

**RHB BANKING GROUP**☒ RHB Indochina Bank Ltd☐ RHB Bank Bhd**CREDIT APPLICATION (CA2)***(Form for joint approval)*

Application No. : RHBIBL-BDM-0002-2016-0050 Branch: City Mall Olympic Branch

**Request Type**☐ New☐ Additional☒ Renewal☐ R&R**Approving Authority**☒ Joint Approval: DLA Level \_\_\_III\_\_\_ Reason for escalation:☐ Group CCO & Head of Business:**Part 1.0 CUSTOMER PROFILE**

1.1 CUSTOMER INFORMATION			
Borrower	Mr. Heng Khemara and Mdm. Heng Sok Leang	CIS No.	170003055 170003056
Group/ Ultimate Parent	N/A	Registration No.	N/A
Ultimate Borrower's Beneficial Owner	N/A		
Business Address	<ul style="list-style-type: none"> <li>Mao Leang Construction and Serviced Apartment Address: St. Ang Taminh, Phum Trapeang Lvea, S/K Kakab, Kh. Porsen Chey, Phnom Penh</li> <li>Property rental -Warehouse Address: Phum Kok Chambok, S/K Chom Chao, Kh. Dangkor, Phnom Penh. (Collateral 2) -House Address: No. 358Eo, St. 271, Sangkat Tek Laak 3, Khan Toul Kork, Phnom Penh, Near Heng Ly Market.</li> </ul>		
NBC Sector	Retail Trade	Sub Sector	N/A
Core Business	Retail Trade		
Date of Incorporation	2001	Relationship Since	2017
Review Due Date	09-02-2018	Next Review Date	09-02-2019
BNM Reporting	<input type="checkbox"/> Broad Property Sector (Non Exempt) <input type="checkbox"/> Bridging Loan <input type="checkbox"/> Bullet/ Balloon Repayment		

**1.2 CUSTOMER RISK STATUS**

Model Used:						
<input type="checkbox"/> LC	<input type="checkbox"/> MM	<input type="checkbox"/> GPF	<input type="checkbox"/> IPRE	<input type="checkbox"/> NBF1	<input type="checkbox"/> SCRM	<input type="checkbox"/> CBRR
Borrower/ Guarantor	Standalone		Final Rating (For credit decision only)	Watchlist Status		Exceptional Credit
	Current CRR Rating	New CRR Rating		EAM	AST	
Mr. Heng Khemara and Mdm. Heng Sok Leang	4	4	4	Yes/ No	Yes/ No	Yes/ No
Guarantor/ N/A	N/A	N/A	N/A			
Comments: N/A						

**1.3 SHAREHOLDERS (S) / DIRECTORS (D) / GUARANTOR (G) DETAILS**

Name/ IC / Passport No./ BRN	Age	Relationship	% of shareholding	Years with Co	Experience/ Qualification	Estimated Networth
Mr. Heng Khemara	46	Husband	50%	2001	2001	>USD300K
Mdm. Heng Sok Leang	39	Wife	50%	2001	2011	
No. of Employee: 5						
Succession Plan for key Personnel: N/A						
CBC / World Check Findings (if any): N/A						
Connected party: Yes / No		(If yes, please comment)				



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Part 2.0	DETAILS OF REQUEST
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2.1	Brief details of new, additional or renewal request. • To annual review of all existing facilities.
2.2	Please state brief details of waivers, deviation of guidelines & notations. N/A

Part 3.0	FACILITY DETAILS
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3.1	FACILITY (USD'000)					
Facility Type	O/S as at 25/01/18	Existing Limit	Increase/Decrease (+/-)	New Limit	Pricing (ECOF: 5.5% p.a.)	Purpose
OD (Existing)	42.90 (Cr)	50	0	50	ECOF + 3% p.a. on monthly rest subject to min 8.5% p.a.	To use as working capital in business.
TL (Existing)	251.55	251.55	0	251.55	ECOF + 2.50% p.a. on monthly rest subject to min 8% p.a.	To fully settle loan from Canada and ACLEDA Bank.
Total	251.55	301.55	0	301.55		

3.2	Repayment Terms	
Facility Type	Tenor/ Terms of Repayment	
OD USD50K	Interest Rate:	: ECOF + 3%p.a. on daily rest subject to minimum 8.5%p.a
	Tenure:	: 1 Year
	Repayment:	: Repayable on demand and interest in arrears to be serviced monthly
	Processing Fee:	: 1% on approved amount
	Commitment fee:	: 1% p.a. on unutilized OD limit
	Renewal fee:	: 0.5% of the total renewal limit
	Prepayment:	: 1% on prepayment amount if the facility is fully/partially settled before expire date
TL USD280K	Interest Rate:	: ECOF + 2.50% p.a. on monthly rest subject to min 8% p.a.
	Tenure:	: 7 Years
	Repayment:	: 84 monthly installment of USD 4,364.14
	Processing Fee:	: 1% on approved amount
	Prepayment:	: 1 <sup>st</sup> -5 <sup>th</sup> Year: 3% and 4 <sup>th</sup> -10 <sup>th</sup> Year: 1% on prepayment amount if the facility is fully/partially settled before expiry date.



