WELCOME MESSAGE FROM CHAIRMAN OF THE THAI BANKERS’ ASSOCIATION

Mr Predee DAOCHAI
Chairman, The Thai Bankers’ Association

Dear Friends and Colleagues,

The Thai Bankers’ Association (TBA) is deeply honored to host the 21st ASEAN Banking Conference and the 46th ASEAN Banking Council Meeting to be held from 27th to 30th November 2016 in Bangkok, Kingdom of Thailand – the ‘City of Angels’. On behalf of TBA, it gives me great pleasure to invite you and our honored guests to this prestigious event. The venue for the event and meetings will be at the Anantara Siam Bangkok Hotel, Bangkok.

We welcome this excellent opportunity to host this gathering of senior bankers and guests from the ASEAN region and Asia, respectively. Even before the founding of the ASEAN Bankers Association (ABA) in 1976, the TBA was already actively involved in the formative dialogues for a regional grouping of banks. This tradition of regional dialogues and discussions have served their purposes over the years and strengthened the understanding among bankers, regulators, industry experts and other key stakeholders in the region. Moving forward and guided by this year’s theme of “Enhancing and Strengthening the Roles of Regional ASEAN Banks in the context of Growing the ASEAN Economy Community (AEC)” we hope that this occasion will continue to enhance the network, exchange knowledge and challenge ideas in the current world of “disruption and digitisation”. Our hope, as this year’s host, is to facilitate the discussion away from the motherhood statements to more concrete and closer collaboration in the implementation in the areas of common platform and system integration, market policies and symmetries as well as regulatory harmonisation.

The Thai people is famed for their hospitality and we, in the TBA, will do our best to emulate and surpass such value. The activities have been curated to ensure that it will not be all work and no play. We have organised local industry and cultural tours for the delegates to experience the Thai culture, taste the native cuisine and view the historical sites of the city. We will also offer the fairways to those who will opt to play golf.

We look forward to welcoming you in Bangkok this November.

Predee DAOCHAI
Chairman
The Thai Bankers’ Association

WELCOME MESSAGE FROM CHAIRMAN OF ASEAN BANKERS ASSOCIATION

Mr Kartika Wirjoatmodjo
Chairman, ASEAN Bankers Association

Dear Friends and Colleagues,

On behalf of the ASEAN Bankers Association (ABA), I extend an earnest welcome to all our friends and colleagues to the coming 21st ASEAN Banking Conference and the 46th ASEAN Banking Council Meeting. This capstone event in our ASEAN Banking calendar will be hosted by The Thai Bankers’ Association (TBA) from the 27th to 30th November 2016, at the Anantara Siam Bangkok Hotel, Bangkok, Kingdom of Thailand. Well known as The Land of Smiles.

The Organising Committee at TBA has been working tirelessly to assemble subject matter experts to deliberate, provide insights and thought leadership on the highly relevant topics in the new normal economic situation, banking industry and regulatory environment and particularly in the ASEAN region. I congratulate The Thai Bankers’ Association (TBA) on selecting this year’s theme “Enhancing and Strengthening the Roles of Regional ASEAN Banks in the context of Growing the ASEAN Economy Community (AEC)”, which is timely. I would like to urge all members of ABA to participate in this prestigious event and to use the conference as an avenue to share your views and comments during the scheduled meetings. This will strengthen and help to shape our own strategic pathways for the banking and finance industry and complement the economic developments in this region. This event will also present great opportunities for you to network with your regional peers and business leaders as well as others thought leaders outside the region.

I would like to thank TBA for hosting and arranging a list of interesting programmes and exciting social activities for all participants to have memorable time in Thailand. I am also grateful to H.E. Dr Veerathai Santiphanhob, Governor, Bank of the Thailand, who has very kindly agreed to deliver the keynote address for this conference.

I look forward to seeing you all at the event and wish you a rewarding and memorable time in Bangkok, Kingdom of Thailand.

Kartika Wirjoatmodjo
Chairman, ASEAN Bankers Association &
Chairman, PERBANAS - Indonesian Banks Association
Greetings again to all from the Secretariat Office.

