

INFORMATION GUIDE TO TERMS OF FACTORING

The terms and conditions contained in this guide may have been changed. For more details and complete information, please visit Ameriabank CJSC

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The Bank is supervised by the Central Bank of Armenia.

This guide also contains terms of factoring for corporate clients

Ameriabank offers its corporate clients the following types of factoring:

- Domestic factoring (recourse or non-recourse)¹
- Domestic classic factoring (non-recourse)
- Export factoring (recourse/non-recourse)
- Import factoring (recourse/non-recourse)

Factoring applications are accepted and processed at the Bank's head office.

The amount of financing is disbursed in non-cash form by crediting it to the creditor's (client's) account.

Calculation of interest and commission for provision of financing

Attention! Factoring interest is calculated on the basis of nominal interest rates. The calculations are based on a 365-day year. The annual percentage rate (APR) shows the cost of financing in case of due and timely repayments under the agreement.

APR is calculated by the following formula:

¹**Recourse factoring** is factoring with the right to demand payment from the client if the debtor fails to pay.

Non-recourse factoring is factoring without the right to demand payment from the client.

$$A = D * E\% / 365(B - C)$$

where

- A – annual interest rate of factoring financing
- D – amount of financing
- E – set interest rate
- B – date of payment
- C – date of provision of financing (B-C = number of days elapsed)

Commission for provision of financing is calculated as percentage of the ceded amount and charged pursuant to the decision of the Bank's authority either upfront or upon maturity.

The one-off commission for provision of factoring is charged in AMD, regardless of the factoring currency, based on the current exchange rates applied at the Bank at the time of charging the commission.

Upon maturity, the interest calculated for the entire term is deducted from the ceded amount not provided to the client and is returned to the client as final settlement.

Interest Calculation: Representative Example

- Amount ceded under factoring – AMD 10,000,000
- Financing amount ratio – 90% of the ceded amount
- Amount of financing – AMD 9,000,000
- Annual interest rate – 15%
- Lump sum commission for disbursement of financing – 1%
- Factoring term – 60 days

Daily interest will comprise

$$9,000,000 * 15\% / 365 = \text{AMD } 3,698.63$$

Interest for the entire term of financing will comprise

$$3,698.63 * 60 = \text{AMD } 221,917.8$$

Lump sum commission for provision of factoring financing will comprise

$$10,000,000 * 1\% = \text{AMD } 100,000$$

- In case of recourse factoring, interest is calculated daily on the amount of financing. The calculations are based on a 365-day year.
- In case of non-recourse factoring, interest is calculated daily on the financed amount. The calculations are based on a 365-day year.

Security

Based on the risk level of the transaction, the bank's authorized body may demand from the client to secure it by collateral, warranty or guarantee.

In case of recourse or non-recourse factoring, the client or debtor will pay a fine equal to **0.13%** of overdue amount for each day of delay.

Change of interest rate

The bank can at its sole discretion change the interest rate and lump sum commission for provision of financing during the validity period of the agreement based on the volatility of interest rates of funds raised from or allocated on the financial market and/or if there are actual reasons/preconditions for change of interest rate on the financial market, by giving a 30-day prior notice to the client.

ATTENTION! IN CASE OF DEFAULT ON THE CEDED AMOUNT ON THE PART OF THE DEBTOR, INFORMATION ABOUT THE DEBTOR WILL BE RECORDED IN THE CREDIT REGISTER.

ATTENTION! IF AFTER YOU FAIL TO MEET YOUR COMMITMENTS UNDER THE AGREEMENT, THE BANK ENFORCES THE PLEDGE TO SETTLE THEM BUT THE VALUE OF PLEDGE APPEARS TO BE INSUFFICIENT TO COVER ALL YOUR CREDIT COMMITMENTS, OTHER PROPERTY YOU OWN MAY ALSO BE REPOSSESSED TO SETTLE THE CLAIM.

ATTENTION! YOUR PROPERTY CAN BE FORECLOSED ON PURSUANT TO LAW, IF YOU FAIL TO REPAY THE LOAN AND INTEREST WHEN DUE.

Please bear in mind that factoring repayments may be subject to currency volatilities, if financing is provided in a currency other than the currency of the invoice.