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3.3	GROUP EXPOSURE PROFILE (USD'000)								
Exposure With	Borrower			Related Borrowers**			Borrower + Related Borrowers (SCEL**)		
	Secured*	Clean	Total	Secured*	Clean	Total	Secured*	Clean	Total
RHB Indochina Bank	301.55	-	301.55	-	-	-	301.55	-	301.55
RHB Bank Limit:									
Standalone:									
RHB Labuan/ Islamic/ Investment/ Leasing									
SCEL**									
Beyond SCEL***									
Total RHB Group	301.55	-	301.55	-	-	-	301.55	-	301.55
Total Credit (RHB Group Exp+Other Banks)	301.55	-	301.55	-	-	-	301.55	-	301.55

\* Based on value as per Credit Policy

\*\* Aggregated based on Power of Control (PoC) and Economic Dependency (ED)

\*\*\* All other exposure derived based on Power of Control (before disaggregation)

Part 4.0	DETAILS OF OTHER BANKERS/ FINANCIAL INSTITUTIONS						
No.	Name of Banker/ FI	Facility Type	Pricing (p.a.)	Approved Amount (USD'000)	Outstanding as at 01-Dec-2016 (USD)	Security	Security Coverage
1	N/A						
Total							
Credit Bureau Findings: Base on the CBC checking on 29-01-2018, the borrower has no loan at other banks or MFIs. RHBIBL is the sole banker.							
World check: No name matched.							

Part 5.0	SECURITY DETAILS
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5.1	SECURITY DESCRIPTION		
Security Description		OMV (USD'000)	Security Value (as per CP)

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**Existing**

1. Facility Agreement stamped for OD of USD50K and TL of USD280K as the principal instrument.
2. Open All Monies 1<sup>st</sup> party and 1<sup>st</sup> legal charge over the following property as subsidiary instrument

**Property 1:**

Title No.: 12050508-0346  
 Registered owner: Mr. Heng Khemara and Mdm. Heng Sok Leang  
 Description: A parcel of land accommodating with a single warehouse  
 Land: 731sqm  
 Building: 218.46sqm  
 Address/Location: Phum Kok Chambok, S/K Chom Chao, Kh. Dangkor, Phnom Penh.  
 Tenure: freehold  
 Lease expiry: N/A  
 Formal valuation:  
**OMV: USD 342,100.00**  
**Panel: CARE**  
**Insurance: FORTE Insurance**  
**Expiry date: 08/02/2018**

## Verbal Check by:

Valuer	Date	OMV/FSV (USD)
1) BRG	17-01-18	Land cost: USD270,470 (USD370/sqm) Building cost: USD6,553.80 (USD30/sqm) <b>Total: USD277,023.80</b>
2) ARC	17-01-18	Land cost: USD270,000 (USD370/sqm) Building cost: USD10,000 (USD50/sqm) <b>Total: USD280,000</b>

Comment: Branch to adopt the indicative value from BRG since it's lower.

**Property 2:**

Title No.: 12050508-0389  
 Registered owner: Mr. Heng Khemara and Mdm. Heng Sok Leang  
 Description: A parcel of land and Warehouse  
 Land: 412sqm  
 Built-up: 422.85sqm  
 Address/Location: Phum Kok Chambok, S/K Chom Chao, Kh. Dangkor, Phnom Penh.  
 Tenure: freehold  
 Lease expiry: N/A  
 Formal valuation:  
**OMV: USD 210,800.00**  
**Panel: CARE**  
**Insurance: FORTE Insurance**  
**Expiry date: 08/02/2018**

## Verbal Check by:

Valuer	Date	OMV/FSV (USD)
1) 9-Base	17-01-18	Land cost: USD148,000 (USD360/sqm) Building cost: USD34,000 (USD80/sqm) <b>Total: USD182,000</b>
3) ARC	17-01-18	Land cost: USD165,000 (USD400/sqm) Building cost: USD19,000 (USD50/sqm) <b>Total: USD184,000</b>

Comment: Branch to adopt the indicative value from 9-Base since it's lower.