There has been no let-up in the pages of daily newspaper, reports and on the agendas of Boards on the topic of fintech and digitisation. Each and other day there are news on fintech innovation. This has become the new normal since the internet revolution, where finance and technology is being galvanised to curate solution and innovations to challenge the status quo. Some of the areas being challenged are in space of payments and trade finance. It has been said the innovation genie has popped out of the bottle and doing nothing no longer is a viable option. In the coming ASEAN Banking Conference, it is one of the hot topics amongst others that will be explored and discussed with thought leaders and subject matter experts on their impact our banking and finance eco-system.

The ASEAN Banking Conference and Council Meeting, which is our capstone event for this year, is fast approaching around the corner. The Thai Bankers’ Association (TBA), our host has been working very hard to make this a memorable and rewarding event. This will be held at the Ananatara Siam Bangkok Hotel, Bangkok in the Kingdom of Thailand from the 27 to 30 November 2016. This year’s theme “Enhancing and Strengthening the Roles of Regional ASEAN Banks in the context of Growing the ASEAN Economy Community (AEC)” is fitting following the rollout of the ASEAN Economic Community (AEC) at the end of last year – 2015.

On this compelling subject that is receiving much international attention and thought provoking topics, I strongly urge your attendance and look forward to meeting as well as welcoming of all of you in Bangkok this November 2016.

In the month of August, not only we celebrate the National Days of Indonesia, Malaysia and Singapore but also the 49th ASEAN Day on the 8 August 2016. It has come a long way from its inception where the five founding fathers signed the Bangkok Declaration in 1967 which brought ASEAN into existence. Collectively, it is now the 7th largest GDP in the world and projected to be the 4th largest by 2030, just after EU, US and China.

Let me also wishes all our fellow ASEAN citizens a HAPPY & BLESSED 49th ASEAN DAY.

Mr Paul C G Gwee

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<td>The 2nd ASEAN Regulatory Summit</td>
<td>1 September 2016</td>
<td>Marina Bay Sands (MBS) Convention Centre, Singapore</td>
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<td>7th Asian Payment Card Forum - “Converging Payments to a Digital Commerce Future”</td>
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<td>Singapore FinTech Festival</td>
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<tr>
<td>21st ASEAN Banking Conference &amp; 46th ASEAN Banking Council Meeting</td>
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The ASEAN Financial Integration Framework (ABIF) provides the platform for Qualified ASEAN Banks (QAB) to operate seamlessly across the ASEAN region through greater market access and operational flexibility. History was made with the fruition of the first bilateral agreement being signed by Otoritas Jas Keuangan (OJK - Indonesian Financial Services Authority) and Bank Negara Malaysia (BNM) on 1 August 2016. The signing of this agreement was witnessed by the Indonesian President Joko Widodo and the Malaysian Prime Minister Najib Abdul Razak. This is a significant milestone achievement towards greater banking and financial integration under the pillars of the ASEAN Economic Community (AEC).

Under agreement, it is understood that both Malaysian and Indonesian Qualified ASEAN Banks will "have a greater role in facilitating cross-border trade and investment between both countries. The increased banking and financial integration will further deepen the potential for mutual reinforcing growth and greater shared responsibility between both countries and within the region" as mentioned in the press release by Bank Negara Malaysia. In the same press release it also mentioned that "To promote adequate safeguards in a more integrated environment, Bank Negara Malaysia and Otoritas Jasa Keuangan have also signed a Memorandum of Understanding (MOU) in April 2016 to further enhance supervisory cooperation."

It is also noted that such bilateral agreements are being negotiated by OJK with their Thailand and Singapore counterparts. More of such bilateral agreements among ASEAN countries are expected to be signed in the coming years.

Over the past decade, the Asia–Pacific region has propelled global banking. Of the industry’s $1.1 trillion global profits in 2015, some 46 percent came from the region, up from just 28 percent in 2005. The bulk of this increase was the result of growth linked to dynamic economies throughout Asia–Pacific, especially China, which accounted for about half of the region’s banking-revenue pool in 2015.

Yet our annual report, Weathering the Storm: Asia–Pacific Banking Review 2016, finds that the momentum from this golden decade is already fading. Margins and returns on equity are shrinking—for instance, the Asia–Pacific banking industry’s ROE slipped to 14 percent in 2014, from 15 percent a year earlier. The region and its financial industry seem to be settling into a new era of slower growth and greater challenges in generating economic profit.

