**M.G.N Emperor Bank Plc.**

**Credit Proposal**

|  |  |
| --- | --- |
| **🞏 Retail 🗹 SME 🞏 Corporate** | |
| **CP No. MGN-BDD-2019-0001** | **From: Business Development Dept.** |
| **Approval Level: DCEO & CEO** | **ARO: Mr. Sok Ratanak & Mr. Chiv Hak** |
| **Submission Date:** | **Head: Mr. Chiv Hak** |

|  |  |  |
| --- | --- | --- |
| 1. **MATER FOR CONSIDERATION** | **NATURE OF PROPOSAL** | |
| * To request 3-Year TL of USD250K and OD limit of USD250K at interest rate 7% p.a. to use as working capital in business. * To seek approval for deviation of BLR lower than 7.5% p.a. (i.e. 7% p.a.) | **New** | **✓** |
| **Additional** | **-** |
| **Renewal** | **-** |
| **Restructuring** | **-** |
| **Others** | **-** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1. **purpose And Justification** | | | | | |
| To request OD limit of USD250K and 3-Year TL of USD250K for working capital (Totaling of USD500K). Based on the furnished income statement, the business’s operation shall be illustrated as below working capital:   |  |  |  |  |  | | --- | --- | --- | --- | --- | | Items | 2018 (Historical) | | 2019 (Projection) | | | Value (USD'K) | Days O/S | Value (USD'K) | Days O/S | | Sales/Revenue | 1,836.73 |  | 2,479.59 |  | | Cost of goods sold | 1,438.63 |  | 1,934.08 |  | | Stock/Inventory | 600.00 | 152 | 600.00 | 113 | | Receivables/Debtors | 80.00 | 16 | 80.00 | 12 | | Payables/Creditors | 40.00 | 10 | 40.00 | 8 | | Working capital requirement/ Cash Conversion Cycle | 622.66 | 158 | 622.40 | 117 | | *Existing + proposed WC lines* | 500 | | 500 |  | | *(Shortfall)/Excess in WC lines* | (122.7) | | (122.4) |  |   **Comment:** Current applicant’s business is construction material supply which are offered retail and wholesale. As it is a trading business, inventory is very important for applicant’s business operation to supply their customer’s order and discount rate will be offered when they purchase in wholesale’s amount as well. In this view, we noted that stockholding turnover days is high up to 152 days.  The Asset Conversion Cycle (ACC) results 158 days with a formula of A/R, A/R, and inventory day. ACC is to determine more easily why and when the business needs more cash to operate and when how it will be able to repay the cash. A long period of ACC (158 days) is because of the longer inventory day while A/R days (16 days) and A/P days (10 days) are good and acceptable for business operation.  We understand that the low days of inventory figure is generally considered to represent an efficient use of the inventory asset since it is being converted into cash within a reasonably short time. But it could be applicable for a few businesses, for instance, fashion clothes which is faster update on fashion/design. In the same meaning, a long holding period allows risk for inventory to become obsolete. Contrastingly, the ACC of 158 days could be acceptable for construction material business where it extremely needs to stock all kinds of products for display in showroom as well as for timely supply to customer. Moreover, shipping period will be taken turnaround time as well.  As above reason and justification, the requested loan of USD500K (About 80% of WC requirement) is suitable for applicants to use as working capital in business due to the historical business performance in whole 2018 where translated monthly working capital need of USD622.66K to facilitate the business cash flow where the number of inventory days, A/R days, and A/P days shall be reduced.  To seek for interest rate 7% p.a. due to:   * Applicants have been approached by Shinhan Bank with competitive interest rate and waiver OD commitment fee. Noted, the applicants’ parents have maintained loan with Shinhan Bank as follow:  |  |  |  |  |  | | --- | --- | --- | --- | --- | | Loan | Limit | Interest rate | Processing Fee | Commitment Fee | | 3-Year TL | USD1M | 7% p.a. | 1% for 3 years | N/A | | 3-Year OD | USD1M | 7% p.a. | 1% for 3 years | Waive | | Total | USD2M |  |  |  |   **(Note: Loan agreements are enclosed)**   * Applicants request for a short tenure (3 years) only where is shown the applicant’s financial and commitment are strong. * Current LTV is at 36.84% against KEY’s indicative value. A lower MoA shall be highly mitigated risk in worst case happening while the collateral is classified in Commercial Type with grade C (Max. LTV: 70%). * To encourage applicants to be our customer as well as to make a good relationship with them while MGN is a new bank in Cambodia. | | | | | |
| 1. **DETAILS OF FACILITIES (USD’000) / (~~KHR’mil~~)** | | | | | |
| **Facility** | **Current Limit** | **Proposed Limit** | **O/S as at 24-Apr-2019** | **-/+** | **New Limit** |
| OD | - | 250 | - | +250 | 250 |
| 3-Year TL | - | 250 | - | +250 | 250 |
| **Total** | **-** | **-** | **-** | **+500** | **550** |