	277.02	193.91
	182	127.4
<b>Total</b>	<b>459.02</b>	<b>321.31</b>
Security Coverage (Times) - Existing & New/ additional O/S of all existing facilities @ 25-01-2018 of USD 301.55K	<b>1.52x</b>	<b>1.06x</b>

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5.2	<b>SECURITY ANALYSIS</b>
	<ul style="list-style-type: none"> <li>Overall MOA is 65.69% with secure coverage of 1.52x.</li> <li>The property 1 is a parcel of land accommodating with a single warehouse located in Plum Kok Chambok, S/K Chom Chao, Khan Dangkor, Phnom Penh. It is stood between Veng Sreng Blvd. and Street 2004, about 1.5Km from Veng Sreng Blvd and 1.1Km from Street 2004, surrounded by Canadia Industrial Park, Borey Orkide, Markets, Schools, Public and Private Companies, Garment Factories, Residents, Clinics, etc.</li> <li>The property 2 is a warehouse, stood about 30 meters from the property 1. It is currently leased with monthly rental fee of USD700.00.</li> <li>Those properties are located in a favorable zone with comfortable access road and easy to operate as warehouse, rooms rental, and other business activities.</li> </ul>
5.3	<b>GURRANTORS</b>
N/A	

Part 6.0	<b>CONDITIONS PRECEDENT &amp; COVENANTS</b>
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6.1	<b>CONDITIONS PRECEDENT</b>			
No.	Details	Complied		To comply
		Yes	No	
1	<p><u>OD: USD50K and 10-Year TL: USD280K</u></p> <ul style="list-style-type: none"> <li>Acceptance of Letter of Offer</li> <li>Payment of Processing fees</li> </ul> <p><u>Release of facilities subject to:-</u></p> <ul style="list-style-type: none"> <li>Compliance of Terms under Condition Precedent.</li> <li>Completion of relevant security documentation. All loan/security documents which are required herein and/or such other documents as may be required by the Bank and/or its solicitors shall have been executed by the Borrower and/or the relevant security parties, duly stamped and registered at such registries as the Bank may deem necessary.</li> <li>Submission of Valuation Report on P1 &amp; P2 with total value of not less than USD551.5K from our bank' panel.</li> </ul> <p><u>Disbursement Method:</u></p> <p>Upon blocking TDs, TL of USD280K and OD of USD50K will be released subject to:</p> <ul style="list-style-type: none"> <li>OD of USD3K and TL of USD280K or specific amount will be released by issuing banker' check to fully settle loan from Canadia Bank (USD100K) and ACLEDA Bank (USD183K).</li> <li>And the balance OD will be released to the borrower' account with RHBIBL.</li> </ul> <p><u>Post Drawdown:</u></p> <ul style="list-style-type: none"> <li>To submit the full settlement letter from Canadia and ACLEDA Bank within 2 weeks after OD and TL disbursement date.</li> </ul>	<div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div> <div>✓</div>		
Comments: N/A				

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Application No. : RHBIBL-BDM-0002-2016-0050 | Branch: City Mall Olympic Branch

6.2		COVENANTS / OTHER TERMS & CONDITIONS		
No.	Details	Complied		To comply
		Yes	No	
1	Existing N/A			
2	New N/A			
Comments:				

Part 7.0		CREDIT ASSESSMENT		
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7.1		BORROWER BACKGROUND		
<p>The borrowers, Mr. Heng Khemara (Age: 46) and Mdm. Heng Sok Leang (39), are related as husband and wife. Currently, they are residing in No. 26A, Street Ang Taminh, Phum Trapaing Lvea, Sangkat Kakab, Khan Porsen Chey, Phnom Penh.</p> <p>Originally, Mr. Khemara was employed in NGO for 10 years then they have engaged in Construction Material Business and Serviced Apartment since 2001 and 2014 respectively while Mdm. Sok Leang has experienced in construction business with her aunt since she was 16 years old.</p> <p>The brief businesses information are summarized as follows:</p> <p><b><u>Mao Leang Construction Material Shop</u></b></p> <p><b><u>Business Operation</u></b></p> <ul style="list-style-type: none"> <li>The business is operated under Patent No. PTS2016081400អត្ថបទ, located in No. 26A, Street Ang Taminh, Phum Trapaing Lvea, Sangkat Kakab, Khan Por Senchey, Phnom Penh. The property is owned by the borrowers</li> <li>Besides the premise business, there is one warehouse for inventory located in Phum Kok Chombok, Sankat Chom Chao, Khan Dangkor, Phnom Penh, the charged property (P1).</li> <li>Mdm. Sok Leang is a key person who managed the business and assisted by 5 staffs for daily business operation.</li> <li>All kinds of construction material are served such as bathroom appliance, brick, sand, cements, plastic pipes, and other construction materials. Further, there are 3 trucks for goods transportation upon the customer demand.</li> <li>Normally, the purchased/sold order is made by phone for permanent suppliers and customers while some are walk-in customers who stay around.</li> <li>A credit term (up to one month) is offered to potential customers and fully paid on time for retail customers. Mdm. Sok Leang revealed that she has good relationship with her customers for many years, so bad debt collections are not concerned. But aging list is not made as it is a family business; however, A/R is followed up and controlled based on the sale invoice and daily sale note.</li> <li>Meanwhile, the borrowers have to pay the bill first prior to goods delivery sometime. But most are offered between 7 days to 10 days from their suppliers.</li> <li>Inventory is a main point to satisfy the customers on time when they purchase order. Up to date, inventory, A/R, and A/P are summed up of USD300K, USD50K and USD25K respectively.</li> </ul> <p><b><u>Customers</u></b></p> <ul style="list-style-type: none"> <li>Most customers are private constructors, local dealers, and retail consumer with 20%, 50%, and 30% respectively. Those are from different area in Phnom Penh City and province. The borrower further stated that they are supported from customers since they have strong relationship, quality, and competitive price.</li> <li>Some are purchased from provinces and use truck for goods delivery.</li> </ul> <p><b><u>Suppliers</u></b></p>				

