



Ref: CP 85/2012
From: Credit Product Department
Via: Khun Yuke Sutarat, Executive Vice President, SME Credit Risk Division *Yuke Sutarat*
To: Credit Committee
Subject: Lending Program for SME-S Segment (SME Ju-Jai)

1. Reference:

- Resolution of RMC Meeting No. 7/2012 on July 16, 2012.

2. Purpose of the request: *การขอ*

- Clarification and approval on
 - 1) Financing guideline for TL to support business expansion
 - 2) Financing guideline for the refinance case
- Approval for the direction of textile industry
- Approval for the direction for the EU and US markets
- Approval for authority to revise income factor and standard WC credit term

3. Background

- According to Resolution of RMC Meeting No. 7/2012 on 16 July 2012, financing for TL to support customers to expand business and for refinance case are not specific. To simplify underwriting process and to have same understanding, further explanation is required.
- Textile industry is viewed as downturn industry. Caution should be taken on exporter of textile industry and to be approved on case by case basis.
- Due to economic slowdown in EU and US market, caution should be taken on exporters whose main markets are concentrated in EU and US and to be approved on case by case basis.

4. Clarification and approval on 1) Financing guideline for TL to support business expansion and 2)

Financing guideline for the refinance case

4.1 Financing guideline for TL to support business expansion

4.1.1 Definition and example

- TL to support customers to expand business is defined as TL for other business purposes investing in operating long term assets.

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1. Lending Program for SME's Segment (SME In-In)

มติที่ประชุมคณะกรรมการพิจารณาสินเชื่อ

ครั้งที่ 67 / 2555

04 สิงหาคม 2555

Date of Meeting..... 3 SEP 2012

Committees	Signature	
	Approved	Rejected
1.CRO	<i>[Signature]</i>	
2.HCOB	<i>[Signature]</i>	
3.HSME		
4.Mr.Nuttavit	<i>[Signature]</i>	
5.Miss Maleewan	<i>[Signature]</i>	

Comments: 1. ตามที่ประชุมคณะกรรมการพิจารณาสินเชื่อของ RMC
ข้อ 10.1

เรียน ยพ. (กฯ ฟังผลฯ)
เพื่อโปรดทราบและดำเนินการต่อไป

[Signature]

นายคมกฤช จันทาโช
เลขาธิการ
คณะกรรมการพิจารณาสินเชื่อ

- Example of TL objectives for other business purposes is described as follows.
 - To buy machine and equipment
 - To overhaul / fix machine and equipment
 - To invest in / renovate core asset no matter what the core asset is owned (pledged with BAY, pledged with other bank, or clean) or rented.
 - Etc.

4.1.2 Criteria and condition

(a) Accepted collateral type

- Accepted collaterals are core asset and non-core asset portions.
- Cash collateral portion is not allowed.

(b) Holding period of collateral

- For customer proposing non-core assets collateral requesting TL for business expansion, the holding period of the non-core assets must be more than 1 year.

Request for TL for business expansion purpose	Holding period of collateral	
	Core Asset	Non-Core Asset
Requested	None	>1 year
Not requested		None

(c) Max limit

- TL for business expansion is financed within LTV.

(d) Post and Pre investment Financing

- TL for business expansion can be for both post ⁽¹⁾ and pre ⁽²⁾ investment financing.

Note:

- (1) Post-investment financing means that funds are raised after the investment in operating assets is made by borrowers. On other words, borrowers pay for the investment first and then raise fund from bank by claiming back their advance payment.
 - (2) Pre-investment financing means that funds are raised before the investment in operating assets is made by borrowers. On other words, borrowers raise funds from bank first and then use that fund to pay for the investment.
- Condition for post-investment financing
 - Advance payment period of less than 3 months is allowed for post-investment financing.
 - Proof of document is required. For example, invoice and photo of invested assets, and etc. Additional documents may be required subject to CM judgment.
 - Condition for pre-investment financing
 - Proof of document is required. For example, purchase order, contract, and etc. Additional documents may be required subject to CM judgment.



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- Covenant after loan disbursement is required for pre-investment financing. This is to ensure that the loan is correctly used as proposed.
- Covenant as follows.
 - o After loan disbursement for certain period, borrower must report bank for the progression or completion of the asset invested.

Note:

Progression or completion of the asset invested is proved by document and/or photo (RM to follow up with in timeline).

- o If there is a breach of covenant:
 - The interest rate of SME Ju-Jai (whole package) shall be increased by 2% and/or
 - Bank has a right to call default for SME Ju-Jai loans (whole package).

4.2 Financing guideline for the refinance case

4.2.1 Credit structure

- Credit for refinance can be structured in between structure 1 and structure 2.

Structure 1: TL portion for refinance

- TL (7 years) for refinance* existing credit exposure from other bank
- Additional working capital (TL for WC) according to borrower's WC financing need

Structure 2: Same credit structure for refinance

- Same credit structure* for refinance existing credit exposure from other bank
- Additional working capital (OD, PN, or TL for WC) according to WC financing need (WC financing need – WC for refinance)

*Note: Amount of credit must be within LTV and min OD 5% of appraisal value is required.

