

Agricultural loans under “Subsidization of interest rates on loans for the implementation of anti-hail protection networks for the agricultural sector of RA” program

1. Terms & Conditions		
1.1	Currency	Armenian drams (AMD)
1.2	Nominal annual interest rate	12%, up to 10% out of which is subsidized by the state /Interest rates on loans granted to economic entities of borderline communities included in the list approved by RA Government Decree No. 1444-N dated December 18, 2014, and agro-cooperatives to implement at least 3ha of anti-hail protection networks are fully subsidized by government/
1.3	Maximum loan/collateral value	<ul style="list-style-type: none"> • Up to 100% of funds available on deposit and bank accounts; in addition, in case of funds in the same currency - up to 100%, in case of funds different currencies - up to 95%, • In case of immovable property - up to 70%, • In case of movable property - up to 50%, • In case of inventory holdings - up to 30%, but the share of given type of collateral in the structure of offered collateral must not exceed 40%, • In case of cash flows – not more than 50% of average monthly net credit turnover on bank accounts for the last 12 months. Average monthly net credit turnover is calculated for the last 12 months, and for the last 6 months if such party is Customer of the Bank for less than 12 months.
1.4	Period	1-7 years
1.5	Grace period	Up to 1 year /to the principal amount/
1.6	Manner of repayment of loan and interests	Monthly uniform repayment of the principal and interests
1.7	Loan amount	<ol style="list-style-type: none"> 1. In case the implementation of anti-hail networks is performed by the Contractor: <ul style="list-style-type: none"> • In case of vineyards - AMD 1,000,000-36,000,000 /per 1ha - maximum AMD 3,600,000/, • In case of intensive orchards - AMD 1,000,000-85,000,000 /per 1ha - maximum AMD 8,500,000/; 2. In case the implementation of anti-hail networks is performed by the Borrower: <ul style="list-style-type: none"> • In case of vineyards - AMD 1,000,000-28,800,000 /per 1ha - maximum AMD 2,880,000/, • In case of intensive orchards - AMD 1,000,000-68,000,000 /per 1ha - maximum AMD 6,800,000/.
1.8	Early repayment of loan	Permissible, no fines or penalties are applicable
1.9	Coverage area	Armenia
1.10	Purpose of financing	<ul style="list-style-type: none"> • Implementation of anti-hail protection networks in 0.5-10 ha vineyards • Implementation of anti-hail protection networks in 0.5-10 ha intensive orchards
1.11	Additional term	If the works for the implementation of anti-hail protection networks is carried out by contractors, they should be included in the list published by the Ministry of Agriculture of the Republic of Armenia
2. Bank fees		

2.1	One-time fee for application review	AMD 0
2.2	Fee for loan maintenance	AMD 0
2.3	Fee for cashing out loan sums	AMD 0
3.	Security	
3.1	Collateral	Funds on deposit and bank accounts, movable and immovable property, guarantees, warranties, collateralized securities, shares, stakes, stocks, and cash flows (legal claim on funds), pledge of right, mixed and other collateral acceptable by the Bank.
3.2	Additional term	<p>While pledging residential real property the Mortgagor provides justification of property rights, and if they were transferred to the Mortgagor under transaction of gift and the property was transferred during five years preceding the submission of a Loan application:</p> <ol style="list-style-type: none"> 1. Additional collateral (donor's surety) is required; inter alia, the amount of loan may not exceed 50% of appraised liquid value of collateral or 2. Additional collateral (third party surety) is required; inter alia, the amount of loan may not exceed 25% of appraised liquid value of collateral. <p>* This sub-clause is not applicable if upon submission of a Loan application the donor is dead</p>
4.	Assessment and insurance of collateral	
4.1	Assessment of collateral	<p>Assessment of immovable and movable property and PPE is carried out by independent evaluating companies that cooperate with the Bank.</p> <p>Assessment of securities, other property and rights acceptable by the Bank is carried out by independent evaluating companies that cooperate with the Bank, as requested.</p>
4.2	Insurance	As requested
5.	Requirements to borrower	
5.1	Borrower	Resident natural person – a citizen of Armenia aged at least 18
5.2	Credit history requirements	Total number of days outstanding on credit commitments during the past 12 months must not exceed 36 days (if the term of the Borrower's activity is less than 1 year, then the number of days outstanding on credit commitments should not exceed 3 days for each month from the date of actual activity, on a cumulative basis);
6.	Requirements to Guarantor	
6.1	Guarantor	A resident legal entity, private entrepreneur, natural person registered in Armenia or NKR
6.2	Requirements to Guarantor	<ul style="list-style-type: none"> • A legal person, private entrepreneur with not less than 6 months of uninterrupted activity and natural person aged 21-63, • There should not be any overdue liabilities (including for issued guarantees), • Total number of days outstanding on credit commitments during the past 12 months must not exceed 36 days (if the term of the Borrower's activity is less than 1 year, then the number of days outstanding on credit commitments should not exceed 3 days for each month from the date of actual activity, on a cumulative basis);
7.	Additional terms	
7.1	Basis for rejecting an application	<ul style="list-style-type: none"> • Customer has failed to provide requested documents • The inquiry to "ACRA" credit bureau has reported on a negative credit history of Customer • According to credit rating, the Customer is not creditworthy • Information, which came into possession in the course of lending, arouses prejudice with regard to the information provided by the Customer