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- The applicants have a strong support and reliable retail suppliers in Cambodia such as
  - > Chip Mong Construction Material
  - > K-Cement Construction Material
  - > Thai Heng Construction Material

**Competitor& Strategy**

- There are some competitors who have the same business but the borrower has no concern as they have strong relationship with existing customers for over 15 years already. A credit term is offered to selective customer in order to build up good relationship with new/existing customer.

**Service Apartment Business**

- Established in 2014 by Mr. Khemara with initial fund of about USD450K for purchase land and apartment construction. Some source of fund is financed from ACLEDA Bank.
- Mr. Heng Khemara is the sole manager.
- The construction was fully completed in late 2015, and started to operate service in early year 2016. It is consist of 10 units in total. Mr. Khemara revealed that the lessees are not concerned on facilities as many stuffs already equipped consists of bed, air-con, cabinet, refrigerator, TV, and bathroom appliance.
- Monthly rental fee is between USD200 to USD400 upon the unit' size (10 Units in total). Presently, the borrower generate monthly rental fee of USD2,550, i.e. 100% of occupancy rate.
- The list customers are briefed as the following table:

Unit	Lessor	Lessee	Tenure	Monthly Rental Fee
No.1	Heng Khemara	Sun Cohent	1 Year (01-05-2017 to 31-04-2018)	USD250
No.2		Nguyen Xuan Chien	1 Year (31-03-2017 to 28-02-2018)	USD400
No.3		Nguyen Duy Anh	6 Months (01-10-2017 to 31-03-2018)	USD300
No.4		Jonh Petter	1 Year (01-05-2017 to 31-04-2018)	USD200
No. 5		Gulmatico Ddy	1 Year (01-06-2017 to 31-05-2018)	USD200
No. 6		Heang Veasna	6 Months (01-10-2017 to 31-03-2018)	USD250
No. 7		Cheng Liming	3 Years (01-08-16 to 31-07-19)	USD250
No. 8		Mean Pagna	7 Months (01-10-2017 to 31-04-2018)	USD200
No. 9		Kry Sotheary	1 Year (01-04-2017 to 31-03-2018)	USD200
No. 10		Thi ngoc	3 Months (01-12-2017 to 28-02-2018)	USD300
Total				USD2,550

Note: All rental agreements are enclosed.

**House and warehouse rental**

Warehouse (Property 2)

Address: Phum Kork Chambok, Sangkat Chom Chao, Khan Dangkor, Phnom Penh.

Lessor	: Mdm. Heng Sokleang
Lessee	: Mr. Jonathan Authory George



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## CREDIT APPLICATION (CA2)

(Form for joint approval)

Application No. : RHBIBL-BDM-0002-2016-0050 | Branch: City Mall Olympic Branch

Tenure	: 3 Years (01-Jan-2016 to 31-Dec-2018)
Monthly Rental Fee	: USD700/month
First Deposit	: USD4,200 (Will be returned on the maturity date of contract)

Note: Lease Agreement is enclosed.

House

Address: Along Street 271, near Heng Ly Market.

Lessor	: Mr. Heng Khemara
Lessee	: Mr. Bros
Tenure	: N/A
Date start	: 18-June-2016
Monthly Rental Fee	: USD600/month
First Deposit	: USD3,600 (USD2,500 was deposited and the balance will be deposited accordingly)

Note: Mr. Bros is the borrower's relative so that official rental agreement is not made. Also, the tenure of rental is not specific period.

