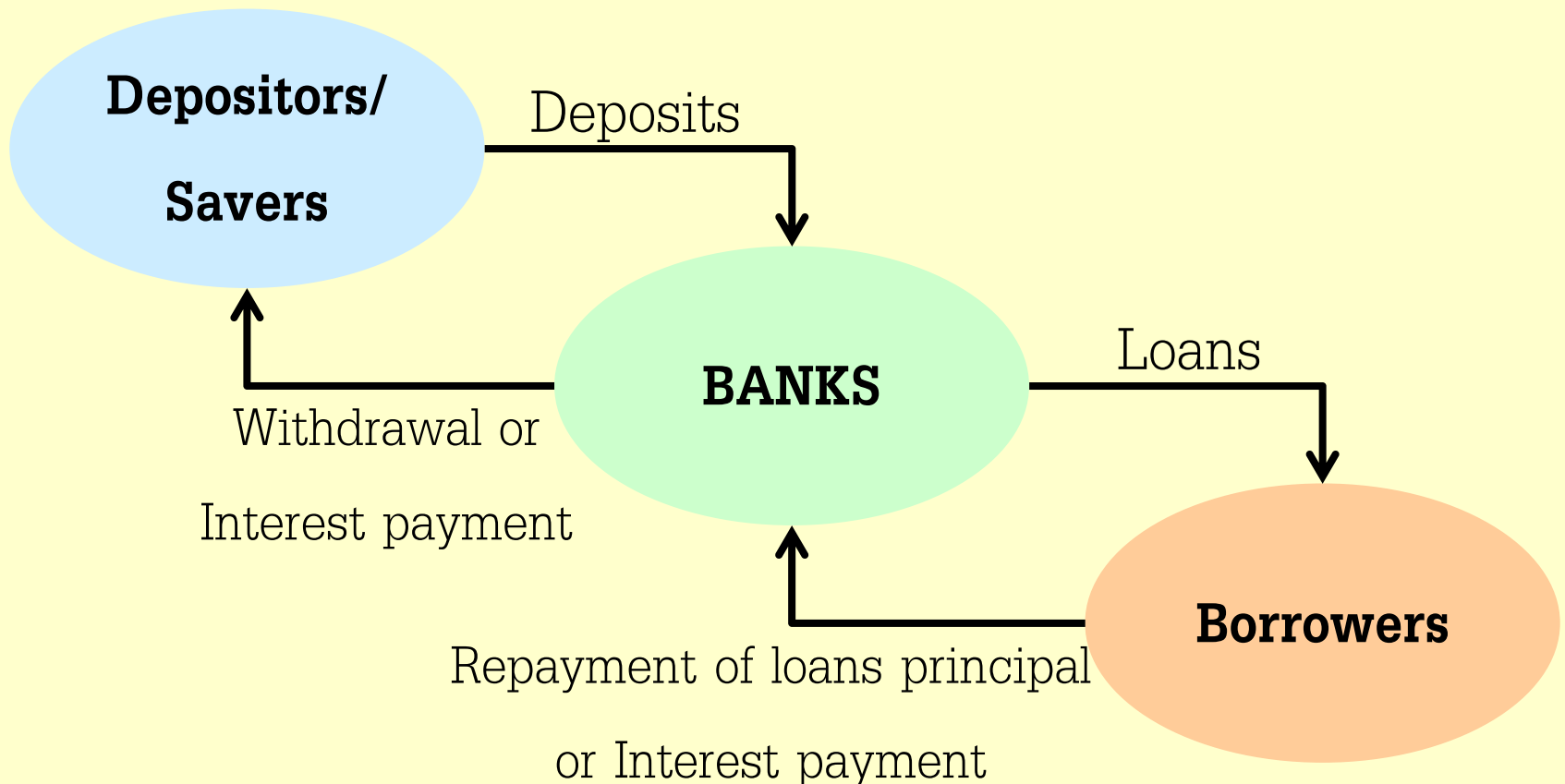


Deposits and Loans

FN 323 : Credit Management

RELATIONSHIP BETWEEN DEPOSITS AND LOANS



DEPOSITS

DEFINITION

1. A transaction involving a transfer of funds to another party for safekeeping.
2. A portion of funds that is used as security or collateral for the delivery of a good.