New reality for Asia’s banks

Of course, Asia–Pacific is diverse, and each national economy has its own advantages and challenges. For example, the level of connectivity ranges widely, with smartphone penetration in Singapore at 73 percent in 2015, compared with just 15 percent in India.1 In 2014, income per capita ranged from $47,745 (Australia) to $1,352 (India). While each of the region’s countries presents a unique situation, three threats now taking shape will affect banks in all of them:

- Slowing macroeconomic growth.
The economic slowdown rolling across the region will affect banks and their customers, especially in the corporate sector. In China, for example, the growth of real gross domestic product fell to 6.9 percent in 2015, dropping below 7 percent for the first time since 2000. We also expect the growth of banking profits to slow from 10 percent annually (2011–14) to 3 percent (2016–21).
**Disruptive attackers from outside the financial-services sector.** Traditional banking territory is being encroached upon by fintechs—start-up technology companies offering financial products such as payment systems and lending platforms—and by established companies from outside the industry, such as Alibaba.

**Weakening balance sheets.** An increasing volume of nonperforming loans is putting added stress on banks, as interest-coverage ratios decline at large companies throughout the region, especially those in China and India. Our analysis indicates that by 2020, banks in Asia need to raise $400 billion to $600 billion in additional capital to cover losses from nonperforming loans while maintaining capital-adequacy ratios.

These three threats may come together in a powerful storm that could cripple ROEs by 2018. Indeed, banks already see the impact of the changing environment. Our analysis of 328 banks in the region showed that while 39 percent posted an economic profit in the period from 2003 to 2006, only 28 percent did so from 2011 to 2014.

**How Asia’s banks can beat the odds**

Banks that simply try to wait out the storm will probably find themselves struggling for survival, but those that take action can uncover growth opportunities and measures that could help rekindle their momentum. Our analysis and experience suggest that banks must understand and address four imperatives to gain strength amid the turbulence:

- **Pursue focused growth.** Banks should explore three clear pockets of growth: the unbanked and underbanked; an expanding, affluent middle class; and small and midsize enterprises, which are increasingly important for corporate banking. The choice will depend largely on an institution’s capabilities and strategy. Some universal banks will pursue all three.

- **Drive a value-focused digital transformation.** With margins under pressure, banks must pursue digitization rapidly, especially to control costs—for example, by building new digital businesses and using digital technologies to transform existing systems and customer journeys.

- **Strengthen balance sheets.** Banks must also find ways to strengthen their balance sheets by addressing the growing volume of nonperforming assets. They can explore creating asset-management companies as a short-term solution while working to improve risk management in the longer term.

- **Enable the organization.** Banking organizations must adapt to the new environment. In particular, they should build partnership skills and form alliances with fintechs and other players to create and enable a digital ecosystem. These organizations must also become more flexible and nimble, to bring out new products and services much faster than they did in the past. Finally, banks must revise their approach to talent and culture by creating room for innovation.

Although the coming storm is a potent and clear threat to most banks in the Asia–Pacific region, it may also provide the kind of significant industry disruption that creates opportunities for those that recognize it. The most aggressive banks will not merely survive the turbulence but also be strengthened by it.

You can download the full report on which this article is based, *Weathering the Storm: Asia–Pacific Banking Review 2016* or [http://www.mckinsey.com/~/media/mckinsey/industries/financial%20services/our%20insights/weathering%20the%20storm%20asia%20pacific%20banking%20review%202016/apac-banking-review-june2016-vf.ashx](http://www.mckinsey.com/~/media/mckinsey/industries/financial%20services/our%20insights/weathering%20the%20storm%20asia%20pacific%20banking%20review%202016/apac-banking-review-june2016-vf.ashx).

This system required only Commercial Banks and MDIs to join as member. There are 13 pioneer members who are ready to “go live”. These include 7 Commercial Banks and 6 MDIs and these are ACLEDA Bank Plc., Advanced Bank of Asia Ltd. (ABA), Bank for Investment and Development of Cambodia Plc. (BIDC), Cambodian Public Bank (Campu Bank), Canadia Bank Plc., Sathapana Bank Plc., Phillip Bank Plc., AMK, Amret, Kredit, Hathakasekar, Prasac and VisionFund.

Once fully implemented, “Seva Tutort Rohas” will deliver better payment options for Cambodians. The experience of other countries that have implemented this service and systems suggest volumes will start small and then build up. Volumes should pick up and represent a substantial proportion of payments traffic in Cambodia after the remaining Commercial Banks and MDIs go live.