7.2

## JUSTIFICATION OF REQUEST

- Construction WC Line Requirement:

Items	Historical	Projected	Remarks
	2017	2018	
	(Monthly)	(Monthly)	
Z) Monthly sales (USD)	96,967.63	101,816.01	Up to date, stock is about 300K
A) Debtor turnover (days)	25	28	A/R is about 50K
B) Stockholding turnover (days)	30	30	A/P is about 25K
C) Creditor turnover (days)	7	7	
D) Asset Conversion Cycle = (A + B) - C/30	1.60	1.70	
E) Monthly WC need = (D x Z)	155,148.20	173,087.21	
Existing + proposed WC lines	50,000.00	50,000.00	
(Shortfall)/Excess in WC lines	(105,148.20)	(123,087.21)	

## Comments:

- OD of USD50K is still within monthly WCR of USD 155,148.20 in 2017 and of USD 173,087.21 in projected 2018.
- Based on the figure above, branch see that the borrower needs monthly working capital of USD 155,148.20 in 2017 while it's financed from RHBIBL amount of USD 50,000.00 and the rest the borrower has used their own finance of USD 105,148.20 to maintain the business operation running smoothly.
- OD is satisfactorily conducted with no check return and excess.

7.3

## INDUSTRY LENDING DIRECTION

Sector: Retail sale

Within Industry Lending Limit? Yes / No (as at 25-01-2018)

- ☐ Most attractive
 ☐ Highly attractive
 ☒ Attractive
- ☐ Selective
 ☐ Unattractive
 ☐ Most unattractive

If Sector falls under unattractive or most unattractive, justification for maintain or increase exposure: N/A





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7.4	SOURCE OF REPAYMENT		
	Historical 2017 (Monthly)	Projected 2018 (Monthly)	Remarks
A) EBITDA			
Construction Shop	USD10,390.16	USD10,914.56	
Serviced Apartment	USD2,550.00	USD2,626.50	
Warehouse rental	USD700.00	USD700.00	
House rental	USD600.00	USD600.00	
B) Other recurring Income:			
N/A	N/A	N/A	
C) Total cash flow available for debt service (A + B)	USD14,240.16	USD14,841.06	
D) Existing debt repayment			
RHBIBL OD of USD 50K	USD354.17	USD354.17	
RHBIBL TL of USD 280K	USD4,364.14	USD4,364.14	
E) Proposed additional Debt Repayment	N/A	N/A	
F) Total debt repayment (D + E)	USD4,718.31	USD4,718.31	
DSR [(A+B)/(D+E)]	3.02x	3.14x	
G) Other source of income (scheduled/dividend repayment)	N/A	N/A	
Adjusted DSR [(C + G)/F]	N/A	N/A	

7.5 EXTERNAL RATING (Applicable to PLCs only)				
Moody's EDF9 Score (%) as at dd/mm/yyyy				
Borrower:		Guarantor:		
Share Price Movement over past 12 months:				
DD/MM/YY (Current price)	High	Low		
Implied Rating	S&P	Moody's		
Comments:				
RAM	MARC	S&P	Fitch	Moody's
Comments:				



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7.6	CUSTOMER PROFITABILITY								
Facility	Average Utilization	Last 12 mths Gross Income	Current RAROC	Current RRWA	Current ROA	Projected 12 mths Gross Income	Projected RAROC	Projected RRWA	Projected ROA
N/A									
Reasons/ account strategy if less than model recommended target return.									

7.7	ANCILLARY BUSINESS/ CROSS SELLING								
N/A									

7.8

CONDUCT OF ACCOUNT ANALYSIS

Bank Statement

Bank: RHBIBL						
Account No: 1010002000078797						
Name: Mr. Heng Khemara and Mdm. Heng Sok Leang						
OD limit: USD50,000.00						
Period: February-December/2017						
Month	Debit (USD)	Credit (USD)	Balance (USD)	OD utilization		
Balance Forward			00.00	Lowest	Highest	Average
February-2017	11,073.39	25,700.00	14,626.61	-	-	-
March-2017	101,845.60	112,420.00	25,201.01	-	-	-
April-2017	67,643.12	107,200.00	64,757.89	1,999.13	5,199.13	3,599.13
May-2017	72,478.60	25,000.00	17,279.29	-	-	-
June-2017	106,204.62	103,000.00	14,074.67	981.85	5,831.85	3,406.85
July-2017	97,164.20	86,000.00	2,910.47	607.93	607.93	607.93
August-2017	134,001.99	148,150.00	17,050.40	737.67	0,007.53	4,372.60
September-2017	85,553.63	57,800.00	(10,695.15)	712.02	19,025.06	9,868.54
October-2017	104,263.99	180,000.00	65,040.86	10,695.15	10,695.15	10,695.15
November-2017	149,429.50	117,000.00	32,611.36	1,898.68	21,547.68	11,723.18
December-2017	104,532.50	189,000.00	117,078.86	-	-	-
Total	1,034,191.14	1,151,270.00	359,944.35	-	-	44,273.38
Average	94,017.38	104,660.91	32,722.21	-	-	4,024.85
Average OD utilization						8.05%

**Comment:**

- The OD account of the borrower has been used for credit of cash from business operation and for monthly loan installment.
- As per above table the monthly cash withdrawal is amount of USD 94,017.38 and the average monthly cash deposit is amount of USD 104,660.91.
- The OD utilization ratio is 8.05% with no cheque return and excess limit.
- TL limit of USD280,000.00 was released on February, 2017 and already excluded from above figure.