TYPES OF DEPOSITS

- Current Accounts
- Savings Accounts
- Term Deposits
- Foreign Currency Deposits
- Structured Deposits

CURRENT ACCOUNTS

- Mainly used for businessmen such as public and private companies, proprietors, or person having large number of daily banking transaction.
- Helps businessmen to make a direct payment to their creditors by issuing cheque.
- High liquidity for expanding the business.
- Able to withdraw from current account without limitation, anywhere and anytime.

CURRENT ACCOUNTS (Cont.)

- Used accompany with the Credit Card or Debit Card (Automatic money transfers from saving to current account).
- Generally, bank does not pay any interest on current account but some banks do pay.
- Enables the current account holder to obtain overdraft (short-term borrowing) facility.

SAVINGS ACCOUNTS

- Accommodate our daily expenses.
- Deposits and withdrawal can be conducted everyday due to the convenience
- Can use ATM card linked to the savings account.
- Low initial deposit for opening an account
- Low returns

TERM DEPOSITS

- The banks assure return for the investment by paying guaranteed interest rate for a specified period of time.
- The account holder can withdraw after the term has ended (at maturity); otherwise, the earlier withdrawal might be charged as penalty.
- The maturity of Term Deposits are 3 months, 6 months, 12 months, 24 months, or 36 months.

TERM DEPOSITS (Cont.)

- The interest rate on term deposits is higher than the interest rate on current account.
- The longer term you deposit, the higher interest rates you earn.
- Interest rates can track inflation rates.

	Saving account	Term deposit	Current account
Characteristic	No need to deposit monthly	Deposit monthly (ex. 24 months)	No need to deposit monthly
Minimum deposit of account opening	500 baht	1000 baht	10,000 baht
Minimum duration	Not specify	24 months	Not specify
Interest rate	0.5%	2.25%	No interest payment
Interest payment	Every 6 months	Pay interest when maturity	-
Withdraw before maturity	Can withdraw by receiving actual interest.	Penalty charge	Able to withdraw

FOREIGN CURRENCY DEPOSITS

- Can be either resident or non-resident account
- This deposits can be categorized into savings accounts, term accounts or current accounts

The advantages of this deposits :

- Minimize risk over exchange rate fluctuation
- Save on transaction fees

FOREIGN CURRENCY DEPOSITS (Cont.)

Deposit methods

- Buy foreign currency to deposit in FCD account
- By foreign banknote which has different criteria for each group of customers according to BOT regulation;
- Thai individual/juristic person: can deposit only 10,000 USD or equivalent per day. In addition, in case of source of deposit is from abroad, customer must show source of fund's document on the deposit date.

FOREIGN CURRENCY DEPOSITS (Cont.)

Deposit methods

- Governmental Departments, Public Organizations, State Enterprises, Government officials working abroad has no limit on deposit amount.
- By foreign travelers checks
- By foreign drafts
- By inward remittances

FOREIGN CURRENCY DEPOSITS (Cont.)

Withdrawal methods

- By receive foreign banknotes.
- By receive travelers cheques.
- By receive foreign drafts.
- By outward remittances.
- By withdraw funds from FCD account to obtain Baht.
- By transfer to other FCD Account of the same name.

FOREIGN CURRENCY DEPOSITS (Cont.)

