

**MAIN TERMS AND CONDITIONS**

<b>Purpose</b>	Financing of operational expenses for agricultural purposes	Financing of capital expenses, as well as capital and operational expenses <sup>1</sup> for agricultural purposes
<b>Currency</b>	AMD	
<b>Loan amount</b>	1,000,000 – 33,000,000	1,000,000 – 75,000,000
<b>Loan maturity</b>	12 – 48 months	12 – 60 months
<b>Annual interest rate<sup>2</sup></b>	11.60%	
<b>Annual percentage rate<sup>2</sup></b>	12.24%	
<b>Service fee [monthly]</b>	0%	
<b>Disbursement fee [one off]</b>	0%	
<b>Disbursement method</b>	Cash, non-cash	

**CUSTOMER REQUIREMENTS**

- Legal entities, sole entrepreneurs or individuals registered in RA and engaged in agriculture.
- Age: 21+; the sum of the client's age at the time of applying and the expected loan period should not exceed 70 years.
- Residence and at least 6 months of continuous business activity within FINCA's service area. This condition does not apply to start-up agricultural businesses, where the total cost of the funded project doesn't exceed 5,0 million AMD. In this case, the loans can be provided based on future cash flow analysis and/or other periodic income (for example, monthly salary).
- Loan coverage ratio (ratio of customer's spare means and monthly repayment of the requested loan) minimum of 1.5.
- Capital adequacy ratio (ratio of capital and sum of assets and requested loan) minimum of 0.4.
- Compliance with FINCA's social and environmental requirements.
- Borrowers should act on their behalf and for their benefit; taking a loan on behalf of a third person is prohibited.

**MINIMUM REQUIREMENTS<sup>4</sup> FOR LOAN SECURITY**

- Assessment of creditworthiness
- Source of stable income

1,000,000 – 2,500,000 AMD	2,500,001 – 5,000,000 AMD	5,000,001 – 75,000,000 AMD
One guarantor <sup>5</sup>	Two guarantors <sup>5</sup>	One guarantor <sup>5</sup> and liquid asset <sup>6</sup> collateral. <ul style="list-style-type: none"> <li>• <b>In case of real estate</b>, the maximum loan / collateral ratio is up to 80% of the appraised value</li> <li>• <b>In the case of a vehicle</b>, the maximum loan / collateral ratio is up to 60% of the appraised value</li> <li>• <b>In case of agricultural machinery</b>, the maximum loan / collateral ratio is up to 70% of the estimated value</li> </ul>

**LOAN REPAYMENT**

The loan is repaid in equal monthly repayments consisting of the principal, interest and service fee or with a flexible repayment schedule<sup>7</sup>, maintaining the rule of granting a grace period. The minimum number of grace periods<sup>8</sup> for the entire loan period should be 3 months. Up to 9 months of grace period<sup>8</sup> is available during each 12-month period. Any grace period during the entire loan period should consist of no more than 9 consecutive months. Zero-payment grace periods are available, during which repayments can be made once in 6 or 4 months. In this case, at least one principal repayment must be made during the first 12 months.

**The borrower can repay the loan earlier than stipulated by the payment schedule without incurring penalties.** Upon early repayment, together with the reduction of the principal, the borrower's total credit expenses (interest, other fees) are reduced proportionally, except for the cases when the payer submits a different written order. Penalties and other fees incurred as a result of failure to properly fulfill obligations stipulated by the RA legislation and the loan contract, as well as the fees defined by the Article 15 of the RA Law on Consumer Credit are not reduced. Upon full early repayment of the loan, the borrower pays the service fees and other charges, interest and principal amounts calculated as of the payment date.

Payments for future months can be made in advance by submitting a written order. Repayments for each upcoming month are made in the following order: 1) service fees and other charges, 2) interest, 3) principal.

**WARNINGS AND PENALTIES**

- **In case the borrower breaches the contractual obligations, FINCA may change the interest rate of the loan following the order provided by the contract and the terms constituting an integral part of the contract.**
- In case of failure to fulfill the contractual obligations according to the payment schedule, the borrower is obligated to pay a **PENALTY** for each overdue day in the amount of: 1) **0.13%** of the overdue principal, 2) **0.13%** of the overdue interest.
- If the borrower fails to repay the principal on time, application of the contractual interest rate towards the overdue amount is terminated and a **24% annual interest rate** is applied from the day of breaching the schedule till the loan repayment date. If the amount paid is not sufficient to cover all overdue obligations, the creditor's expenses incurred in efforts to receive the due payments from the borrower are paid first, followed by the service fees, penalties, interest and principal. This order may change per the creditor's decision based on the borrower's written request.
- **In case of failing to fulfill your loan obligations, this information is sent to the credit bureau where your credit history is formed. Bad credit history can prevent you from receiving a new loan in the future.**
- **In case of not fulfilling your loan obligations on time, your property may be confiscated in accordance with the law.**
- **If the collateral is insufficient to cover loan obligations when repaying them at the expense of the collateral, payments are made at the expense of your other property.**

