

KINGDOM OF CAMBODIA

NATION RELIGION KING

NATIONAL BANK OF CAMBODIA

Number B7-06-226 Prokor

Unofficial Translation

PRAKAS

on

Controlling Banking and Financial Institutions Large Exposures

The Governor of the National Bank of Cambodia

- With reference to the Constitution of the Kingdom of Cambodia;
 - With reference to the Royal Kram NS/RKM/0196/27, dated January 26, 1996, promulgating the Law on the Organization and conduct of the National Bank of Cambodia;
 - With reference to the Royal Kram NS/RKM/1199/13 of November 18, 1999, promulgating the Law on Banking and Financial Institutions;
 - With reference to the Royal Decree NS/0904/244 of 7 September 2004 on the appointment of His Excellency Chea Chanto as Governor of the National Bank of Cambodia, as equivalent to Senior Minister;
- With reference to the Prakas B7-00-52, dated February 17, 2000, on Controlling Bank's Large Exposures;
- Pursuant to the request of the General Directorate;
- Pursuant to the recommendation made by the National Bank of Cambodia management during the November 02, 2006, meeting.

DECIDES

Article 1

Large exposure is defined as the overall gross exposure resulting from banking and financial institutions operations with one single beneficiary, where such exposure exceeds 10 percent of the institutions net worth. Exposure means the higher of the two following items:

- a - the outstanding loan or commitment
- b - the authorized loan or commitment.

Article 2

Banking and Financial Institutions shall maintain at all times a ratio not exceeding 20 percent between their overall exposure resulting from their operations with each individual beneficiary and their net worth.

Article 3

For the purposes of this Prakas, the net worth shall be calculated in accordance with the provisions of the Prakas B7-00-47, dated February 16, 2000, on the calculation of the institutions net worth. For the purposes of this Prakas, exposures, which are liable to the risk of counterparty default, shall be weighted items as defined in Article 3 of the Prakas B7-00-46, dated February 16, 2000, relating to the solvency ratio. However, items deducted in calculating the net worth in accordance with the provisions of the Prakas on the calculation of the bank's net worth shall not be counted as exposures.

Article 4

Individuals or legal entities that are interconnected in such a way that financial problems experienced by one or more of them would necessarily entail serious financial problems for the other or all of them shall likewise be deemed to constitute a single beneficiary.

In particular, such connections exist between two or more individuals or legal entities where:

- a - one of them directly or indirectly exercises control over the other;
- b - they are subsidiaries of the same parent company;
- c - they come under the same de facto management;
- d - one of them has an equity interest in the other exceeding 10 percent and they are bound by reciprocal guarantee agreements or have a special business relationship with each other such as sub-contracting, franchise, etc.

The National Bank of Cambodia may regard a group of customers as constituting a single beneficiary if the connections between them are aforementioned.

Article 5

For exposures guaranteed by another bank or international financial institution agreed by the National Bank of Cambodia, with the prior approval of the NBC, the weighting referred to in Article 3 of this Prakas may be reduced by half, under the following conditions:

- a - The letter provided by a bank or international financial institutions as the guarantor shall include a formal commitment to repay the total outstanding loans when one of the following events occurs: one instalment is unpaid on due date, or these loans become non-performing.
- b - The guarantee letter shall be signed and acknowledged by the foreign supervisory authority of the bank or by the international financial institution's headquarters that issued this guarantee letter.

Article 6

At the Banking and Financial Institution's request, the National Bank of Cambodia may increase the maximum ratio described in Article 2 of this Prakas, up to an extra-large exposure limit, which cannot exceed 35 percent of the net worth, under the following conditions:

- a - The Banking and Financial Institution's financial condition is considered "satisfactory" by the National Bank of Cambodia, based on National Bank of Cambodia internal rating or benefits from a rating "investment grade" by an international rating agency;
- b - The borrower's financial situation is strong, which includes good business perspectives, solvency, profitability and management. The Banking and Financial Institutions shall provide the National Bank of Cambodia with audited financial reports, a credit analysis report and other related documents when applying for approval of exposures exceeding a ratio as described in Article 2 of this Prakas.

Article 7

Banking and Financial Institutions shall be required to maintain at all times a maximum ratio of 300 percent between the total of their large exposures, as defined in Article 1 of this Prakas, and their net worth.

Article 8

The exposures defined in Article 1 shall be subject to internal management and supervision procedures, in particular by the setting of limits on the delegation of loans or commitment decisions in such a way that the maximum amount of the ratios set forth in Articles 2 through 7 is respected at all times.

Banking and Financial Institutions shall take all necessary steps in keeping a complete centralized record of their commitments, in particular those granted to interconnected beneficiaries falling within the scope of Article 4 of this Prakas.

The National Bank of Cambodia may ask to be provided with a report on the steps taken.

Article 9

Banking and Financial Institutions shall file monthly declarations of their large exposures in accordance with the annex model attached with this Prakas.

Article 10

This Prakas shall not apply to microfinance institutions.

Article 11

The Prakas B7-00-52, dated February 17, 2000, on Controlling Banks Large Exposures, and all other provisions contrary to this Prakas are hereby repealed.

Article 12

The General Directorate, the General Secretariat, the General Inspection, the General Cashier, all Departments of the National Bank of Cambodia, and all Banking and Financial Institutions under the National Bank of Cambodia's supervisory authority shall strictly implement this Prakas effectively from the signing date.

Phnom Penh, November 03, 2006

The Governor

Signed and sealed: Chea Chanto

cc:

- The Members of the Board of Directors
- The parties concerned as stated in Article 12
- File
- CM "for info"
- Administration of CM
- "for publication in the National Gazette"