- Example for structuring credit for refinance as per appendix I.

4.2.2 Criteria and condition

(a) Credit structure VS Collateral Type

Credit structure for refinance case depends on collateral type.

- For refinance with core asset, credit structure can be in between structure 1 and 2.
- For refinance with non-core asset, only credit structure 2 is allowed.



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- Summary table as below:

Collateral Type	Credit Structure for Refinance	
	Structure 1 TL portion	Structure 2 Same credit structure
Core Asset	Yes	Yes
Non-Core Asset	No	Yes

(b) Eligibility for TL for business expansion VS Collateral Type

Eligibility for TL for business expansion depends on collateral type.

- For refinance with core asset, TL for business expansion is allowed.
- For refinance with non-core asset, TL for business expansion is not allowed.
- Summary table as below:

Collateral Type	TL for business expansion
Core Asset	Allowed
Non-Core Asset	Not allowed

(c) Condition for accepting non-core asset collateral

For refinance with non-core asset, further consideration must be taken on current status of the core asset.

- Non-core asset collateral is not accepted* if the core asset status is free hold.
- Non-core asset collateral is accepted if the core asset status is pledged with other bank.
- Non-core asset collateral is accepted if the core asset status is rent.
- Summary table as below:

Current status of the core- asset	Accept non-core asset collateral
Free hold	Not Accepted*
Pledged with other bank	Accepted
Rent	Accepted

***Note:** If the core asset is available, it should be offered and pledged with BAY. However, it subjects to CM discretion.



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5. Approval for the direction of textile/garment industry

- Textile industry is viewed as downturn industry. Caution should be taken on exporter of textile industry and to be approved on case by case basis.
- Detail as per appendix II.

6. Approval for the direction for the EU and US markets

- Due to economic slowdown in EU and US market, caution should be taken on exporters whose main markets are concentrated in EU and US and to be approved on case by case basis.

7. Approval for authority to revise income factor and standard WC credit term

- Revision of income factor and standard WC credit term is allowed and must be approved by both
 - Khun Siam Prasitsirigul, Head of SME Banking
 - Khun Yuke Sutarat, Executive Vice President, SME Credit Risk Division

Your approval is highly appreciated.



(Peerakit Jirachetthakun)

Vice President

Credit Products Department, Corporate & SME Products Group



Appendix I: Example for structuring credit for refinance

Example 1:

With other bank,

- Borrower has pledged core asset appraisal value 10.0 MB.
- Existing credit structure is OD 5.0 MB and TL balance 3.5 MB.
- Borrower has WC financing need 10.0 MB and does not have WC limit with any banks.

Refinance structure can be in between structure 1 and structure 2

Refinance structure 1: TL for refinance

- (1) TL (7 years) for refinance
= Existing credit exposure with other bank
= 8.5 MB (Min OD 5% of appraisal value)
- (2) TL for WC
= Total WC financing need
= 10.0 MB

Total credit limit = 18.5 MB ----- (1) + (2)

Refinance Structure 2: Same credit structure to refinance

- (1) Existing credit structure with other bank
= 8.5 MB – comprises of OD for refinance 5.0 MB and TL (7 years) for refinance 3.5 MB
- (2) Additional working capital (TL for WC)
= Net WC financing need
= Total WC financing need – WC (OD) for refinance
= 10.0 MB – 5.0 MB
= 5.0 MB.

Total credit limit = 13.5 MB ----- (1) + (2)



Example 2:

With other bank,

- Borrower has pledged core asset appraisal value 10.0 MB.
- Existing credit structure is OD 5.0 MB and TL balance 2.0 MB.
- Borrower has WC financing need 10.0 MB and does not have WC limit with any banks.

Refinance structure can be in between structure 1 and structure 2

Refinance structure 1: TL for refinance

- (1) TL (7 years) for refinance
= Existing credit exposure with other bank
= 7.0 MB (Min OD 5% of appraisal value)
- (2) Additional WC = Total WC financing need = 10.0 MB, comprising of:
 - a. OD 1.5 MB (Additional revolving WC is allowed within LTV)
 - b. TL for WC 8.5 MB

Total credit limit = 18.5 MB ----- (1) + (2)

Refinance Structure 2: Same credit structure for refinance

- (1) Existing credit structure with other bank
= 7.0 MB – Comprising of OD for refinance 5.0 MB and TL (7 years) for refinance 2.0 MB
- (2) Additional working capital (TL for WC)
= Net WC financing need
= Total WC financing need – WC (OD) for refinance
= 10.0 MB – 5.0 MB
= 5.0 MB. – Comprising of:
 - a. OD 1.5 MB (additional revolving WC is allowed within LTV)
 - b. TL for WC 3.5 MB

Total credit limit = 13.5 MB ----- (1) + (2)