*Note: equivalent to USDxxxx (assumed exchange rate of KHR 4,000 per USD)*

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 1. **TERMS AND CONDITIONS OF CREDIT PROPOSAL** | | | | | | |
| **Facility** | **Terms & Conditions** | | | | | |
| OD (New) | Purpose | To use as working capital in business | | | | |
| Tenure | 1 Year | | | | |
| Interest rate | BLR-0.50% subject to min 7.00% p.a. (Current BLR=7.50%) | | | | |
| Repayment | Repayment on demand and interest in arrears to be serviced monthly | | | | |
| Processing fee | 1% on approved limit | | | | |
| Renewal fee | 1% of total approved limit | | | | |
| Prepayment | 1% on prepayment amount if the facility is fully/partially settled before expiry date | | | | |
| Commitment Fee | 1% p.a. on unutilized OD limit | | | | |
| Refinance Fee | N/A | | | | |
| Collateral early redemption fee | USD200 per revision/approval | | | | |
| NBC Sector | Retail Trade | NBC Sub-Sector | | N/A | |
| **Disbursement Method** | **After completion of blocking TD, OD Limit of USD250K shall be disbursed into the borrower’s account maintained with MGN Emperor Bank.** | | | | |
| TL (New) | Purpose | To use as working capital in business | | | | |
| Tenure | 3 Years | | | | |
| Interest rate | BLR-0.50% subject to min 7.00% p.a. (Current BLR=7.50%) | | | | |
| Repayment | 36 monthly installments of USD7,719.27 | | | | |
| Processing fee | 1% on approved amount | | | | |
| Renewal fee | N/A | | | | |
| Prepayment | 1st to 3rd years: 3% | | | | |
| Commitment Fee | N/A | | | | |
| Refinance Fee | N/A | | | | |
| Change Condition Fee | USD200 per revision/approval | | | | |
| NBC Sector | Retail Trade | | NBC Sub-Sector | | N/A |
| **Disbursement Method** | **After completion of blocking TD, TL of USD250K shall be disbursed into the borrower’s account maintained with MGN Emperor Bank.** | | | | |

*To add more if there is more than one facility*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| 1. **Borrower/Guarantor Information** | | |  | | |
| **Borrower** | **Pro. Of Default** | | **LTV (%)** | **Exposure** | **Relationship** |
| Current | New |
| Mr. Seng Chantrea and  Mdm. Taing Sreylen | - | 1.0% | 36.84% | USD500K | New |
| **Guarantor** | **Pro. Of Default** | | **LTV (%)** | **Exposure** | **Relationship** |
| Current | New |
| Mr. Taing Hengkao  Mdm. Mdm. Ly Kimseng | - | - | 36.84% | USD500K | New |
| **Group** | **Pro. Of Default** | | **LTV (%)** | **Exposure** | **Relationship** |
| Current | New |
| N/A |  |  |  |  | mm/yyyy |