“Seva Tutort Rohas” should encourage more commercial transactions because the faster settlement helps makes it possible for goods to be shipped on the same day of purchase. In addition to increased commercial transactions, “Seva Tutort Rohas” will spur further innovation in the e-commerce space.

At the close of the launch, Mr Vann on behalf of ABC expressed gratitude to NBC and the pioneer members for their efforts and co-operation to be able to launch this “Seva Tutort Rohas” to be “live” today.

The Conference affirmed the important contributions of VNBA members to meeting the capital demands required to grow the Vietnamese economy, control inflation and stabilise the macro-economy as well as their progress in enhancing competitiveness to meet the requirements of sustainable development and international integration. Deputy Governor of SBV Mr Nguyen Phuoc Thanh expressed his deep appreciation for the contribution by VNBA over the last term period. In particular, their excellent performance in connecting members with governmental authorities as well as protecting their members’ legitimate rights & benefits.

Over the last term of 2011-2015, from the numerous and diversified activities such as organising meetings, workshops, seminars and conferences with the participation of multi stakeholders, VNBA was able to gather and synthesise their institutional members’ feedbacks and suggestions to improve banking policies and legal frameworks. Majority of the VNBA’s proposals and suggestions which improves the banking sector were taken up by governmental authorities and operationalised in the legal documents related to the banking area as well as other fields, and thence contributing to the strengthening and enhancing the legal system.

The Deputy Governor also stated that in the current context of Vietnam’s banking sector of opening and deepening in the
integration with international markets; not only brings major opportunities and benefits but also significant risk and challenges to financial institutions in Vietnam. This will certainly require VNBA to upskill their operations to further promote their role in supporting their members in specific and general challenges in the banking sector.

During the upcoming 6th term of 2016-2019, VNBA will focus on (i) further promoting the connection between members, (ii) improving their voice with authority agencies, (iii) promoting local and international cooperation, (iv) expanding the membership across the country, (v) strengthening internal operations system and developing human resources, and (vi) boosting more engagement of members in the association’s activities.

To achieve these objectives set out for Term VI period from 2016-2019, a new Council of the Association was elected. This comprises of 11 members and a Supervisory Committee which includes 3 members. The Council has elected Mr. Phan Duc Tu – CEO of JSC Bank for Investment and Development of Vietnam (BIDV) as Chairman of VNBA and Mr. Nguyen Toan Thang – Former Deputy Governor of State Bank of Vietnam as Secretary General of VNBA.

The ASEAN Bankers Association working in collaboration with the International Finance Cooperation (IFC), World Bank Group and the Permanent Committee on Cooperation in Finance, Investment and Trade (COFIT) under the Chairmanship of The Association of Banks in Singapore (ABS) organised a training workshop on Corporate Governance and Risk Management. The venue was kindly hosted by our Lao Bankers’ Association (LBA) with their warmth Laotian hospitality at the Landmark Hotel, Vientiane Capital, Lao PDR.

The workshop was designed to discuss leading practices of Corporate Governance and Risk Management for banks and how they can apply to Laotian financial sector. Such practices will help financial institutions in Laos improve strategic stewardship, strengthen risk governance and internal control. Besides the foundational importance of Corporate Governance, the workshop also covered the management of Risks in financial institutions. In particular the leading practices with interactive case study approach and mini case studies in two major financial risks – Credit and Operational Risk Management. These are crucial for the creation of the long term value-add and sustainability to attract investors to the Laotian financial sector.

The workshop was attended by over 60 board directors and senior executives of local banks and financial institutions. This is the beginning of the series of training workshops/seminars that are being planned for the members of LBA and banking community in Laos PDR.
Mr Ho Danny Hartono is the President Director of Bank Mandiri (Persero) Tbk. He graduated from University of Indonesia in 1996, majoring in Economics and Accounting and completed an MBA program at Erasmus University in Rotterdam in 2001.


In 2003, he joined Bank Mandiri as Department Head of Strategy & Financial Analysis at Strategy and Performance Group, and later progressed to lead the division as Group Head. In 2008, he was assigned to Mandiri Sekuritas as Managing Director. Subsequently, he served as CEO at Indonesia Infrastructure Finance (2011-2013) and Indonesia Deposit Insurance Corporation (2014-2015). At the annual general meeting of shareholders of Bank Mandiri in 2015, he was appointed Chief Financial Officer.

