

Steering Steadily in the Post-Pandemic World

Chartsiri Sophonpanich, President of Bangkok Bank, speaks with Tan Chin Tiong about the future of banking in Thailand and the region as the world slowly emerges from the COVID-19 pandemic.

How has the COVID-19 crisis changed your views on long-term investment in Thailand and the rest of the ASEAN (Association of Southeast Asian Nations) region?

The situation has only served to reaffirm my confidence in the bright, long-term prospects for Thailand and the ASEAN region. Even before the pandemic, the US-China trade dispute spurred an increase in investment by Chinese companies across ASEAN member states as they began relocating to this region to circumvent US sanctions. As a result, Thailand, Vietnam, and several

other countries across this region benefited. Moreover, since the onset of the pandemic, more international companies have refocused their supply chains toward ASEAN member states to reduce and diversify their operational risks.

As a regional production base and market, the ASEAN region has a lot to offer. It is on track to become the world's fourth largest economy by 2030. At the same time, with about 700 million people in 10 nations, ASEAN is a significant market. Not only that, it also has a significant labour force with 61 percent of the population under 35 years old.

The ASEAN economy is expected to lead the world in terms of export growth from now until 2026, with average export volume growth of 5.6 percent for each of the five years. One of the factors that will support growth is increasing connectivity across the region. Under the Belt and Road Initiative (BRI), China will be connected to mainland Southeast Asia through the China-Indochina Peninsula Economic Corridor. Thailand aims to become the logistics hub for this part of the BRI and has many infrastructural development projects underway, including ports, rail and road, and energy development. Several of these investments are based in, or linked to, the Eastern Economic Corridor, Thailand's flagship project that aims to develop the country's eastern industrial seaboard into a hub of high-value industries, innovation and logistics, as well as a regional gateway for trade and investment.

Last year, ASEAN recorded a robust rebound in Foreign Direct Investment (FDI) inflows, which surged by 42 percent to US\$174 billion. This increase to near pre-pandemic levels was a reversal of the decline in 2020 caused by the COVID-19 outbreak and reflects the region's attractiveness to global investors.

How are Bangkok Bank and the Thai banking sector in general coping with the current uncertain and volatile political and economic climate?

Overall, we are coping well. We are growing our assets cautiously, both in terms of size and quality, while retaining strong capital adequacy and liquidity. We are prudently focusing on quality growth, closely monitoring the financial position and business of our customers, and setting aside sufficient levels of reserves to manage loan quality through challenging economic times. At the same time, we are closely monitoring global economic volatility, the prolonged geopolitical conflict between Russia and Ukraine, energy and commodities markets, as well as the local political and economic situation.

Given the uncertain times, Thai commercial banks are emphasising liquidity management and appropriately managing costs. They maintain high levels of capital reserves

and, according to stress tests by the Bank of Thailand, the sector remains resilient and able to resist future risks and uncertainties. This will allow the commercial banking system to support credit demand and manage economic volatility going forward.

One prominent change that has persisted since the pandemic is the rapid pace and degree of digitalisation in the business world. How has Bangkok Bank leveraged and deepened digitalisation since then?

We have been accelerating our digital transformation. We broke new ground in areas such as enterprise blockchain for trade finance, a new digital platform to digitise the procurement to payment process from end to end, and cross-border cash management services. We also introduced a Procure-to-Pay service using blockchain technology, which provides financing to the suppliers of one of the largest car financial services companies in Thailand. This not only simplifies but also speeds up the documentation process, ensuring that car dealers have liquidity when they need it.

For individual customers, we have been focusing on the Bangkok Bank Mobile Banking app as part of our mobile-first strategy. Now, 80 to 85 percent of transactions can be carried out online, including those for e-Savings accounts, foreign currency deposit (FCD) accounts, mutual funds, government bond accounts, and trading accounts, using an e-Know-Your-Customer (KYC) process and facial recognition technology. This year alone, we added 50 new features to our app, which now has a total of 120 features. The highlights include a virtual debit card that allows customers to own a physical and/or digital card if they choose to do so, and features that provide insurance and online account opening for deposits, including FCD accounts. We now offer a full suite of wealth products, from mutual funds and government bonds to debentures, including perpetual debentures, via our app.