|  |  |  |  |
| --- | --- | --- | --- |
| 1. **PROFILE OF BORROWERS / GUARANTORS / DIRECTORs** | | | |
| **Borrower Profile** | | | |
| **Applicant** | : Seng Chantrea | DOB: 17-02-1973 | ID Card No. 060036045(01) |
| Nationality | : Cambodian | Occupancy: Owner | Tel. No. 085 33 83 83 |
| Address: | : No. 1717, St. 1019 (Hanoi), Rong Chak, Phnom Penh Thmei, Sen Sok, PP | | |
| KYC Level | : Low / Medium/ High | | |
| Connected Party | : Yes / No | | |
| Employer Name | : Modern Home Construction Shop | | Monthly Income: USD19,398.87 |
| Employer Address | : No. 1717, St. 1019 (Hanoi), Rong Chak, Phnom Penh Thmei, Sen Sok, PP | | |
| **Joint Applicant** | : Taing Sreylen | DOB: 18-05-1983 | ID Card No. 010428248(01) |
| Nationality | : Cambodian | Occupancy: Owner | Tel. No. |
| Address | : No. 1717, St. 1019 (Hanoi), Rong Chak, Phnom Penh Thmei, Sen Sok, PP | | |
| KYC Level | : Low / Medium/ High | | |
| Connected Party | : Yes / No | | |
| Employer Name | : Modern Home Construction Shop | | Monthly Income: USD19,398.87 |
| Employer Address | : No. 1717, St. 1019 (Hanoi), Rong Chak, Phnom Penh Thmei, Sen Sok, PP | | |
| **Guarantor Profile** | | | |
| **Guarantor** | : Taing Hengkao | DOB: 05-07-1957 | ID Card No. 010428247(01) |
| Nationality | : Cambodian | Occupancy: Owner | Tel. No. |
| Address: | : No. 88, St. 160, Ph. 13, Sangkat Tek La ak 2, Khan Toul Kork, Phnom Penh | | |
| KYC Level | : Low / Medium/ High | | |
| Connected Party | : Yes / No | | |
| Employer Name | : Borey Heng Kao | | Monthly Income: N/A |
| Employer Address | : Along St 105, Vimean Trong, Kraing Thnung, Sen Sok, Phnom Penh | | |
| **Joint Guarantor** | : Ly Kimseng | DOB: 05-06-1962 | ID Card No. 010428246(01) |
| Nationality | : Cambodian | Occupancy: Owner | Tel. No. |
| Address | : No. 88, St. 160, Ph. 13, Sangkat Tek La ak 2, Khan Toul Kork, Phnom Penh | | |
| KYC Level | : Low / Medium/ High | | |
| Connected Party | : Yes / No | | |
| Employer Name | : Borey Heng Kao | | Monthly Income: N/A |
| Employer Address | : Along St 105, Vimean Trong, Kraing Thnung, Sen Sok, Phnom Penh | | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. **COMPANY PROFILE** | | | | | | | | |
| Registration No. | | : N/A | | | Establishment Date | | | : |
| Tax Identification No. | | : | | |  | | |  |
| Registered Address | | : | | | | | | |
| Current Address  (if different from above) | | : | | | | | | |
| Business Activity | | : | | | | | | |
| Paid Up Capital | | : | | | | | | |
| Contact Person | | : | | | Tel No. | | | : |
| **shareholder (s)/ Directors (D)/guarantors (g)** | | | | | | | | |
| Name | Age (year) | | Shareholding (%) | Shareholding (USD) | | Serviced year | Qualification/Experience | |
| N/A |  | |  |  | |  |  | |
|  |  | |  |  | |  |  | |
| **Total** |  | |  |  | |  |  | |

|  |
| --- |
| 1. **CBC / AML / Blacklist Check** |
| **CBC Check:** Based on CBC report in Jul 2019, the applicant has no maintained loan with other Financial Institutions. While, the guarantor has maintained with Bank of China and Shinhan Bank. Noted, there is no adverse record and repayment is normal.  **AML and Blacklist Check:** There are no adverse record or match. |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| 1. **Borrower’s Exposure with other FIs** | | | | | | |
| **Name of FIs** | **Facility** | **Total Facilities (USD’000)** | | | | **Conduct of Account** |
| **Secured Limit** | **Clean Limit** | **Total** | **O/S @**  **May 2019** |  |
| N/A |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Total** |  |  |  |  |  |  |