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**Conduct of loan account**

Bank: RHBIBL				
Account No: 40001001938900000				
Name: Mr. Heng Khemara and Mdm. Heng Sok Leang				
TL limit: USD280,000.00				
Period: March/2017 - January/2018				
No.	Installment Amount	Due Date	Payment Date	Days Past Due
1	4,364.14	09-March-2017	10-March-2017	1
2	4,364.14	10-April-2017	10-April-2017	-
3	4,364.14	09-May-2017	09-May-2017	-
4	4,364.14	09-June-2017	09-June-2017	-
5	4,364.14	10-July-2017	10-July-2017	-
6	4,364.14	09-August-2017	09-August-2017	-
7	4,364.14	09-September-2017	09-September-2017	-
8	4,364.14	09-October-2017	09-October-2017	-
9	4,364.14	10-November-2017	10-November-2017	-
10	4,364.14	09-December-2017	09-December-2017	-
11	4,364.14	09-January-2018	09-January-2018	-

Comments: The payment record is prompt except one day late on march, 2017.

Part  
8.0

**GUIDED RISK ANALYSIS TEMPLATE**

We have reviewed the facility as required and confirmed the following:

8.1	Management Risks	Low	Medium	High
	<ul style="list-style-type: none"> <li>There is no proper financial recorded, since it is a family business. However, the borrowers are still operating business well and profitable from year to year.</li> </ul>			

8.2	Industry Risks	Low	Medium	High
	<p><b>Construction &amp; Serviced Apartment</b>  <b>Source: Cambodia Daily dated July 17, 2017</b></p> <p>The total value of construction projects in Cambodia rose to almost \$5 billion in the first half of the year, an increase of 27 percent over the same period last year, according to data released by the Land Management Ministry on Friday.</p> <p>A total of 1,523 construction projects worth \$4.9 billion and covering 7.2 million square meters were approved from January to the end of last month, compared to 1,183 projects worth \$3.8 billion given the green light over the same period last year, according to a post on the ministry's website.</p> <p>The projects ranged from skyscrapers in Phnom Penh to housing across the country. In October, the World Bank highlighted the risks that come with the construction boom in an economic update on Cambodia, warning that "the construction and real-estate sector needs to be closely monitored in order to maintain macroeconomic stability."</p>			

8.3	Product Risks	Low	Medium	High
	<ul style="list-style-type: none"> <li>Multi-products are imported and mixed in market.</li> </ul>			



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Application No. : RHBIBL-BDM-0002-2016-0050 | Branch: City Mall Olympic Branch

8.4	Supplier / Buyer Risks	Low	Medium	High
<ul style="list-style-type: none"> <li>Credit-terms are offered to potential customers to strengthen/built relationship stronger. Credit terms are offered to good customers only.</li> </ul>				

8.5	Production Risks (applicable to manufacturing company only)	Low	Medium	High
<ul style="list-style-type: none"> <li>Not highly labour intensive or where affirmative is not a major concern.</li> <li>Product is in good working condition and well maintained.</li> <li>Pricing allows positive returns.</li> </ul>				

8.6	Other Risks (e.g. Specialised Lending, Project/ Contract Financing)			
N/A				

## 8.7 FINANCIAL HIGHLIGHTS & ANALYSIS

### Income Statement

Description	2015	2016	2017
	12-months	12months	12-months
Revenues (Construction Material)	1,052,791.37	1,108,201.44	1,163,611.51
COGS	865,394.50	908,725.18	954,161.44
Gross Profit	187,396.86	199,476.26	209,450.07
Operating Expenses			
Workers' Salary	9,300.73	9,790.24	10,279.76
Utilities	5,308.53	5,647.37	5,873.27
Transportation	18,555.54	20,169.07	21,177.52
Other expenses	42,919.77	45,178.70	47,437.64
Total expense	76,084.57	80,785.39	84,768.18
EBIT	111,312.29	118,690.88	124,681.89
Average monthly EBIT	9,276.02	9,890.91	10,390.16
Average monthly rental (Serviced Apartment)	-	2,300.00	2,550.00
Average monthly Warehouse rental	-	700.00	700.00
Average monthly House rental	-	600.00	600.00
Total average monthly income	9,276.02	13,490.91	14,240.16
Average monthly bank payment			
RHBIBL OD of USD 50K	-	-	354.17
RHBIBL TL of USD 280K	-	-	4,364.14
Total commitment	-	-	4,718.31
DSR(x)	-	-	3.02x

### Comment:

- Base on the furnished income, the borrowers had made good profitability which the overall revenues has increased 6% from 2016 to 2017.
- The NPM of construction shop was 11% in 2017. It seems reasonable comparing to our existing customer who running business of construction shop.
- In 2017, the borrowers made net profit of USD 14,240.16/month deriving from construction shop of USD 10,390.16, serviced apartment of USD 2,550.00, and property rental of USD 1,300.00 which provided a good DSR of 3.02x against total repayment of USD 4,718.31.