Decision on providing financing

The bank makes a decision on factoring application maximum within 10 (ten) business days upon receipt of the complete set of documents from the client.

Where there is collateral, financing is provided to the client upon execution of security agreements envisaged by the factoring contract. If the client pledges material property to secure the financing, the disbursement of financing shall be subject to proper fulfillment of the following conditions precedent: (i) execution of security agreements pursuant to the legislation of RA, such agreements prepared in form and substance satisfactory to the bank, (ii) insurance of the pledge (upon the bank's request) by an insurance company cooperating with the bank, (iii) fulfilment of other terms and conditions of factoring by the client. Financing is provided to the client 1 (one) business day after all the above requirements have been met.

What may help you to get your factoring application approved

- Financial position
- Banking/credit history
- Security
- Management quality
- Business environment

- Activity and credit history of related parties

Why your factoring application might be rejected

- The information (documents and other data) submitted by the client is not trustworthy or complete.
- The client's declared income is not sufficient to cover the liabilities.
- The client has bad credit history, delinquent and/or classified liabilities (including to third parties).

Payments required for factoring secured by pledge of property

Pledge or additional security may be required from both the creditor and the debtor in order to suppress the risks.

The real or movable estate to be pledged should be appraised by an appraisal company cooperating with the bank. The company is selected by the client from the offered list. Appraisal fee – AMD 7,000-30,000 depending on the property. From time to time, the fee for appraisal of major items of property can be negotiable (on a case-specific basis).

Fees payable for financing secured by vehicles or real estate:

- Notary fee: AMD 14,000-16,000 lump-sum (in case of vehicle)
- Notary fee: AMD 13,000-18,000 lump-sum (in case of real estate)
- Notary fee: AMD 13,000-18,000 lump-sum (in case of plant and equipment)
- Fee for unified statement on encumbrance of the property: AMD 10,000
- Fee for registration of security interest in the real estate: AMD 26,000
- Fee of the Police of the Republic of Armenia for lien and pledge of vehicles: AMD 5,000
- The property is to be insured by a specialized organization which charges commissions and fees pursuant to its tariffs and rates which can change from time to time depending on the market. Insurance premiums are within the following range:

| Insurance cost | % of financing amount |
|----------------|-----------------------|
| Real estate | 0.15-0.25 |
| Equipment | 0.2-0.35 |
| Working assets | 0.3-0.5 |
| Automobile | 2.5 |

Where insurance of pledge is obtained by the bank, the rate of interest is increased by 0.2% if the pledge is real estate, by 2.5% if the pledge is vehicle, or by 0.5% if the pledge is plant and equipment.

FACTORING TERMS AND FEES

| No. | 1. DOMESTIC FACTORING | |
|-------|------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| 1.1 | Application fee ⁱ | AMD 15,000 |
| 1.1.1 | Application fee for revision of terms of finance ⁱⁱ | AMD 10,000 (except as otherwise provided for in agreement) |
| 1.2 | Annual interest rate | from 12% |
| 1.3 | Factoring provision fee (lump sum) | 0.6%– 3.0% of invoice amount, min: AMD 10,000 |
| 1.4 | Term of finance (max time span between provision of finance and fulfillment of liabilities under assigned claim) | 120 days |
| 1.5 | Ratio of finance amount to amount of assigned claim | up to 90% |
| 1.6 | Type of security | pledge, warranty, guarantee or without additional security |
| 1.7 | Client's account with Ameriabank CJSC and finance amount turnover through it | required |
| 1.8 | Business history of the client | at least 1 year of operation after getting registered at the State Register of Armenia |
| 1.9 | Payment against assigned claim | wire transfer, deferred payments permitted |
| 1.10 | Late payment fee per day ⁱⁱⁱ | 0.13% |

| No. | 2. DOMESTIC CLASSIC FACTORING² | |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|
| 2.1 | Application fee ⁱ | free of charge |
| 2.1.1 | Application fee for revision of terms of finance ⁱⁱ | AMD 10,000 (except as otherwise provided for in the agreement) |
| 2.2 | Annual interest rate (calculated from the date of financing for the approved days but not more than for 120 days inclusive, based on a 365 day-year) | from 14%, min: AMD 20,000 |
| 2.3 | Minimum amount of financing | AMD 1,000,000 |
| 2.4 | Maximum term of financing (maximum time span between provision of financing and settlement of liabilities under the assigned claim) | up to 120 days inclusive |
| 2.5 | Required condition | the Debtor should be in the list of companies approved by the Bank |
| 2.6 | Client's account with Ameriabank CJSC and factoring amount turnover through it | Required |
| 2.7 | Late payment fee per day ⁱⁱⁱ | 0.13% |