		<ul style="list-style-type: none"> The necessity of receiving the loan is not justified
7.2	<i>Failure by Borrower to fulfill his/her liabilities</i>	<ul style="list-style-type: none"> <i>For failure to pay interests when due, the Bank shall charge a penalty for each day of default equal to 0,13% of past-due amount;</i> <i>For failure to repay the loan when due as prescribed by contract terms, the calculation of interests under the contract shall be suspended and effective from that day until the actual repayment of the arrears interests shall be accrued on the overdue amount equal to the twofold of the settlement rate of the bank interest set by the Central Bank of RA</i> <p><i>In case of non-fulfillment or improper fulfillment of credit commitments, information on indebtedness shall be filed to credit register and "ACRA" credit bureau.</i></p> <p><i>NOTE: BAD CREDIT HISTORY MAY SERVE AS AN IMPEDIMENT FOR BORROWER FOR ACCESS TO OTHER CREDITS IN THE FUTURE</i></p> <p><i>The Bank may impose a forfeiture on the collateral or sell it out without applying to court</i></p>

Additional information

Manner of calculating interest amounts	The interest rate is charged on the reducing balance of loan
<i>Other expenses of Customer</i>	<ul style="list-style-type: none"> ✓ <i>Costs associated with the assessment of collateral - AMD 12,000-35,000, subject to the size and purpose of the asset (as per tariffs of appraising companies, which cooperate with the Bank);</i> ✓ <i>Notary's costs - AMD 13,000 – 20,000;</i> ✓ <i>Costs associated with cadastral registration - AMD 36,000 (other tariffs may be set subject to the size, purpose and location of the premises)</i> ✓ <i>Insurance of the collateral– as required</i>
Term of application review	15 business days
Place of loan execution	Head Office and all branches of the Bank
Documents requested for loan execution	
<ul style="list-style-type: none"> ✓ Passport ✓ Social card or social service registration mark, if not any, a statement from the relevant authority ✓ Proof of marital status (if any) ✓ Birth certificates for children (if any) ✓ Copies of passports, social cards of family members ✓ Statement from dwelling place about residing people ✓ Statement of income issued by primary employer (if any) ✓ Copy of employment record (“work book”) ✓ Copy of labor contract (if any) ✓ Contracts, receipts for the sale of products ✓ Investment program ✓ Business program (if required) ✓ Photos related to the developing business ✓ Ownership certificates of land used for agricultural purposes ✓ Statement on the absence of debt related to tax on land and irrigation water (if required) ✓ Passports of existing agricultural equipment, machinery and other movable property and/or other documents, certifying title of ownership ✓ Statement from rural/urban municipality on circulating and fixed assets belonging to the customer by ownership right (land, buildings, livestock, gardens, etc./ ✓ Other proof of income ✓ Copies of credit and collateral agreements related to current loans and loans of the past year, statements of credit account ✓ Certificate of the registration of ownership rights ✓ Proof of acquisition of immovable property (contract, decision or other document), if necessary 	

- ✓ Uniform statement on pledged property issued by the regional office of State Cadastre Committee on restrictions and registered rights (the statement is issued upon favorable decision on loan)
- ✓ Assessment deed made by authority with appropriate license
- ✓ In case of pledging other assets - documents necessary for making the deal in the manner prescribed by law
- ✓ Copies of passports, social. cards and marriage certificates of owners (and of spouse, if any) of pledged asset
- ✓ Other documents upon request

Attention

The interest amounts on loans are calculated based on the nominal interest rate. The nominal interest rate on loans measures the annual rate of interest for loan, and is calculated against loan balance on a yearly basis.

Example of calculating interest amount

- Initial loan amount – AMD 10 000 000
- Loan period – 36 months
- Annual interest rate - 12%, up to 10% out of which is subsidized by the state
- Manner of repayment of loan and interest – by annuity payments

Amount of the repayment for the first month shall make AMD 286,425.8

The effective annual interest rate on loans measures the real cost of credit after the interests are paid and other payments are made within the specified time and amounts.

Formula for Effective Annual Interest Rate Calculation

(applicable for loans amounting up to AMD 2 000 000 or equivalent currency)

The effective annual interest rate is calculated based on the following formula:

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

where:

i – effective annual percentage rate (APR),

A - initial amount of loan to be disbursed,

n - number of the regular repayment on loan,

N - number of the last repayment on loan,

Kn- amount of the n-th regular repayment on loan,

Dn- time from the date of loan disbursement to the date of the n-th regular repayment on loan measured in terms of days

i - effective annual interest rate can be calculated providing that the rest of equation data are known from loan agreement or otherwise.

To calculate the actual annual interest rate please use Effective Annual Interest Rate Calculator, with reference http://www.armbusinessbank.am/am/page/Crediting_.

Example of calculating the effective annual interest rate

- Loan amount – AMD 2,000,000
- Loan period - 36 months
- Annual interest rate - 12%, up to 10% out of which is subsidized by the state
- Fee for loan application review – AMD 0
- Fee for loan servicing – AMD 0
- Cashing out loan funds - 0%

- Repayment of loan amount and interests – by annuity

The effective annual interest rate is 2,03%

Given the amount, term of the loan, frequency of the repayments, as well as changes in the appraisal fees and costs of other miscellaneous services the effective annual percentage rate on loan may vary from the above example.

"Financial Assistant System" of www.fininfo.am "Finance for All"