

Circulation

Resolution of Risk Management Committee on April 2, 2012


Agenda: Approval for SME S&M Flood Program

Resolution : ☒ Approved as proposed.

☐ Under conditions:


President and CEO (Mr. Mark John Arnold)

Chairman 30


Chief Risk Officer (Mr. K.S. Chandrashekar)

Deputy Chairman 30


Chief Financial Officer (Mrs. Janice R. Van Ekeren)

Member 30


Head of Corporate Banking (Mr. Charly Madan)


Member 31

Head of SME Banking (Mr. Poomchai Wacharapong)

Member 31


Head of Consumer Finance (Mr. Philip Tan Chen Chong)

Member 30


Executive Vice President (Mr. Saengchart Wanichwatphibun)

Member 30

Sincerely yours,


(Nitus Lertpittayanukun)

Secretary to the Risk Management Committee



Ref: CP 17 / 2012

March 30, 2012

From: Credit Products Department

Via: Khun Sayam Prasitsirigul (Head of Corporate & SME Products)

To: Risk Management Committee

Re: Approval for SME S & M Flood Program

Background

- Currently, government has launched many flood relieve programs, the major schemes are SBCG flood program and BOT soft loan program to support flood impacted SMEs.
- Key benefit of BOT soft loan is to offer very low cost of fund of 0.01% p.a. for 5 years. For SBCG Flood program will waive guarantee fee of 1.75% for the first 3 years.
- The preliminary requirement for both programs is for customer who has business located in flood area according to government announcement.
- Total limit of SBCG flood and BOT soft loan portfolio is 100,000 MB and 300,000 MB which will be expired on Oct. 31, 2012 and Dec. 31, 2013 respectively.

Objectives

- To help customers and to provide additional funding facilities to flood impacted customers with low interest rate at 3% p.a.
- To protect existing customers from refinancing to other banks with the same scheme of 3% p.a. low interest rate.
- To increase credit volume and customer base to the bank.

Purpose of the request

- To approve new product program feature for flood impact customers in SME-S and SME-M segment by offering competitive credit package for qualified both existing and new customers.
- To approve new DOA for approval and review credit facilities
- To approve new CA Form for this program.

Program Highlight

1. Provide standard product program guideline for SME-S&M.
2. Offer sufficient credit limit with reasonable price to flood impacted customers.
3. New CA Form: Provide new form with income factors and automatic calculation spread sheet.

Product Program Proposed

This program is offering Term Loan and Working Capital (O/D, P/N, T/F) to existing and new customers for the new credit limit on this program up to 30 MB with standard pricing and multi-tier of LTV with offering collateral type of cash, asset and SBCG. Target customers are SME-S and SME-M who have business located in flood area (accordance with government announcement) and credit limit request within 30 MB for this program. The scheme is offering on BOT Soft loan and SBCG Flood program (70% of total limit). As a result of 0.01% funding cost from BOT (70% of soft loan), it allows us to offer low interest rate to SME-S and SME-M customers as 3.0% p.a. for first 5 years with product feature as below.

Purpose	Commercial lending for flood affected areas	
	Existing Client	New / Refinance Client
Program overview	Offer T/L and W/C (O/D, P/N, T/F) for flood impacted customer in SME S&M segment with limit request up to 30 MB	
Products	<ul style="list-style-type: none">- Term Loan \leq 70% of total limit- WC \geq 30% of total limit	
Total Limit per client	<ul style="list-style-type: none">- Minimum credit request 2.0 MB- Maximum credit request 30.0 MB. Base on new credit request for this program	
Tenor	Maximum 7 years (BOT criteria for Soft loan /Term Loan \leq 5 years)	
Type of borrower	Individual & Juristic	
TL condition	<ul style="list-style-type: none">- Disbursement according to BOT criteria- Single disbursement only	
Target customer	<ul style="list-style-type: none">- SME-S and SME-M customer in Flood effected area under BOT criteria- Years in business \geq 3 years- Relationship with BAY \geq 1 year	<ul style="list-style-type: none">- SME-S and SME-M customer in Flood effected area under BOT criteria- Years in business \geq 3 years