**OTHER TERMS AND CONDITIONS**

<b>Disbursement in tranches (in parts)</b>	Up to 3 tranches, the amount of each tranche cannot be less than 1 000 000 AMD.
<b>Changes in loan terms</b>	Within 7 working days from the moment of notification of the refusal of the loan refinancing or withdrawal of the loan after refinancing by the Central Bank of the RA, a new loan agreement has to be signed for the refinancing of the loan within the terms defined for the current agricultural loans in AMD. And in case of not signing a new loan agreement within the stipulated period, the annual interest rate defined by the current contract is set to <b>19.9%</b> , as well as a monthly service fee is set at <b>0.75%</b> of the loan balance as of the date of change. There will be no recalculation in regards to early repayments made before the amended schedule takes effect.

**LOAN APPLICATION AND DISBURSEMENT**

<b>Required documents (to be submitted in person)</b>	<p><b>Individuals</b></p> <ul style="list-style-type: none"> <li>• ID cards of the borrower and the guarantors or their passports and social security cards</li> <li>• If the borrower is a <b>sole entrepreneur</b>, a Certificate of State Registration is also required</li> <li>• Other documents upon request</li> </ul>	<p><b>Legal entities</b></p> <ul style="list-style-type: none"> <li>• ID cards of the director, shareholders and guarantors or their passports and social security cards</li> <li>• Certificate of State Registration, director insert</li> <li>• Copies of the state registration certificate, charter and tax code of the participants of the legal entity.</li> <li>• Other documents upon request</li> </ul>
<b>Factors on which the loan decision depends</b>	<p><b>Positive factors</b></p> <ul style="list-style-type: none"> <li>• Sufficient level of creditworthiness</li> <li>• Good credit history</li> <li>• Stable income generated from agriculture</li> </ul>	<p><b>Negative factors</b></p> <ul style="list-style-type: none"> <li>• Insufficient level of creditworthiness</li> <li>• Bad credit history</li> <li>• Absence of stable income</li> <li>• Non compliance with the set customer requirements</li> <li>• Provision of false or untrustworthy info</li> <li>• Other credit risks</li> </ul>
<b>Decision making and provision timing</b>	<ul style="list-style-type: none"> <li>• Making a decision with respect to the loan application: up to 3 business days.</li> <li>• Providing the applicant a written or verbal notification on the decision: up to 1 business day.</li> <li>• Disbursing the loan: up to 4 business days after the submission of the application.</li> <li>• The credit committee decision is valid for up to 15 business days.</li> </ul>	
<b>Other details</b>	The borrower can apply for the loan in all FINCA branches. <b>Before signing the contract, you will receive an individual sheet, which will show your individual loan terms.</b>	

**NOTES**

1. When financing both operational and capital expenses, the operational expenses portion cannot exceed 33,000,000 AMD.
2. **The loan interest is calculated with respect to the outstanding amount, based on the annual interest rate. Whereas, the annual percentage rate shows the cost of the loan if the interest and all other required fees are duly paid according to the repayment schedule. The annual percentage rate calculation is described below.**
3. A start-up agricultural business is considered to be a case when the potential beneficiary has not had any other active business in the previous 6 months (agricultural or other industries).
4. The credit committee can require additional loan security: guarantee or collateral.
5. For individuals, guarantors can be **internal** — family members, or **external** — other people. **In case there are only external guarantors**, a member of the borrower's family — if the borrower is married, then their spouse — should be registered as an affiliated person. **Financial guarantors** should have a stable income or liquid assets (real estate, a vehicle or agricultural machinery with state registration) comparable to the loan amount. **In case of legal entities guarantee of shareholders is required.**
6. **Liquid asset collateral** — state registered agricultural machinery, a vehicle, real estate. There is no need to insure the collateral.
7. **Flexible repayment schedule** — a schedule that allows varying amounts of principal payment each month.
8. **Grace period** — a period, during which no principal repayments are made.