With most people opting for digital-first in their banking activities, we have also become the first Thai bank to introduce an embedded insurance proposition within an app which uses data analytics to identify target customers. We are also the first bank in the country to offer products from our insurance partners (AIA, BKI [Bangkok Insurance], and BLA [Bangkok Life Assurance]) via the app, enabling people to buy insurance products with ease.

Thailand is one of the leading countries in Southeast Asia when it comes to digital payments, and we have been supporting both business and individual customers by providing

them with secure online payment systems that are convenient and facilitate e-commerce. These include offering our customers many options, such as the BeWallet app that allows customers to link their deposit account to their debit or credit card, after which they can scan a QR code to pay for goods and services while travelling abroad.

We have also been working with Thailand's central bank, in collaboration with other central banks, to pioneer real-time, low-cost cross-border payments using new technology platforms. An example is Thailand's PromptPay system that links Thailand's mobile banking services with those of partner banks in Singapore. Another innovation is a facility to make real-time cross-border QR code payments. This is now available in five countries—Vietnam, Indonesia, Singapore, Laos, and Cambodia. It can be used by our mobile banking customers, and customers from those five countries can do the same in Thailand.

We are also harnessing technologies to make our work processes more efficient and upgrade our core banking system, platforms and networks. And we are applying Artificial Intelligence (AI) and big data analytics to deliver the right products to a wider range of customers, and ensure customers purchase products that truly meet their needs.

Bangkok Bank started InnoHub, an initiative that not only tries to develop Thailand's fintech start-ups, but also introduces a 'start-up mentality' within the bank. What has the bank learned from this experience thus far?

InnoHub offers hands-on experience for our people to learn from growth-stage tech start-ups through real project execution. By working together with them, we can learn more about their approach to digital product development, agile ways of working, and experimental mindset.

I believe that with limited resources and little branding, successful start-ups are often born out of a single innovative solution or service that solves specific needs. Incumbent banks, on the other hand, usually aim to address mass market requirements with a one-size-fits-all product. So through collaboration, the bank can enjoy the best of both worlds by using start-up solutions to gain a competitive advantage and tap its existing network for a quicker time-to-market.

Moreover, we can gain customer insights from the way start-ups target segment their markets, for example, by using needs-based psychographics or AI to analyse a customer's behaviour and then use the insights to develop an end-to-end customer journey for each segment.

Through collaboration with tech start-ups, we can also encourage a paradigm shift among our employees, upskilling them through real project experience and training, while continually driving the new agile way of working and design thinking approach all in one go.

Where do you see the Thai fintech industry going in the next five years? In particular, what are your views on the promise and peril of harnessing blockchain technology for banks?

Blockchain and Distributed Ledger Technology (DLT) has been developing swiftly in recent years. Although the hype about cryptocurrency has declined during the crypto winter, the blockchain industry's development continues. In fact, blockchain has been adopted by financial institutions for use cases such as trade finance and international money transfer due to its ability to develop digital trust. The Bank of Thailand also encourages banks to adopt blockchain to improve their products, services, and business processes by leading infrastructure projects such as Inthanon, Inthanon-Lionrock, mBridge, and digital supply chain projects.

Cryptocurrencies and non-fungible tokens (NFTs), on the other hand, are considered digital assets, which have inherent risks. As a result, the Bank of Thailand does not allow banks to directly conduct business related to these assets or invest in them.

Bangkok Bank has been experimenting with blockchain from the start to understand its potential and limitations. In our opinion, enterprise-grade, stable-value, and consortium-based blockchain solutions are more likely to be adopted by banks. With blockchain-based solutions, banks can enhance key factors such as traceability, efficiency, and speed of transactions which are becoming more and more important to our customers.