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Application No. : RHBIBL-BDM-0002-2016-0050 Branch: City Mall Olympic Branch

- The business is stable and profitable from year to year while the borrower is well-managed business for many years already.
- The revenues are justified by the summary invoice (October-December/2017) which the average sale were USD 87,270.86 or 90% of monthly sale of USD 96,967.63.
- All rental agreements are attached.

**Income Projection**

Description	2018	2019	2020
	12-months	12-months	12-months
Revenues (Construction Material)	1,221,792.09	1,282,881.69	1,347,025.78
COGS	1,001,869.51	1,051,962.98	1,104,561.13
<b>Gross Profit</b>	<b>219,922.58</b>	<b>230,918.71</b>	<b>242,464.64</b>
Operating Expenses			
Workers' Salary	10,793.74	11,333.43	11,900.10
Utilities	6,108.20	6,352.53	6,606.63
Transportation	22,236.39	23,348.21	24,515.63
Other expenses	49,809.52	52,299.99	54,914.99
Total expense	88,947.86	93,334.17	97,937.35
<b>EBIT</b>	<b>130,974.72</b>	<b>137,584.54</b>	<b>144,527.29</b>
<b>Average monthly EBIT</b>	<b>10,914.56</b>	<b>11,465.38</b>	<b>12,043.94</b>
Average monthly rental (Serviced Apartment)	2,626.50	2,705.30	2,786.45
Average monthly Warehouse rental	700.00	700.00	700.00
Average monthly House rental	600.00	600.00	600.00
Total average monthly income	14,841.06	15,470.67	16,130.39
Average monthly bank payment			
RHBIBL OD of USD 50K	354.17	354.17	354.17
RHBIBL TL of USD 280K	4,365.14	4,366.14	4,367.14
<b>Total commitment</b>	<b>4,719.31</b>	<b>4,720.31</b>	<b>4,721.31</b>
<b>DSR(x)</b>	<b>3.14x</b>	<b>3.28x</b>	<b>3.42x</b>

**Comment:**

- The sale of construction shop and service apartment are projected to be stable growth by 5% & 3% respectively in the coming 3years i.e: 2018-2020 based on the past sale record and trend of business.
- COGS are expected to remain unchanged.
- The construction sector has been shown a potential growth for the next few years inspire the demand of purchase house.
- The growth will be contributed by good prospective GDP growth in the next 3 years as well as construction sector i.e companies' premise expansion and renovation.
- The increasing based on the borrower has enlarged more customers both Phnom Penh and Provinces with the reasonable price exchange.
- Property rental is remained unchanged based on the furnished rental agreement.
- With the above financial projection, DSR will further improve from 3.14x in 2018 to 3.42x in 2020.

**Sensitized DSR Scenario: (30% drop of EBIT)**

Year	2018	2019	2020
Total average monthly income	10,388.74	10,829.47	11,291.28
Average monthly bank payment			
RHBIBL OD of USD 50K	354.17	354.17	354.17
RHBIBL TL of USD 280K	4,365.14	4,366.14	4,367.14



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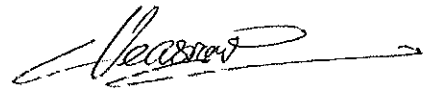
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Application No. : RHBIBL-BDM-0002-2016-0050 | Branch: City Mall Olympic Branch

Total commitment	4,719.31	4,720.31	4,721.31
DSR(x)	2.20x	2.29x	2.39x

Comment: In the case of the revenue of borrower drop by 30% each, the repayment capacity of borrower is still acceptable which is 2.20x, 2.29x and 2.39x for 2018, 2019 and 2020.