**ANNUAL PERCENTAGE RATE**

The annual percentage rate calculation is based on the following form:

$$A = \sum_{n=1}^N \frac{K_n}{(1+i)^{\frac{D_n}{365}}}$$

A – the initial loan amount

n – the sequence number of the installment for loan repayment

N – the sequence number of the last installment for loan repayment

$K_n$  – the amount of the nth installment for loan repayment

$D_n$  – the number of days between the loan disbursement date and the date of the nth installment for loan repayment

i – the annual percentage rate

Loan amount	AMD 1 000 000
Loan maturity	36 months
Loan annual interest rate	11,6%
Loan service fee	0%
Loan disbursement fee	0%
Loan repayment	3 months of grace period
Loan disbursement day	05 May 2021
First repayment date	07 June 2021
<b>Loan annual percentage rate</b>	<b>12,24%</b>

**LIST OF SECTORS WHICH CAN BE FINANCED WITH PROGRAM AGRICULTURAL LOANS**

- A1. Growing of crops (including perennial and non-perennial crops and gardening)
- A2. Seed and plant propagation
- A3. Pre-harvest fertilization, grafting, etc. of crops
- A4. Post-harvest activities (organization, sterilization, softening of soil, etc.)
- A5. Growing of livestock (cattle, sheep, pig, poultry, etc.)
- A6. Auxiliary activities connected to growing of livestock (veterinary services, vaccinations, artificial insemination, shearing, etc.)
- A7. Fishing and other water culture
- A8. Meat canning and processing (from locally produced raw materials)
- A9. Canning of fish, shrimp and other shellfish (locally produced)
- A10. Canning and processing of fruits and vegetables (locally produced)
- A11. Production of vegetable and animal oil and fat (from locally produced raw materials)
- A12. Production of dairy, including cheese and ice cream (from locally produced raw materials)
- A13. Production of grains and starch-containing foods (from locally produced raw materials)
- A14. Production of animal feeds (mostly locally produced)
- A15. Production of pesticides, herbicides and insecticides
- A16. Production of fertilizers
- A17. Sales and renting of agricultural machinery (for example, tractor, combine harvester, etc.) and agricultural capital investments (for example, irrigation system)
- A18. Sales of spare parts of agricultural machinery and agricultural capital investments
- A19. Repair of agricultural machinery and agricultural capital investments
- A20. Construction of buildings and warehouses for agricultural purposes, including machinery inside them
- A21. Beekeeping, production of honey and similar products, production of beehives
- A22. Animal slaughterhouses
- A23. Processing and/or drying and packaging of berries and herbs collected from nature (for example, production of traditional herbal tea)
- A24. Production of cosmetic and beauty products, using mostly locally grown plants and materials or plants and materials collected from nature
- A25. Transportation of agricultural goods in special vehicles, including for example grain trucks, milk trucks, vehicles for the transport of livestock, poultry and live fish, transportation of beehives (excluding transportation of ready-made food products)

**GENERAL TERMS AND INFORMATION REGARDING ALL LOAN TYPES**

- In the cases and according to the order provided by the contract and the terms constituting an integral part of the contract, FINCA has a right to unilaterally change the interest rate of the loan by up to +5 percentage points but not more than twice the bank reference rate set by the Central Bank of Armenia. The borrower should be notified about the change 7 business days prior to its entry into force.
- Loan statements provided on the spot; other information is provided within 10 business days upon request. Provision of statements and other information is free of charge.
- You can communicate with FINCA by using the channel of your preference: either postal services or electronic communication. It is more convenient to obtain information electronically as it is free of the risk of losing information on paper.
- To compare the loan types offered to individuals and to choose the most suitable option, you can visit the electronic platform *Your Financial Directory* at [www.fininfo.am](http://www.fininfo.am).
- When pledging property as collateral for a loan, a need to use third party services arises. The prices of those services and the respective service providers are presented below:

Services	State agencies and cooperating organizations providing the services	Service fees
Ratification of the pledge agreement	Notary Offices of the RA	AMD 3,000 – 20,000
Registration of pledge rights with respect to real estate	Cadastre Committee of the RA	AMD 3,000 – 30,000
Provision of a unified certificate on the real estate unit	Cadastre Committee of the RA	AMD 500 – 10 000
Registration of pledge rights with respect to agricultural machinery	The Ministry of Justice of the RA	AMD 2,000
Registration of pledge rights with respect to vehicles	Records and Examinations Divisions of the Road Police Service of the RA Police	AMD 2,000
Provision of a certificate on limitations with respect to vehicle alienation	Records and Examinations Divisions of the Road Police Service of the RA Police	AMD 3,000
Bank transfer (transfer of service fees)	RA banks	AMD 300 per transfer
Independent appraisal of real estate pledged as collateral	Cost Consult LLC Oliver Group LLC A.G. Borsa LLC VM-RP LLC Gardi LLC Finlaw LLC	Depending on the type and size of the property, minimum AMD 5,000

**NOTE: FINCA UCO IS REGULATED BY THE CENTRAL BANK OF ARMENIA.**