² This type of factoring is provided without the right of recourse.

| No. | 3. EXPORT FACTORING | |
|-------|-----------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|
| 3.1 | Application fee ⁱ | AMD 30,000 |
| 3.1.1 | Application fee for revision of terms of finance ⁱⁱ | AMD 10,000 (except as otherwise provided for in the agreement) |
| 3.2 | Ratio of factoring financing amount to the amount of assigned claim | up to 85% of the invoice amount 85% |
| 3.3 | Annual interest rate | from: USD - 7% Euro - 6% RUB - 12% |
| 3.4 | Factoring provision fee (lump sum) | 0.5%– 3.0% of invoice amount, min: AMD 12,000 |
| 3.5 | Term of financing (maximum time span between provision of financing and settlement of liabilities under the assigned claim) | up to 180 days |
| 3.6 | Type of security | pledge, warranty, guarantee or without additional security |
| 3.7 | Client's account with Ameriabank CJSC and factoring amount turnover through it | required |
| 3.8 | Business history of the client | at least 1 year of operation after getting registered at the State Register of Armenia |
| 3.9 | Payment against the assigned claim | non-cash payment, installment payments permitted |
| 3.10 | Late payment fee per day ⁱⁱⁱ | 0.13% |

| No. | 4. IMPORT FACTORING | |
|-------|----------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|
| 4.1 | Application fee ⁱ | AMD 30,000 |
| 4.1.1 | Application fee for revision of terms of finance ⁱⁱ | AMD 10,000 (except as otherwise provided for in the agreement) |
| 4.2 | Fee for provision of guarantee under two-factor scheme | 0.4%-1% per quarter ^{iv} (chargeable lump-sum at the time of provision of guarantee for the entire term), min: AMD 15,000, max: AMD 500,000 |
| 4.3 | Fee for collection of accounts receivable | up to 3% of the invoice amount, min: AMD 20,000 |
| 4.4 | Fee for review/processing of invoice | AMD 5,000 |
| 4.5 | Fee for financial advisory | negotiable |
| 4.6 | Type of security | pledge, warranty, guarantee or without additional security |
| 4.7 | Client's account with Ameriabank CJSC | required |
| 4.8 | Business history of the client | at least 1 year of operation after getting registered at the State Register of Armenia |
| 4.9 | Late payment fee per day ⁱⁱⁱ | 0.13% |

ⁱ The fee is charged in case of approval of factoring finance.

ⁱⁱ Subject to approval of the application, the fee for revision of terms is charged to the Client's account held with the Bank, based on the opinion/reference issued as a result of the analysis conducted by the appropriate unit of the Bank. For the purposes of these tariffs changes in the terms of signed application for cession of monetary claim shall not be treated as revision of the terms of finance, unless otherwise provided for by the resolution of the Bank's authorized body.

ⁱⁱⁱ In case of actual application of fines and/or penalties their annual rate and/or total sum of fines and penalties shall be regulated by applicable limits defined under the legislation of Armenia.

^{iv} For calculation of the fee, incomplete quarter is considered as complete quarter.

- *The statements are provided by post, email, Internet-Bank or in person at any branch of the Bank.*
- *Due to various reasons, we may ask you for more information and documents. Where required under the Republic of Armenia Law "On Combating Money Laundering and Terrorism Financing", we may*

request you to provide additional information and documents to conduct “Know your customer” checks, as well as ask further questions during verbal communication. If it is not possible to identify the client in a proper manner or to maintain the accounts we may restrict access to the phone banking service. Furthermore, to find out whether you are a US taxpayer we may collect additional information in accordance with the agreement executed with the US under the Foreign Account Tax Compliance Act (FATCA).