EXAMPLE I : KBANK

- 10 Foreign Currencies Available for Foreign Currency Deposit : USD, SGD, AUD, CAD, HKD, JPY, GBP, CHF, EUR, CNY

Currency	Type of Deposit	Customer Type			
		Resident		Non Resident	
		Individual	Juristic	Individual	Juristic
USD	1. Saving	0.04	0.04	0.04	0.04
	2. Fixed				
	1 Month	0.07	0.07	0.07	0.07
	3 Month	0.20	0.20	0.20	0.20
	6 Month	0.40	0.40	0.40	0.40
	9 Month	0.60	0.60	0.60	0.60
	12 Month	0.75	0.75	0.75	0.75

FOREIGN CURRENCY DEPOSITS (Cont.)

EXAMPLE I : KBANK

- No minimum amount for initial deposits (not exceed maximum amount specified by BOT)
- Not required minimum balance

FOREIGN CURRENCY DEPOSITS (Cont.)

EXAMPLE II : BAY

Type of FCD Account and Customer		Purpose of Deposit	Source of fund	FCD – ATM Card
Foreign Currency Deposit (FCD)	<ul style="list-style-type: none">Foreign Individual (Non – Thai Resident)	Savings/capital fund of Foreign Deposit	Funds from abroad/ Foreign Banknotes/THB Currency	Available
	<ul style="list-style-type: none">Foreign Juristic Person (Non – Thai Resident)			Not Available

FOREIGN CURRENCY DEPOSITS (Cont.)

EXAMPLE II : BAY

Deposit Account Type		Amount in USD or the equivalent in other currencies	
		Minimum Amount of Initial Deposit	Minimum average monthly balance*
Current (non - cheque)		2,000	500
Savings(Individual)		500	500
Saving(Juristic Person)		5,000	5,000
Time Deposit (Month)		5,000	Amount of each deposit shall not be less than USD 2,000 or the equivalent
Time Deposit (Day)	Individual	500,000	Amount of each deposit shall not be less than the initial deposit
	Juristic Person	3,000,000	Amount of each deposit shall not be less than the initial deposit

STRUCTURED DEPOSITS

- Combination between Deposit and investment product (Investment and Wealth Management)
- Returns depended on performance of financial assets
- Provide the potential for higher returns
- Full principal amount would be returned to you only if investment is held to maturity.

STRUCTURED DEPOSITS (Cont.)

- Liquidity risk
- No dividend income
- Limited participation

STRUCTURED DEPOSITS (Cont.)

- **EXAMPLE :** ANZ (Singapore)

Illustrations

Knock Out Digital Investment linked to Spot Gold

Product Term	Details
Structure	Knock Out Digital Investment linked to Spot Gold
Tenure	9 months
Currency	AUD
Underlying	XAU/USD (spot:1721.895)
Strike	1721.895
Barrier	2100
Barrier Observation Period	Continuous
Maximum Coupon	10.00% pa

Outcome at Maturity

- If Barrier has not been triggered at any time during Observation Period and underlying closes at or above the strike at expiry
- Investors receive the maximum coupon plus 100% principal
- If Barrier has been triggered at any time during the the Observation Period or if underlying closes below strike at expiry
- Investors receive plus 100% principal only

STRUCTURED DEPOSITS (Cont.)

- **EXAMPLE :** ANZ (Singapore)

Tier Tower Deposit linked to AUD/USD

Product Term	Details
Structure	2 Tier Tower Deposit linked to AUD/USD
Tenure	6 months
Currency	AUD
Underlying	AUD/USD (spot: 1.0673)
Range 1	0.9900 – 1.1050
Range 2	0.9800 – 1.1200
Coupon 1	10.00% p.a
Coupon 2	5.00% p.a
Outcome at Maturity	
<ul style="list-style-type: none">• If Underlying trades within Range 1 throughout the Observation Period	<ul style="list-style-type: none">• Investors receive the Range 1 coupon plus 100% principal
<ul style="list-style-type: none">• If Range 1 is triggered but underlying trades within Range 2 throughout the Observation Period	<ul style="list-style-type: none">• Investors receive the Range 2 coupon plus 100% principal
<ul style="list-style-type: none">• If both Ranges are triggered at any time during the Observation Period	<ul style="list-style-type: none">• Investors receive 100% principal only

LOANS

DEFINITION

The act of giving money, property or other material goods to a another party in exchange for future repayment of the principal amount along with interest or other finance charges. A loan may be for a specific, one-time amount or can be available as open-ended credit up to a specified ceiling amount.