Comment:

|  |  |  |  |
| --- | --- | --- | --- |
| 1. **Terms and Conditions** | | | |
|  | Complied | | To Comply |
| Yes | No |  |
| **Exiting Conditions Precedent**  N/A  **New Conditions Precedent**   1. Acceptance of Letter of Offer 2. Payment of 1% processing fee on approved amount 3. Released conditions of facilities subject to:  * Compliance of Terms under condition precedent * The release of banking facilities shall be subject to satisfactory completion of documentation and any other conditions imposed by bank which may be necessary to protect the security of bank or which a reasonable and prudent bank may require. * Before releasing, Credit Administration staff will verify that application for the release and any required documentation furnished by borrower (s) are sufficient in form and substance to satisfy the bank that borrower (s) is entitled to disburse the applied amount for pursuant to the provision of the Facility Agreement. * Submission of formal valuation report of the property charged from our bank’s panel with total OMV of not less than **USD1,357,280** |  |  | ✓  ✓  ✓  ✓  ✓  ✓ |

|  |  |  |
| --- | --- | --- |
| 1. **security SUMMARY** | | |
| **Descriptions** | **Security Value (USD’000**) | |
| **OMV** | **Max. LTV** |
| 1. Facility Agreement for USD500K as principal instrument 2. Supplementary Hypothec Agreement as subsidiary instrument. 3. Joint and Several Guarantee for USD500K by:  * Mr. Seng Chantrea (B) * Mdm. Taing Sreylen (B) * Mr. Taing Hengkao (G) * Mdm. Ly Kimseng (G)  1. 1st Ranking Hypothecator (3st party legal charge) in favor of MGN Emperor Bank over the following property:   **New Security**   |  |  |  |  | | --- | --- | --- | --- | | Security Type | A parcel of land cum with 2-storey building of 4 Flats | | | | Title Deed No. | 12070506-1717 | | | | Registered Owner | Mr. Taing Hengkao and Mdm. Ly Kimseng | | | | Tenure | N/A | | | | Encumbrance | Free | | | | Address | No. 1717, Street 1019 (Hanoi), Phum Rong Chak, Sangkat Phnom Penh Thmey, Khan Sen Sok, Phnom Penh | | | | Fire Insurance | N/A | N/A | | | Land Area | 720sqm | | | | Building Area | 952sqm (Estimated measurement) | | | | Security Value | **Formal VR** | **Verbal check (USD)** | | | Land Value | N/A | 1,368,000 | 1,224,000 | | Building Value |  | 138,000 | 133,280 | | OMV |  | **1,506,000** | **1,357,280** | | Valuer |  | **ARC** | **KEY** | | Date |  | 23 Apr 2019 | 23 Apr 2019 |   Comment:   * We adopt the min. verbal value of KEY as it is reasonable and lower than ARC’s. * We classify the grad of the collateral as Commercial with **Grade “C” (Max. LTV: 70%).** | **1,357.28** | **950.09**  **(70%)** |
| **Total Security Value** | **1,357.28** | **950.09** |
| **Facility Limit** | **Amount (USD’000)** | **LTV (%)** |
| **Existing** | **-** | **-** |
| **New** | **500.00** | **36.83%** |
| **Total** | **500.00** | **36.83%** |
| **COMMENT oN SECURITY** | | |
| Subject property to be charged is a parcel of land cum with 2-storey building of 4 Flats located on the corner of St. 1019 (Hanoi) and unnamed road, Phum Rong Chak, Sangkat Phnom Penh Thmey, Khan Sen Sok, Phnom Penh. Currently, the property is owned by the applicant’s parents to be guarantors and occupied as the applicant’s business operation under name of MODERN HOME construction material supply.  After conducting site visit on the subject property, we noted that it situated in a favorable area, along St.1019 (Hanoi) distanced of:-   * 1km from Dey Hoy Market. * 3 Km from Porchentong Market and AEON Mall 2. * 5 Km from Phnom Penh Airport.   The location is marketable for running businesses as well as for residence and it is easy to access where we could classify in Grade C of commercial area **(Max. LTV: 70%)**  Against the min. indicative value of our panel, KEY, the price is at 1.35M reflects MoA of 52.63% vs Max. LTV: 70% only where is strongly secure for loan risk. | | |

