional village in Thailand before the end of 2011, and will also continue to welcome and encourage other banks to follow suit.

With the conservative yet innovative management of the Bank, the half year result was promising. Apart from 8 consecutive growth year on year in 2011, Standard Chartered Thai has the double-digit growth of income and 40 per cent operating profit. The good performance is the result of the Bank’s discipline on cost and risk.

The Bank’s Consumer Banking has become one of the Group’s top 6 markets with operating profit over USD 50 million with the 27 per cent growth of unsecured lending year on year while Priority Banking and SME continue with the double digit growth. The sponsorship has also played the part as the Liverpool FC ‘Savings for Fans’ savings account alone has boosted 34 per cent awareness and has generated 60 per cent of new customers.

The Wholesale Banking continues to lead the way in leveraging its overseas networks, making the Bank win many key transaction banking. The success deals are for example; CP Group Syndication Mandate CP Bangladesh, Siam Commercial Bank Syndication, Thai Hua Rubber’s 1st RMB transaction, and Sri Trang dual listing in Singapore.

Besides the achievements of the business engines, Standard Chartered Thai is equally proud of how the Bank engages its employees. For the annual Q12 survey exercise, Thailand’s average score was 4.39, one of the highest in the region and Group, thanks to the extraordinary dedication from staff and their commitment to make the Bank a great workplace. In 2011, the employees took part in the volunteering programme equivalent to 3,119 days of community work. This is a very direct expression of ‘Here for good’ and it sets Standard Chartered Thai apart from other banks – the cultures, the values, and the quality of people.