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Customer criteria	1. Normal payment performance 1.1 At BAY more than 1 year and 1.2 Good record and no past due within 1 year [≤ 10 dpd] 2. Good payment performance 2.1 At BAY more than 2 years and 2.2 Good record and pay punctual [≤ 10 dpd] or more than condition		1. Years in business : 3-8 years 2. Years in business : > 8 years																																																																																																	
Age of borrower	- 20-65 years - Age of borrower at loan maturity shall not over 65 years, unless co-borrowed by successor.																																																																																																			
Financial criteria	<table><tr><td>D/E</td><td>≤ 3.0 x</td></tr><tr><td>Current ratio</td><td>≥ 1.0 x</td></tr><tr><td>Bank Debt to EBITDA</td><td>≤ 8.0 x</td></tr><tr><td>L/T Debt to EBITDA</td><td>≤ 5.0x</td></tr></table> - Financial ratio based on pro-forma financial statement. - This Financial criteria can be flexible depends on risk team judgment.				D/E	≤ 3.0 x	Current ratio	≥ 1.0 x	Bank Debt to EBITDA	≤ 8.0 x	L/T Debt to EBITDA	≤ 5.0x																																																																																								
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Type of collateral	- V1 : Core Assets: Office, Factory, Residence of directors or family members in good condition. - V2 : Non-core Assets located in CBD of province. - V3 : Non-core Asset located surrounding area of province.																																																																																																			

Purpose	Commercial lending for flood affected areas	
	Existing Client	New / Refinance Client
	<ul style="list-style-type: none"> - Saving A/C Deposit - SBCG 	
Collateral condition	<ol style="list-style-type: none"> 1. LTV will be calculated from appraisal value. 2. New customer : LTV requirement will be based on this credit request for this program 3. Existing customer : <ol style="list-style-type: none"> 3.1 LTV requirement will be based on <u>this credit request</u> if collateral is not related to any existing credit. (offer new collateral) 3.2 LTV requirement will be based on <u>customer level</u> if offered collateral is related to existing credit. 4. LTV1, LTV2, LTV3 are <u>excluded</u> portion as follows: <ol style="list-style-type: none"> 4.1 SBCG portion and cash portion as collateral on SBCG 4.2 Cash 4.3 collateral on SME-R Tun-Jai (3X) both flood and non flood program 5. FX will be clean collateral 6. Cash (not in extra cash top-up on SBCG portion) : LTV 100% 7. SBCG will guarantee only portion of TL with maximum 10 MB and do not guarantee W/C portion. 8. Collateral will be crossed among all facilities, except SBCG guarantee portion. 9. Special product program of SME-3X will not include in LTV calculation. 	
Covenant	Cross default with other bank	
Industry	<ul style="list-style-type: none"> - This program allows for business in Trading, Wholesales and Manufacturing. - Some industries as following can be considered as normal practice but cannot be applicable for this program criteria. : Service, Construction, Real Estate, Apartment, Hotel and Agriculture. - This program is not applicable for project based business. - Prohibited industry : Illegal business, night club, casino, ALM business. - There are some business types that also are not allowed for this program. (please see detail in appendix) 	
Approval process	<ul style="list-style-type: none"> - To be eligible with new CA Form and new DOA, customer needs to request for this program ≤ 30 MB with total exposure per customer ≤ 50 MB, otherwise normal approval process will be applied. 	
NCB/Historical record	<ul style="list-style-type: none"> - Good repayment record - NCB Checking - Existing clients under 'Debt Relief Program' (flood) are eligible for this program <u>on case-by-case basis</u> - In case of TDR, must have normal payment in the last 2 years 	<ul style="list-style-type: none"> - Good repayment record - NCB checking - In case of TDR, must have normal payment in the last 2 years
Black list	Not on black list (Borrower , The owner of deposit and collateral)	
Cancellation fee	No fee waive throughout TL contractual term	
CA Form	"Flood Program" Form (new CA form)	

Purpose	Commercial lending for flood affected areas	
	Existing Client	New / Refinance Client
Mandatory documents	<ul style="list-style-type: none"> - Bank statement (last 12 months) with only sales transaction - VAT (Por Por 30) and detail customers - Audited F/S (latest) - Photo of business , stock ,shop ,office etc (not more than 1 month) - NCB Check - Samples of invoice or P/O: 3 samples from selling side and 3 samples from buying side to verify total revenue - Credit rating - Evidence show flood effect as BOT and SBCG requirement: Picture of flood in business location with type of damage, SBCG document (4 forms), if impacted business is not register address, BOT verification form will be required. 	<ul style="list-style-type: none"> - Bank statement (last 12 months) with only sales transaction - VAT (Por Por 30) and detail customers - Audited F/S (latest 3 years) - Photo of business , stock ,shop ,office etc (not more than 1 month) - NCB Check - Samples of invoice or P/O: 3 samples from selling side and 3 samples from buying side to verify total revenue - Credit rating - Evidence show flood effect as BOT and SBCG requirement: Picture of flood in business location with type of damage, SBCG document (4 forms), if impacted business is not register address, BOT verification form will be required - KYC
Additional documents	<ul style="list-style-type: none"> - Document to show wealth if needed 	<ul style="list-style-type: none"> - Document to show wealth if needed - Loan and mortgaged agreement from existing bank (only for refinance case)
Renew SBCG	Can request to risk team to consider waive SBCG from 4 th year onward for client with punctual repayment record over the past 3 years.	
Renew credit limit and credit rating	Auto review	