|  |
| --- |
| 1. **borrower information** |
| **Borrower’s Infor.**  Applicants, Mr. Seng Chantrea (Age: 46) and Mdm. Taing Sreylen (Age: 36), are related as husband and wife with 3 children. Their current address located in No. 1717, Street 1019 (Hanoi), Phum Rong Chak, Sangkat Phnom Penh Thmey, Khan Sen Sok, Phnom Penh. And Mdm. Taing Sreylen is a daughter of Mr. Taing Hengkao and Mdm. Ly Kimseng who will be guarantors for this loan application as collateral is owned by guarantors.  Applicants have involved in selling construction material since 2014 and operated business on the property to be charged with us under the shop name of “Modern Home” situated in No. 1717, Street 1019 (Hanoi), Phum Rong Chak, Sangkat Phnom Penh Thmey, Khan Sen Sok, Phnom Penh. The business license has been registered at Ministry of Commerce with registered No. 14 6555 subject to annual renewal. Moreover, the business patent is also applied. (Business License and patent 2019 are attached)  Not only construction materials but many kinds of bathroom and electronic appliance are offered. Based on site visit the business premise, we noted that there are many modern textile, plastic pipe, bathroom tools, electronic, etc. are shown in ground floor (Product’s Showroom) while the first floor and roof are used for inventory.  Retail and wholesale are served. Mr. Seng Chantrea revealed that he targets customers who are retailers, consumers, and a few Housing Project Developers, surrounded in Phnom Penh city area rather than Province’s customers. He further mentioned that in term of trading business, A/R is a must for potential customers who have good relationship with them for many years. Meanwhile, his suppliers are also provided credit-term to him, but it is normally shorter than A/R days especially for oversea suppliers. Importantly, stock is very important for business operation as well. Sometimes, he needs to increase stock as much as possible for timely supply to customers avoiding late shipping or ordering. On the other hand, purchasing in a big amount will be discounted from their suppliers; however, a mass will be taken a longer day of inventory. Though, the working capital is strongly demand for applicant’s business.  **Guarantor’s Infor.**  Mr. Taing Hengkao and Mdm. Ly Kimseng are parents of borrower, Mdm. Taing Sreylen. They have engaged in housing project development, but it is operated as a family business. Their current projected is well known as “Borey Heng Kao” where located along street 105 near Borey Moha Sensok (Japanese’s Project). They have maintained loan of USD2M with Sinhan Bank. |

|  |
| --- |
| 1. **financial highlights** |

**Balance Sheet: N/A**

**Financial Statement**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Description** | **Income Statement** | | **Income Projection** | | |
| **2017** | **2018** | **2019** | **2020** | **2021** |
| **12-Months** | **12-Months** | **12-Months** | **12-Months** | **12-Months** |
| **Revenue** |  |  |  |  |  |
| Selling construction | 1,463,387.33 | 1,836,726.04 | 2,479,580.15 | 2,727,538.17 | 3,000,291.99 |
| COGS | 1,158,686.13 | 1,438,634.22 | 1,934,072.52 | 2,127,479.77 | 2,340,227.75 |
| **Profit** | **304,701.20** | **398,091.82** | **545,507.63** | **600,058.40** | **660,064.24** |
| **Expense** |  |  |  |  |  |
| Salary & exp. | 131,704.86 | 165,305.34 | 206,631.68 | 227,294.84 | 250,024.33 |
| Total expenses | 131,704.86 | 165,305.34 | 206,631.68 | 227,294.84 | 250,024.33 |
| **Net income** | **172,996.34** | **232,786.48** | **338,875.96** | **372,763.55** | **410,039.91** |
| **Average** | 14,416.36 | 19,398.87 | 28,239.66 | 31,063.63 | 34,169.99 |
| **Profit Margin** | 21% | 22% | 22% | 22% | 22% |
| **Net Profit Margin** | 12% | 13% | 14% | 14% | 14% |

**Comment:**

* In 2018, revenue was readily increased by 26% comparing to 2017. This rate is considered as a bit higher on sale, but we can still acceptable due to booming of construction growth for last few years in some potential areas such as Phnom Penh City, Preah Sihanouk Province, etc. while many investors are coming to invest in Cambodia.
* Average sale reported of USD153.06K per month in 2018 derived from annual sale of USD1.83M. it was justified by the bank statement with average monthly deposit of USD158.12K. In the same meaning, there is 100% of total sales was channeled with ABA Bank for last 14 months.
* Net profit margin reported of 13% where is acceptable for selling construction material industry.
* As a result, the applicant generated average net income of USD19.39K derived from business performance in 2018.
* Sale is projected to increase by 35% for 2019 after loan disbursement subject to WC purpose and 10% for 2020 and 2021 coming based on the growing in construction industry in Cambodia.