CLASSIFICATION OF LOANS

Open-ended and Closed-ended Loan

- Depends on number of times borrower can borrow

Secured and Unsecured Loan

- Depends on whether the loan is protected by the collateral

CLASSIFICATION OF LOANS

- One loan will be one type of each category.
- Example would be Student Loan which is both unsecured and closed-ended loan.

OPEN-ENDED AND CLOSED-ENDED LOAN

OPEN-ENDED LOAN

- This type of loan allows borrowers to borrow over and over once they have made a repayment.
- There is a limit which the borrowers can borrow to a specific amount.
- The credit limited cannot exceed without any penalty.
- The loan tends to be more flexible.
- The credit limited can be increased if the borrowers are responsible.

OPEN-ENDED LOAN

- **EXAMPLE :** credit cards such as Discover, MasterCard and American Express

CLOSE-ENDED LOAN

- This type of loan allows borrowers to borrow only once.
- Closed ended loans generally set the terms of the loan right from the beginning, and it's the duty of borrower whether or not to consent.
- The entire value of loan is distributed to the borrowers at the very start, and the borrower will need to make a repayment along with interest rate within a specific period.

CLOSE-ENDED LOAN

- Most of the time these loans are created to accommodate larger purchases

EXAMPLE :

- Loans
- Auto loans
- Mortgage loans

SECURED AND UNSECURED LOAN

SECURED LOAN

- Secured loans are those loans that are protected by an asset or collateral of some sort.
- Secured loans are usually the best (and only) way to obtain large amounts of money.
- Secured loans usually offer lower rates, higher borrowing limits and longer repayment terms than unsecured loans.

SECURED LOAN

- If you are unable to pay back a secured loan, the lender may be able to sell it to pay off the loan.

EXAMPLE :

- Mortgage
- Home Equity Line of Credit
- Auto Loan (New and Used)

UNSECURED LOAN

- Lenders take more of a risk by making such a loan, with no property or assets to recover in case of default,
- This is why the interest rates are considerably higher.
- You will be judged based on the five (5) C's of credit : character, capacity, capital, collateral, and conditions
- these are all criteria used to assess a borrower's creditworthiness.

UNSECURED LOAN

EXAMPLE :

- Credit Cards
- Personal Lines of Credit
- Student Loans

TYPES OF LOANS

- Personal Loans
- Business Loans
- Mortgage Loans
- Auto Loans
- Home-Equity Loans

PERSONAL LOANS

- A loan that establishes consumer credit which is used for **personal benefits**
- The funds can be used for **any purpose**
- Personal loans require **no collateral**
- Interest rates are determined by your credit rating
- Repayment generally range from one to five years

PERSONAL LOANS (Cont.)

ธนาคาร / ผลิตภัณฑ์	อัตราดอกเบี้ย (%ต่อปี)	รายได้ขั้นต่ำ (ต่อเดือน)	ระยะเวลาสินเชื่อ	วงเงินสินเชื่อสูงสุด
ธนาคารกรุงไทย สินเชื่อกรุงไทยธนวิ 	21.50%	10,000 บาท	1 ปี	5 เท่าของเงินเดือน, สิทธิพิเศษสำหรับผู้มีบัญชีเงินเดือนผ่านธนาคารกรุงไทย
ธนาคารทหารไทย สินเชื่อบุคคล ทีเอ็มบี แคชทูโก 	26.00%	15,000 บาท	5 ปี	5 เท่าของเงินเดือน วงเงินไม่เกิน 1,000,000 บาท
ธนาคาร ซีไอเอ็มบี ไทย บัตรสินเชื่อบุคคลเอ็กซ์พ्रेस แคช 	27.00%	15,000 บาท	ไม่มี	5 เท่าของเงินเดือน วงเงินไม่เกิน 1,500,000 บาท
ธนาคารกสิกรไทย สินเชื่อเงินสดทันใจกสิกรไทย 	27.00%	10,000 บาท	ไม่มี	5 เท่าของเงินเดือน วงเงินไม่เกิน 1,500,000 บาท
ธนาคารทหารไทย สินเชื่อบุคคลบัตรเครดิตเงินสด ทีเอ็มบี เรดดีแคช 	27.00%	15,000 บาท	ไม่มี	5 เท่าของเงินเดือน วงเงินไม่เกิน 1,000,000 บาท, ดอกเบี้ยถูก 10% 3 รอบบัญชีแรก