However, blockchain is not a silver bullet. Some use cases can benefit from blockchain while others are better supported using other technologies. Introducing blockchain without careful consideration may instead bring about unnecessary costs and complexity to the business. Potential use cases of blockchain and DLT include trade finance, supply chain, cross-border transfers, and digital identity. For trade finance, blockchain projects such as Contour and Marco Polo allow the bank to collaborate better with all stakeholders such as trade counterparts, logistics services, and customs by improving traceability, time, and costs.

In the past decade, technology has advanced at an unprecedented speed. However, it also comes with risks from cybersecurity, and governance and regulatory issues. Banks as service providers need to be continuously proactive

about countermeasure solutions, technology governance, and emerging regulations in order to meet customers' expectations and support the Thai and ASEAN economies for years to come.

What are some specific domains that you are keeping a close watch on? How are you preparing Bangkok Bank to capitalise on emerging opportunities?

One of our major strengths is in the energy industry. It is a complex business where we have been for many years, so our people have a good understanding of the sector. We arrange and fund many major energy projects, not only in ASEAN but beyond—our clients have investments in China, Japan, Australia, and the US. We help them to invest in greenfield developments and acquisitions, and also to develop whole new industries and supply chains. Now with the keen and growing interest in green and sustainable development, we are funding major investments in renewable energy, smart grids, mass transit, and evolving industries such as electric vehicles.

Bangkok Bank plays a significant role in supporting fund-raising efforts to achieve the sustainability goals of leading private companies in Thailand, both as a lender and as an underwriter for environmental, sustainability and governance (ESG) debentures. We are the leader in the underwriting of green and sustainable bonds with around a 70-percent share of the market in Thailand.

We're also financing many renewable energy projects internationally. We have been supporting development projects in Vietnam, Indonesia, Laos, China, and elsewhere. The proportion of renewable energy loans compared to our total energy loans is currently 27 percent, and we expect this to grow.

Despite the many challenges, Bangkok Bank has successfully expanded to become the sixth largest bank in ASEAN and the largest bank in Thailand by assets. What would you say are the key factors for this success?

We have been Thailand's pioneering international bank since 1954 when we became the first Southeast Asian bank to open a foreign branch. We opened our first foreign branch in Hong Kong just 10 years after our founding in 1944. Since then, we have continued to expand and strengthen our international banking business to support our customers as they grow their businesses. Today, we have the largest network of any Thai bank with a strategic focus on the ASEAN region, operating 28 branches in 13 economies including Cambodia, China, Hong Kong, Japan, Laos, Malaysia, Myanmar, the Philippines, Singapore, Taiwan, the UK, the US, and Vietnam. In addition,

we have around 270 branches through PermataBank, our subsidiary in Indonesia. We also have wholly-owned subsidiaries in China and Malaysia.

Our branch network is the key to our success. It provides us with a strong competitive edge. Our overseas branches work very closely with one another, as well as with our head office in Thailand. This gives us the ability to serve our clients across the network; we support them in their local operations and when they expand across the region. By leveraging these strengths, we are able to retain our clients for the long term. Our customers really appreciate the full support we can give them, such as being able to apply for local loans and use cash management services in the countries where they operate. We understand our clients' business and grow alongside them.

We are really committed to our purpose to be a trusted partner and reliable close friend, *'puan koo kit mit koo baan'* in Thai, which means we stay close to our clients to understand them better, build trust, and help them with their business and finances in good times and in bad.

What has influenced you the most in your leadership style?

I come from a banking family—my grandfather founded the bank, and my father was president and chairman of the bank, so I have lived and breathed the business from a very early age. Within the bank and also in our industry, I have had many mentors who have impressed on me the importance of integrity and building trust, and being customer-focused.

I have also had the benefit of my education—I studied chemical engineering at Worcester Polytechnic Institute and the Massachusetts Institute of Technology (MIT), as well as management at MIT. This has helped me develop a systematic approach to management. I should also add that I have learned a great deal from our customers. I am keenly aware of what is happening in the economy and have a realistic perspective of where things are. [ANI](#)

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