Dear Mr. Kenny, Mr. Vijay, and Mr. CEO,

I would like to submit new loan application for USD300k for your endorsement for further submission to Mr. DCEO and Mr. CEO.

**Request**

1. A new TL1 limit of USD270K with interest rate of 7.50% p.a. for 10 years to part finance the purchase of warehouse
2. A new TL2 limit of KHR120M (equivalent to USD30K) with interest rate of 7.50% p.a. for 10 years to part finance the purchase of warehouse

**Deviation**

To seek for approval deviation DSR≤1.8x, i.e. 1.66x due to uncommitted balance of USD10,429.79 is sufficient for borrower’s daily expense.

**Summary**

* Applicants are related as husband and wife. Mr. Oeng Marady (age 37) and Mdm. Bo Vannary (age 36) have their residence at Sangkat Chraing Chamres 2, Khan Russey Keo, Phnom Penh.
* Mr. Oeng Marady has business interest and received director’s fee from 3 different companies recently as a Public Relationship Manager at Kimmo Korean 7 Level Spicy Noodle, an Advisor at Lim Heang Yu Enterprise Co.,Ltd and also a Director at Key Real Estate. While Mdm. Bo Vannary is working as Board of Members at Lim Heang Yu Enterprise Co.,Ltd. Their combined gross monthly income is USD**17,000.**
* Besides, he’s also involved in rental business since 2014. The detail of tenants as below:

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **No** |  | **Tenant** |  | **Property address** |  | **Tenure** |  | **Fee (USD)** |  |
| 1 |  | Thai Airways |  | Condo, Noblesse Residence Unit-1504 |  | 3 years,  (15/02/18-14/02/21) |  | 2,250 |  |
| 2 |  | Long Grain Co.,Ltd |  | Villa, Oudong District, Kampong Speu Province. |  | 1 years,  (10/08/18-09/08/19) |  | 1,500 |  |
| 3 |  | Skun Sophal |  | Boutique, Svay Dangkom District, Siem Reap Province. |  | 5 years,  (10/02/16-10/02/21) |  | 3,000 |  |
| 4 |  | Sam Kimly |  | Boeung Kak 1 District, Khan Toul Kork, Phnom Penh. |  | 3 years,  (03/07/17-02/07/20) |  | 2,500 |  |
| **Total** | | | |  | **9,250** |  |  |  |  |

* The request is to partially finance on purchased warehouse located along Street 355, Phum 1, Sangkat Boeung Kak 1, Khan Toul Kork, Phnom Penh (property to be charged to us) worth of USD660K. Applicant has paid of USD360K to seller as at 06 May 2019. (SPA and deposited agreement are enclosed)
* As per verbal check by our 2 panels, the purchased price is much higher than the market value. As per credit policy, BU adopts the average lower price of USD404K for LTV calculation. The total proposed loan amount of USD300K derived the LTV of 74.26% and acceptable given commercial grade A location.
* The borrower’s combined income of USD26,250 is validated from the confirmation letter and rental contracts.
* The income is validated with the strong and active bank transaction at Maybank with average monthly deposit of USD472K.
* The repayment capacity, however, is only 1.66x as the applicant has combined commitment of USD15,820 from 3 other banks.
* The property to be charged is a parcel of land cum with a single warehouse (purchased property) located in a commercial zone grade A which comply with the bank’s CPG can offer up to 80% of the OMV. The purchased property is located about 300m from TK Avenue and 500m from Toul Sangke Market.
* The proposed facilities total amount of USD300K will derived the Loan to Value (LTV) equal to 74.26%.
* As per CBC check on 19 June 2019 & 20 June 2019, the applicants have maintained loan with CIMB, ANZ Royal Bank and Maybank.
* Based on conducting account for last 12 months, their monthly installment has been considered as good. However, there was a few overdue from 1 to 3 days with ANZ Royal Bank and CIMB. Applicants claimed that it was because their main account is with Maybank, so they need time for cash deposit into ANZ Royal Bank and CIMB for monthly installment.

**Risk and Mitigation**

* High LTV up to 74.26%. However, the property to be charged is located in a commercial area. The property is surrounded by many business activities and residential which is on demand for rent out.
* Low repayment capacity with DSR is 1.66x.  The risk is mitigated by high monthly uncommitted balance of as much as USD10k for borrower’s monthly expense.
* No renewal of Rental Contract.  The risk is mitigated by the good location of all the rental properties in crowded area which is convenient to rent it out.

**Recommendation from CAU**

Given strong KYC of the applicant with multiple source of incomes and satisfactory repayment record with other banks, Credit Risk Assessment Unit (CAU) would like to recommend the proposed loan for management approval subject to: -

* Submission of renewal of each rental agreement within 2 months after maturity date, failing which, the bank reserve the right to increase interest rate.
* Other terms and conditions as stated in BU’s Credit Proposal.

Please find the Credit Proposal and Assessment Memo as per attachment.