**DSR Computation**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Act. 2018** | **Pro. 2019** | **Pro. 2020** | **Pro. 2021** |
| Net income | 19,398.87 | 28,239.66 | 31,063.63 | 34,169.99 |
| MGN-monthly installment | |  |  |  |
| Fully OD utilization of USD250K | 1,458.33 | 1,458.33 | 1,458.33 | 1,458.33 |
| 3-Year TL of USD250K | 7,719.27 | 7,719.27 | 7,719.27 | 7,719.27 |
| Total monthly installment | 9,177.60 | 9,177.60 | 9,177.60 | 9,177.60 |
| DSR (Times) | **2.11x** | **3.08x** | **3.38x** | **3.72x** |

**Sensitized DSR Computation (Drop 20% of net income)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Act. 2018** | **Pro. 2019** | **Pro. 2020** | **Pro. 2021** |
| Net income | 15,519.10 | 22,591.73 | 24,850.90 | 27,335.99 |
| MGN-monthly installment | |  |  |  |
| Fully OD utilization of USD250K | 1,458.33 | 1,458.33 | 1,458.33 | 1,458.33 |
| 3-Year TL of USD250K | 7,719.27 | 7,719.27 | 7,719.27 | 7,719.27 |
| Total monthly installment | 9,177.60 | 9,177.60 | 9,177.60 | 9,177.60 |
| DSR (Times) | **1.69x** | **2.46x** | **2.71x** | **2.98x** |

|  |
| --- |
| 1. **Industry information- applicable for Loan over USD500k** |
| **N/A** |

|  |
| --- |
| 1. **CONDUCT OF ACCOUNTS** |
| 1. **Account transactionS**   **Bank: ABA**  **Account name: Mdm. Taing Sreylen**  **Account number: 000243397 (Current Account-USD)**  **Period: 16 Months (Jan 2018 to Apr 2019)**   |  |  |  |  | | --- | --- | --- | --- | | **Date** | **Credit** | **Debit** | **Ending Balance** | | **Bal. forward** | | | 9,500.88 | | Jan-18 | 113,000.00 | 111,018.33 | 11,482.55 | | Feb-18 | 88,823.16 | 95,290.97 | 5,014.74 | | Mar-18 | 134,856.00 | 104,482.90 | 35,387.84 | | Apr-18 | 127,779.56 | 155,955.92 | 7,211.48 | | May-18 | 190,000.00 | 194,422.80 | 2,788.68 | | Jun-18 | 100,000.00 | 93,787.10 | 9,001.58 | | Jul-18 | 70,876.73 | 79,768.20 | 110.11 | | Aug-18 | 80,819.00 | 74,694.20 | 6,234.91 | | Sep-18 | 384,295.73 | 378,873.22 | 11,657.42 | | Oct-18 | 20,485.23 | 32,037.38 | 105.27 | | Nov-18 | 164,903.89 | 150,159.90 | 14,849.26 | | Dec-18 | 136,572.76 | 149,022.70 | 2,399.32 | | Jan-19 | 285,433.58 | 282,019.43 | 5,813.47 | | Feb-19 | 300,444.10 | 302,849.90 | 3,407.67 | | Mar-19 | 258,534.00 | 255,857.60 | 6,084.07 | | Apr-19 | 73,140.45 | 68,360.02 | 10,864.50 | | **Total** | 2,529,964.19 | 2,528,600.57 | 132,412.87 | | **Average** | 158,122.76 | 158,037.54 | 8,275.80 |   **Comment:**   * For the last 16 months, turnover credit and debit reported of USD2.529M and USD2.528M derived average monthly deposit and withdrawal of USD158.12K and USD158.03K respectively. * Account has been actively conducted where common transactions are cash/cheque deposit and withdrawal and money transfer. * Noticeably, there has no insufficient fund and return cheques record.  1. **Repayment records**   Applicants have not maintained loan with other Financial Institutions based on CBC report in Jul 2019. |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| 1. **CHECKLIST- applicable for Annual Review** | **Yes** | **No** | **N/A** | **Remarks** |
| 1. Is there any late in principal and/or interest repayment for the last 6 months? |  | **✓** |  |  |
| 1. Is there any breach of conditions covenant noted from borrowers and/or guarantor? |  | **✓** |  |  |
| 1. Is there significant loan increment of borrowers/guarantors noted from CBC or other sources? |  | **✓** |  |  |
| 1. Based on the provided financial statement, did the revenues/net profit of the business/borrowers’ record significantly drop? (more than 30%) |  | **✓** |  |  |
| 1. Is there any record of inconsistency between loan purpose and its utilization ? |  | **✓** |  |  |
| 1. Did the lasted audited financial report show Qualified/Adverse/Disclaimer Opinion from Auditor? |  |  | **✓** | In form of family business |
| 1. Is there any warning/negative comment from government or related authority to the borrowers? |  | **✓** |  |  |
| 1. Is there non-compliance of terms, conditions or other commitment? |  | **✓** |  |  |
| 1. Is there any major change in shareholders, directors, executives or key managements in the organization? |  | **✓** |  |  |
| 1. Is the lawsuit/illegal accusation against borrowers/guarantors? |  | **✓** |  |  |
| 1. Is there a major change in business nature/strategy? |  | **✓** |  |  |
| 1. Is there change in borrowers’ address? |  | **✓** |  |  |
| 1. Is there a major change of business objective? |  | **✓** |  |  |
| 1. Is there a change of key suppliers or buyers of borrowers? |  | **✓** |  |  |
| 1. Is there a major change of construction plan/budget? (applicable for construction loan) |  | **✓** |  |  |
| 1. Does the bank displace the pledged collateral? |  | **✓** |  |  |
| 1. Is there major deterioration to collateral/security? i.e flood or fire …etc. |  | **✓** |  |  |
| 1. Is there a deficit of collateral market value? (more than 10%) |  | **✓** |  |  |