PERSONAL LOANS (Cont.)

ธนาคารซีทีแบงก์ สินเชื่อบุคคลซีดี 	28.00%	20,000 บาท	5 ปี	5 เท่าของเงินเดือน วงเงินไม่เกิน 750,000 บาท
กรุงศรีอยุธยา สินเชื่อหมุนเวียนส่วนบุคคล  ธนาคารกรุงศรีอยุธยา BANK OF AYUDHYA	28.00%	30,000 บาท	ไม่มี	1,000,000 บาท
ธนาคาร ซีไอเอ็มบี ไทย สินเชื่อบุคคลเพอร์ซันนัล แคช เอ็กซ์ตราโลง  ซีไอเอ็มบี ไทย	28.00%	15,000 บาท	7 ปี	5 เท่าของเงินเดือน วงเงินไม่เกิน 1,500,000 บาท
ธนาคารยูโอบี สินเชื่อ ยูโอบี ไอ-แคช  ธนาคารยูโอบี 大華銀行	28.00%	15,000 บาท	5 ปี	1,000,000 บาท
ธนาคารยูโอบี สินเชื่อ ยูโอบี แคชพลัส  ธนาคารยูโอบี 大華銀行	28.00%	15,000 บาท	ไม่มี	1,000,000 บาท
ธนาคารไทยพาณิชย์ สินเชื่อหมุนเวียน  ไทยพาณิชย์	28.00%	10,000 บาท	ไม่มี	1,500,000 บาท
ธนาคารไทยพาณิชย์ สินเชื่อบุคคล  ไทยพาณิชย์	28.00%	10,000 บาท	2 ปี	3.5 เท่าของเงินเดือน วงเงินไม่เกิน 1,500,000 บาท
สแตนดาร์ดชาร์เตอร์ด สินเชื่อสมาร์ทแคชแพลตฟอร์ม 	28.00%	15,000 บาท	5 ปี	5 เท่าของเงินเดือน วงเงินไม่เกิน 1,000,000 บาท

BUSINESS LOANS

- With a business loan, you are lent a certain sum of money over a period of years, and the interest rate and monthly payments are fixed over the term
- Some of the business loan providers offer access to short-term finance and may offer sums of up to £30,000 for up to a year. Others will allow you to borrow larger sums over a longer period.

BUSINESS LOANS (Cont.)

- **Key different between large and small businesses to obtain the business loan.**
 1. Larger businesses have more assets used as collateral.
 2. Larger companies tend to have a longer and larger business history with the providers. So it is not very hard to get loan as the company has already had some kind of connection with the loan providers.

BUSINESS LOANS (Cont.)

- **Key different between large and small businesses to obtain the business loan.**

3. Lastly, larger companies have reputations that are more established than those of smaller companies. So, providers tend to lend the load easily to larger company since the risk of failure is very small.

BUSINESS LOANS (Cont.)

EXAMPLE :

- “สินเชื่อธุรกิจรายย่อย กล้าคิด ก็กล้าให้” by SCB Bank
(Closed-ended loan)



MORTGAGE LOANS

- To make large real estate purchases without paying the entire value of the purchase up front
- Usually with specified payment periods and interest rates
- The borrower gives the lender a lien on the property as collateral for the loan
- The lien on the property expires when the mortgage is paid off in full

MORTGAGE LOANS (Cont.)