Part 9.0	RECOMMENDATION BY LENDING UNIT
<b>SUMMARY &amp; RECOMMENDATION</b> <ul style="list-style-type: none"><li>The payment record of borrower is always prompt.</li><li>Conduct of account for the last 11 months has been satisfactory.</li><li>Borrowers have strong financial position where DSR is 3.02x against with total repayment.</li><li>Good collateral location surrounding by resident, business premises... which can fully secure the facilities and can be sold easily in the worst scenario.</li><li>Branch would like to submit annual review CA for management approval.</li></ul>	

<b>Prepared by:</b>  Ny Vireak Senior Executive-Credit Relationship Date: 01-02-2018	<b>Recommended by:</b>  Touch Molineth Assistant Manager-Credit Relationship Date: 01-02-2018
	<b>Recommended by:</b>  Keang Chanveasna Branch Manager Date: 01-02-2018



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*(Form for joint approval)*

Application No. : RHBIBL-BDM-0002-2016-0050 Branch: City Mall Olympic Branch

Part  
10.0

**INDEPENDENT EVALUATION/RECOMMENDATION/APPROVAL**

10.1

**CREDIT EVALUATION MEMORANDUM/ RECOMMENDATION**

Within Lending Limits: ☐ Yes ☐ No

Issues / Findings / Breaches (if any)

No.	Issues / Findings	Comments / Mitigations
1		
2		
3		

No.	Policy Breaches	Comments / Mitigations
1		
2		
3		

Recommendation

Evaluated by:

Name:

Position:

Date:



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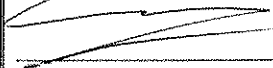
(Form for joint approval)

Application No. : RHBIBL-BDM-0002-2016-0050 Branch: City Mall Olympic Branch

10.2	APPROVAL
Approver 1	<p>Decision: <input checked="" type="checkbox"/> Approved <input type="checkbox"/> Declined</p> <p>Comments: (if any)</p> <p><i>As per CAP</i></p> <p>Additional Terms/ Conditions/ Covenants: (if any)</p> <p><i>Yong Ching San</i></p> <p>Mr. Yong Ching San, Head Credit Management</p> <p>Date: <i>05/02/2018</i></p>
Approver 2	<p>Decision: <input type="checkbox"/> Approved <input checked="" type="checkbox"/> Declined</p> <p>Comments: (if any)</p> <p><i>- As Recommended -</i></p> <p>Additional Terms/ Conditions/ Covenants: (if any)</p> <p><i>Simon Cheong Kim Soon</i></p> <p>Mr. Simon Cheong Kim Soon, Deputy Country Head</p> <p>Date: <i>05/02/2018</i></p>

No	Decline Code (Please tick the relevant code for declined proposals)
D001	First Level Screening Not Carried Out by LU (e.g. : CCRIS, CTOS, NP69 findings)
D002	High risk of impairment (1 or more AST/MST)
D003	Inappropriate/ unsuitable credit structure
D004	Repayment capacity inadequate/ unmitigated
D005	No justification/ rationale for request in CA
D006	Unacceptable level of risk
D007	Unsatisfactory financial performance/ key financial indicators
D008	Unsatisfactory conduct of account
D009	WC requirement not adequately justified/ mitigated
D010	Project viability not adequately justified/ mitigated
D011	High clean exposure not justified & mitigated
D012	Others ( provide description)



Credit Supervision & Review, RHBIBL			
Date	: 02-02-18	Branch	: PPM
To	: Head, Credit Management & Acting DCH		
Borrower(s)	: Mr.Heng Khemara Mdm Heng Sok Leang	Credit Grade	: 4
Guarantor(s)	: NA		
Request/ Deviation	: 1. Annual Review of all existing facilities: TL of USD280K (o/s: USD251K) OD of USD50K		
Comment by Credit Supervision & Review, RHBIBL			
<p>1. Borrower's primary business as retail construction material under the name of Mao Leang remains unchanged while the existing rental income from service apartment and shophouse/warehouse is still active. The repayment with us for the past months has been <u>satisfactory</u></p> <p>2. The latest verbal updates on the collateral charge indicate lower valuation than the actual valuation report by CARE with deterioration in value by 17%. Nevertheless, overall OMV of USD459.02K still provides adequate security coverage of 1.06x (ascribed value).</p> <p>3. <u>Comment on financials:-</u></p> <ul style="list-style-type: none"> <li>i. Financial performance remains satisfactory with average monthly revenue of USD96.9K per month recorded for 2017 supported by 3 months sales invoices of USD87K or 90% reflection rate. The AMD with us of USD104.7K further supports their reported income inclusive of rental at 104% reflection rate.</li> <li>ii. The combined monthly net income inclusive of rental income of USD14.2K provides good DSR of 3.02x while under sensitized scenario with drop in 30% in net income, DSR is still acceptable at 2.2x at the minimum.</li> <li>iii. OD however is barely utilized at only 8% utilization and borrower has promised to have better utilization in the future</li> </ul> <p>4. Recommended for management approval for annual review subject to:</p> <ul style="list-style-type: none"> <li>i. To update all business patent/license in the next review</li> <li>ii. To encourage borrower to utilized the OD facility by at least 50%</li> </ul>			
<p><b>Concurred by:</b></p> <p></p> <p>Tang Siew Hon Senior Manager Date: 02/02/18</p>			

