

Unofficial translation

Lao People's Democratic Republic
Peace Independence Democracy Unity Prosperity

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The Bank of the Lao PDR

No. 330/BoL

Vientiane Capital, Date 02 July 2007

**Decision**  
**on the Scope of Credit Provision of Commercial Bank**

- Pursuant to the Law on the Bank of the Lao PDR No. 05/NA, dated 19/10/1999.
- Pursuant to the Law on Commercial Bank No. 03/NA, dated 26/12/2006.
- Pursuant to the Regulation on Loan Provision to Principal Customers of Commercial Banks and Financial Institution under the Supervision of the Bank of the Lao PDR, No. 03/BoL, dated 15/01/1996.
- Based on the study and recommendation of the Bank Supervision Department and the Financial Institution Supervision Department.

**The Governor of the Bank of the Lao PDR issues a Decision as follows:**

**Article 1. Objectives**

To ensure the stability of the Commercial Bank by determining the scope of credit provision to individuals or any groups of individual, aiming at distributing credit with less risk, guarantee the credit release quality and the ability to response to the credit demand thoroughly.

**Article 2. Definition of Terms**

2.1 **“Capital”** refers to Grade 1 capital of the Commercial Bank as specified in the Decision No. 135/BoL, dated 20/03/2007.

2.2 **“Individual”** refers to general individual or any individual.

2.3 **“Group of Individual”** refers to a group comprises of 2 individuals and more and shall be deemed as the same individual if:

- Any individual has power to directly or indirectly control other individuals within the group by holding a share from 20% and over of the total number of shares with the right to vote;
- Such individuals lain within the same group, having a relationship in the group by holding joint ownership, having the same manager, giving mutual guarantee.

2.4 **“Principal Customer”** refers to individual or group of individual whose the credit provided by the Bank is 10% of the capital upward.

2.5 **“Credit”** refers to loan or financial encumbrance given by the bank to its customer.

2.6 **“Loan”** refers to the amount of loan released by the bank to individual or any group of individual and recorded inside and outside the balance sheet such as: Common loan (Loan), overdraft (OD), advance payment to customer (Advance), loan jointly released with other bank (Syndicated Loan).

2.7 **“Financial Encumbrance”** refers to the contractual agreement to be given by the Bank to its customer in the future, which recorded outside the balance sheet, such as Letter of Credit (L/C), Letter of Guarantee (B/G, L/G), Letter of Acceptance (Aval/Acceptance, Advance Payment Guarantee) and others.

### **Article 3. Scope of Credit Provision to Individual, Group of Individuals and Principal Customer**

The Commercial Bank under the supervision of the Bank of the Lao PDR can release credit to its customers based on the condition provided below:

3.1 Provision of any or several types of credit to any individuals must not exceed 25% of the capital.

3.2 Provision of any or several types of credit to any individual must not exceed 50% of the capital.

3.3. Provision of credit under Clause 3.1 and 3.2, if several budget ranges are involved, the gross amount of the newly approved budget ranges must be added to the gross amount remaining from the budget range amount of the old installment.

3.4 Provision of credit in exceeding of the limit under clause 3.1 and 3.2, one Commercial Bank must join hands with other commercial banks or financial institutions to release credit and must report to the Bank of the Lao PDR for information.

3.5 Provision of credit to principal customers, the total aggregate amount shall not exceed 8 folds or 800% of the capital.

### **Article 4. Scope of Credit Provision between Commercial Bank**

The provision of credit by one Commercial Bank to the other Commercial Banks or Financial Institutions shall not exceed 50% of the capital.

### **Article 5. Exemption about the Scope of Credit Provision**

The provision of credit in accordance with Article 3 and 4 shall not include any credit provisions which are guaranteed by:

5.1 Valuable items (diamond, precious stone, gold, platinum and silver) based on the actual market price.

5.2 Deposit account at the Commercial Bank which is in the same currency as the credit.

5.3 The Government of the Lao PDR or the Government's bond.

For any branches of foreign commercial banks which obtain a license to operate business in the Lao PDR, the performance of Article 3 and 4 must be exempted, but must report to the Bank of the Lao PDR on a case-by-case basis.

**Article 6. Collateral**

6.1 The credit provision by Commercial Bank shall not exceed 90% of the amount of collateral based on the actual market value.

6.2 Giving collateral as mortgage shall be based on the location, which means that registration must be made in the location where the collateral existed.

**Article 7. Responsibility to Credit Provision of the Commercial Bank**

7.1 Administrator, credit official or concerned staff must be responsible to all the risks that occurred or to be occurred from credit release.

7.2 If the loan being released has become Non-productive liability (NPLs), the Commercial Bank must take action to follow up and modify in according to the regulations, then to report the outcome of such modification to the Bank of the Lao PDR on a quarterly basis.

7.3 If the Commercial Bank fails to report on the Non-productive liability (NPLs) in accordance with Clause

7.2 to the Bank of the Lao PDR or has an intention to hide such information, when find out a measure shall be imposed in according the regulations set out in each period by the Bank of the Lao PDR.

**Article 8. Effectiveness**

This Decision shall supersede a Regulations No. 03/BoL, dated 15 January 1996 and shall become effective from the date it is signed.

The Governor of the Bank of the Lao PDR

[Signed and sealed]

Phouphet Khamphounvong