- If the borrower stops paying the mortgage, the bank can foreclose.
- **Longer term mortgages** usually carry a higher interest rate than **shorter term mortgages**

MORTGAGE LOANS (Cont.)



MortgageOne

The new mortgage package

First in Thailand

Let you REDUCE mortgage interest

Let you WITHDRAW fund on your demand

	Normal Mortgage	Mortgage One	Savings
Total Interest Pay	3,768,522	1,967,309	savings interest 1,801,223
Tenure (month)	360	221	savings time 139

A Mortgage One saves you half of the interest payment

B Reduce more than 10 years of repayment time

MORTGAGE LOANS (Cont.)

- A customer can repay both principle and interest more than the stated amount, but not more than 50% of the remaining principle as recorded in the monthly statement. The excess amount can be withdrawn according to the bank's policy.
- Normal mortgage interest was calculated at a fixed rate of 1.99% for one year, after which interest was calculated at MHR - 0.5% or 6.69% per annum.

MORTGAGE LOANS (Cont.)

- MortgageOne interest calculation was calculated at MHR - 2.00% or 5.19% for years 1-3. Afterwards the interest was calculated at MHR - 0.5% or 6.69% per annum

AUTO LOANS

- A lender, such as an auto dealer or bank, provides money for you to buy an auto
- Car Loan Rate Tied To Credit Score
- An auto loan's interest typically was calculated at MHR - 2.00% or 5.19% for years 1-3. Afterwards the interest was calculated at MHR - 0.5% or 6.69% per annum a length of three to seven years, or 36 to 84 months

AUTO LOANS (Cont.)

- A longer-term loan typically has a lower monthly payment than a shorter-term loan, but you pay more money in finance charges over the life of a longer-term loan
- Unlike leasing, you eventually will pay off the loan and own the car
- With a lease, you will have a lower down payment on the depreciation of the vehicle. However, at the end of the lease you do not own the car

AUTO LOANS (Cont.)

EXAMPLE :



ธนาคาร
**New Car
Loan**
สินเชื่อรถยนต์ใหม่

ให้บริการอย่างมืออาชีพ..จากผู้นำด้านสินเชื่อรถยนต์ใหม่

HOME-EQUITY LOANS

- A home-equity loan is basically a line of credit secured by your home
- If the loan is not paid off, your home could be sold to pay off the remaining debt
- Interest rates are usually adjustable rather than fixed and also lower than other types of loan.

HOME-EQUITY LOANS (Cont.)

- A set amount of funds in one lump sum (home equity loan) or a flexible amount over time (Home equity line of credit).
- Home equity loans generally come with fixed rates, but adjustable rates may also be offered.
- Home equity lines of credit almost always have adjustable rates.

HOME-EQUITY LOANS (example)

EXAMPLE:

- K-Home Equity (สินเชื่อบ้านทวีทรัพย์กสิกรไทย)

HOME-EQUITY LOANS (example)

Types of loan	Credit limit to appraised price	Maximum credit limit
Loan	Not more than 80% of the collateral's appraised price *For condominium, the loan will be granted at not exceed 75% of the appraised price	THB10 million
O/D	Not more than 70% of the collateral's appraised price (for all types of collateral)	THB5 million
Loan + O/D	The combined credit limit must not more than 80% of the collateral's appraised price * The O/D will be granted at not more than 50% of the collateral's appraised value.	THB10 million *The maximum O/D granted must not exceed THB5 million.

HOME-EQUITY LOANS (example)

- The minimum loan is THB100,000
- $\text{Loan} = \text{MLR} - 0.5\%$ for the whole contract
- $\text{O/D} = \text{MRR} + 1.00\%$ for the whole contract
- The fee for appraisal of the collateral is THB2,700 (VAT inclusive)
- The collateral must be in good condition. The borrower must have clear title over the house and has his/her name on the house registration of that property.

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