Mr Ho Danny Hartono has an MBA and BSc from Indiana University in Pennsylvania.

Mr Phan is the current CEO of Bank for Investment and Development of Vietnam (BIDV) which is one of the largest state-owned commercial banks in Vietnam.

Mr Phan holds a Bachelor of Economics from the Ho Chi Minh City Banking College and Bachelor of Politics from the Ho Chi Minh National Academy of Politics in Da Nang. He also holds a Master Degree in Banking from the Banking University of Ho Chi Minh City, and an MBA from a joint program between the Vietnam National University in Hanoi and Irvine University, United States.

Prior to joining BIDV, Mr. Phan started his career by serving his first 4 years in the Credit Syndication Department of State Bank of Vietnam in Ninh Binh Province. He then held various management positions in Quang Ngai Province branch of BIDV where he focused mainly on operations, credits, treasury, and business management over the next 15 years before being appointed as Head of Human Resources Department in 2005, Deputy Chief Executive Officer in 2008 and then Chief Executive Officer of BIDV in 2012.

Mr Phan holds a Bachelor of Economics from the Ho Chi Minh City Banking College and Bachelor of Politics from the Ho Chi Minh National Academy of Politics in Da Nang. He also holds a Master Degree in Banking from the Banking University of Ho Chi Minh City, and an MBA from a joint program between the Vietnam National University in Hanoi and Irvine University, United States.

After completing a PhD in Banking from Humboldt University of Berlin in Germany in 1992, he became Head of Division and then Deputy Director of Economics Research Department, State Bank of Vietnam for the next 5 years.

He then served the next 6 years of his career in Party Central Committee’s Economic Commission, a central committee consulting agency for economic policies and strategies, and 3 more years in the executive board of Lang Son Province before being appointed as Deputy Governor of State Bank of Vietnam from 2007 to 2016, where he was mainly responsible for human resources, IT, and payment system management.

Mr Phan was elected as Chairman of the Vietnam Banks’ Association (VNBA) at the 6th Vietnam Banks’ Association Conference on 24 June 2016.
ABOUT ASEAN BANKERS ASSOCIATION

The ASEAN BANKERS ASSOCIATION was founded in 1976. From the original five members, namely Indonesia, Malaysia, Philippines, Singapore and Thailand, it became six when Negara Brunei Darussalam joined as a member in 1984. In 1995, Vietnam was admitted into ASEAN as the seventh member and in May 1999, Cambodia was admitted as the eighth member. In July 2001, Myanmar was admitted as the ninth member. In 2004, Lao Bankers’ Association was admitted as the tenth member thus making the constituent membership of the Association complete.

TODAY THE MEMBERS ARE:

- The Brunei Association of Banks
- The Association of Banks in Cambodia
- Indonesian Banks Association (PERBANAS)
- Lao Bankers’ Association
- The Association of Banks in Malaysia
- Myanmar Banks Association
- Bankers Association of the Philippines
- The Association of Banks in Singapore
- The Thai Bankers’ Association
- Vietnam Banks Association

OBJECTIVES OF THE ASSOCIATION ARE:

a) to raise the profile of ABA and the ASEAN banking community;
b) to strengthen the ‘voice’ of ASEAN in policy advocacy efforts globally or regionally;
c) to contribute to the ASEAN Economic Community (AEC), provide private sector support in alignment with AEC’s goal;
d) to share banking ‘know-how’, provide education to promote best-in-class banking practices amongst members countries; and
e) to promote active collaboration of ASEAN banking institutions, foster friendship and cooperation amongst bankers.

PRINCIPAL ORGANS OF THE ASSOCIATION

ASEAN BANKING COUNCIL (ABC). The Council, being the executive arm of the Association, meets annually to formulate policies and coordinate activities of the Association which are carried out and implemented through the various Committees.

THE THREE PERMANENT COMMITTEES

which discuss ideas and make recommendations to the Council are:

a) Permanent Committee on Cooperation in Finance, Investment and Trade (COFIT) chaired by The Association of Banks in Singapore.
b) Permanent Committee on Banking Education chaired by the Bankers Association of the Philippines.
c) Permanent Committee on ASEAN Inter-Regional Relations (IRR) chaired by The Association of Banks in Malaysia.

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