Remarks:

1. Pricing scheme will be set up according to the approval from pricing sub-committee. For the interim process, committee can approve this pricing scheme on case-by-case basis.
2. W/C portion can be a combination of O/D, P/N and T/F $\geq 30\%$ of total limit.
3. If W/C need amount < Program criteria (W/C $\geq 30\%$ of total limit), P/N facility will be offered as the incremental amount to meet program criteria.
4. SBCG can guarantee on T/L facilities, cannot guarantee on W/C portion.
5. To apply SBCG, % extra top-up cash requirement on SBCG will be required which depends on DSCR and type of customer.

6. Amount to request from BOT, if below 10,000 Baht must be rounded up to 10,000 Baht.
7. Collaterals are to be crossed among all facilities, except facility which is guaranteed by SBCG.
8. This program is allowed for credit rating S 1-6. In case of grading \geq S7, risk team can adjust grading.
9. Any other policies, term and condition which not mentioned in this program will be accordance with bank policies.
10. Any changes in any terms and conditions from this program features will be proposed to revise and approval in Credit Committee.

Delegation of Authority (DOA)

New DOA for this program is shown as below;

	Authority Person (SME Risk department)	Max Total limit (MB)
1	2 Members of Credit Committee	50
2	Mr. Nuttawit Boonyawat	30
3	Mr. Yuke Sutarat	30
4	2 Department Managers Co sign	25
5	Department Manager (VP, SVP)	20
6	Vice President and Section Manager	15
7	FAVP or officer 8	10

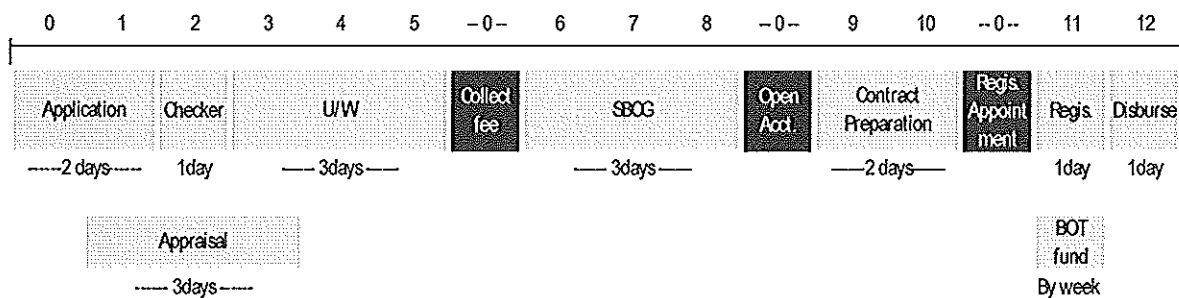
Remarks:

1. Total limit for DOA will be based on total group credit exposure (Existing limit + New limit request).
2. Customer in allowed business type and product program criteria with credit request \leq 30 MB can be eligible the new DOA.
3. The proposed credit facilities for flood affected customer under this program which are out of product program scope can be submitted to normal approval process.
4. Out of scope
 - 4.1 Some industries which show "Judgment" for income factor can be used new CA Form with Normal approval process with previous DOA.
 - 4.2 Any clients with credit request $>$ 30 MB will be applied with normal approval process. However, program feature will be applicable for portion of \leq 30 MB.

5. DOA is an authority to grant/ increase, reduce and cancel the facility for both new and existing customer of the Bank. Furthermore DOA is including extend, review the facility and change in conditions, collateral or guarantors, hold, reset hold the facility.

Process Flow

This program will be on existing credit process, which can be illustrated from general practice as below:



Deviation Authority

Head of Corporate & SME Products has the authority to deviate as appropriate.

Effective Date

- For facilities based on BOT Soft Loan and SBCG Flood program, effective date from 2 Apr 2012 until the end of SBCG Flood program per SBCG announcement (Currently expiry date is 31 Oct 2012).
- For facilities based on BOT Soft Loan only, effective date from 2 Apr 2012 until the end of BOT soft loan program per BOT announcement (Currently expiry date is 31 Dec 2013).
- If BOT or SBCG program have extended the expiration date, the effective date for this program will be aligned with new expiration date.