|  |
| --- |
| 1. **risks and mitigating factors** |
| |  |  | | --- | --- | | **Risks** | **Mitigating Factors** | | Only one source of Income | * However, there is only one source of income (Construction Business), it is well operated and profitable since 2014. Moreover, the construction business is considered as a satisfactory sector due to the continuing of construction in Cambodia recently and future. On the other hand, the business has been legally registered with MOC and Taxation’s Dept. * TL is requested for a short tenure (3 years) only where is shown the applicant’s financial and commitment are strong. * Current LTV is at 36.84% against KEY’s indicative value. A lower MoA shall be highly mitigated risk in worst case happening while the collateral is classified in Commercial Type with grade C (Max. LTV: 70%). * The applicant’s profile is good, and their parents are owner of Borey Heng Kao who have been involved business and succeed in housing development project so far. | |

|  |
| --- |
| 1. **credit summary & recommendations** |
| * Applicants are active businessmen who has engaged in selling construction material since 2014. Their personality is good and honest with high responsibility and commitment based on our interview. * Guarantors are the applicant’s parents who owned the property to be charged with us. They also have involved in housing project development which is well-known as Borey Heng Kao. * Income was illustrated from furnished income statement as well as the bank statement of ABA with average monthly deposit of USD158K per month to satisfactorily verify their sale. Noted, average net income reported of USD19.3K per month where is good for monthly loan installment with us. DSR is at 2.11x. * Collateral is in a favorable area of Phnom Penh City reflects LTV of 36.84% only against loan of USD500K where is strongly secure for loan risk. * Purpose of loan is well clarified and justified to be used as working capital in construction business. * We recommend seeking approval subject to above justification. * The approval as per request would be the first good relationship with MGN Emperor Bank as we could get referral customers from their relatives and their customers who willing to buy house in Borey Heng Kao in future. |

|  |
| --- |
| 1. **CONFIRMATION** |
| To the best of my knowledge, I would like to confirm that the information provided in this credit proposal is true and correct. |

|  |  |
| --- | --- |
| **Prepared by:** | **Recommended by:** |
| Mr. Sok Ratanak  Manger, Credit Analyst  Date: | Mr. Chiv Hak  Head, Business Development Department  Date: |