Your approval is highly appreciated


(Pornthep Permornpipat)

Senior Vice President

Credit Products Department

Corporate & SME Products Group

Contact person : Laksana # 2823

Attachment 1 : Industry & Income factor

Industry :

Green Light : Focus Industry	<ul style="list-style-type: none"> • Trading • Wholesales • Manufacturing 	
Yellow Light : Can be considered with normal approval process (But cannot be applicable with product program)	<ul style="list-style-type: none"> • Service • Construction • Real Estate • Apartment • Hotel • Agriculture 	
Red light : Not Allowed for this program	<ul style="list-style-type: none"> • Used Car • Pawn Shop • Rice Mill • Wooden Furniture Manufacture (Natural) • Saw Mill • Fire Work • Agriculture Product Trading (Non – Diversified Seasonal effected) • Street Vendor • Gas Station (no brand, except Shell, PTT, Esso, Caltex, Bangchak) • Textile and leatherware (Export > 50%) • The computer and electronics component manufacture (P/C assembly- Pantip Model) • Jewelry (Not costume jewelry) • Antique 	<ul style="list-style-type: none"> • จำหน่ายรถมือสอง/เดินที่รถมือสอง • โรงรับจำนำ • โรงสีข้าว • ผลิตเฟอร์นิเจอร์ไม้ (Natural) • โรงเลื่อย • ผลิตและจำหน่ายดอกไม้ไฟ • ขายสินค้าเกษตร (Non –Diversified Seasonal effected) • หาบเร่/แผงลอย/ร้านอาหารที่ตั้งไม่ถาวร • ธุรกิจปั๊มน้ำมันอิสระที่ไม่ใช่แบรนด์ชั้นนำ (ยกเว้น เชลล์ ปตท. คาลเท็กซ์ บางจาก) • การผลิตเสื้อผ้า สิ่งทอและเครื่องหนัง • การผลิตคอมพิวเตอร์และชิ้นส่วนอิเล็กทรอนิกส์ (ประกอบชิ้นส่วนคอมพิวเตอร์- Pantip Model) • การผลิตและจำหน่าย อัญมณี จิวเวลรี่ (Not costume jewelry) • ค้าวัตถุโบราณ
Prohibit Industries	Illegal business, night club, casino, ALM business	

Income Factor :

Business Category	Business Type	BAY Product Program	Notes
Manufacturing	Automobile	12	
	Furnishing	12	
	Chemicals & Plastics	10	
	Electrical products	12	
	Computers & Parts	10	
	Energy / Petrochemical	10	
	Food & Beverage	15	
	Household / Consumer product	15	
	Plastic Consumer Product	12	
	Printing & publication	15	
	Rubber	10	
	Garment / Textile / Clothes	10	
	Mining	8	
	Other Manufacturing	10	
Trading (retail)	Oil station / Gas station	3 / 10	
	Liquor / Beer	10	
	Plastic pallet	10	
	Computers	6	Cannot request 3 times of collateral for first 10 MB
	Mobile phone (Other Brand)	10	
	Mobile phone (Brand)	5	
	Mobile Phone Accessory	25	
	Automobile (New car)	6	
	Autos parts	10	
	Construction supplies	10	
	Department store	10	
	Minimart / Retail	15	
	Minimart (Franchise)	12	
	Electrical products	12	
	Food & Beverage	12	

Business Category	Business Type	BAY Product Program	Notes
Trading (retail)	Restaurant / Food & Beverage shop	25	
	Garment / Textile / Clothes	12	
	Household / Consumer product	15	
	Jewelry (Costumed)	15	
	Goldsmith (ช่างทำทอง)	Judgement	Not be applicable for this program
	ร้านขายทอง	Judgement	
	Petrochemicals	10	
	Furnishing	15	
	Cosmetics	20	
	Import	10	
	Export	10	
	Pharmacy / medical equipment / health	20	
	Chemicals	15	
	Agricultural (สินค้าหลากหลาย Seasonal effects น้อย)	8	
	Other Trading	10	
Wholesale	Mobile phone	2	
	Cigarette	2	
	Liquor / Beer	8	
	Construction supplies	8	
	Steel	8	
	Rice / Sugar cane / Sugar (Brand Packer)	6	
	Rubber	6	
	Automobile	6	
	Food & Beverage	6	
	Energy / Petrochemical	6	
	Other wholesale	6	
Entertainment	Entertainment / Mass media / Advertising	Judgement	Not be applicable for this program
Construction	Construction	Judgement	

Business Category	Business Type	BAY Product Program	Notes
Agricultural	Rubber Plantation	Judgement	Not be applicable for this program
	Crop Production / Sugar cane / Potato / Rice / Palm	Judgement	
	Animal Production such as cattle, horse, sheep, crocodile	Judgement	
	Other animal production	Judgement	
	Fruit farming	Judgement	
	Fishery / Aquaculture	Judgement	
	Other agricultural	Judgement	
Other	Other business not mentioned above	Judgement	

*Judgment – Need to be submitted to normal approval process