

**APPROVED BY**  
**Decision No. 06L of the Board of Directors**  
**of the National Mortgage Company RCO CJSC**  
**as of December 27, 2010**

**The new revision approved by**  
**Decision No. 015L of the Board of Directors**  
**of the National Mortgage Company RCO CJSC**  
**as of May 27, 2024**

**(includes the amendments made by Board Decision No. 034L as of November 11, 2024)**

**NATIONAL MORTGAGE COMPANY**  
**REFINANCING CREDIT ORGANIZATION**  
**CLOSED JOINT STOCK COMPANY**

**REGULATION ON REFINANCING OF HOME LOANS**

YEREVAN – 2024

## Table of Contents

CHAPTER 1. GENERAL PROVISIONS .....	4
CHAPTER 2. DEFINITIONS .....	4
CHAPTER 3. GENERAL DESCRIPTION OF THE PROCESS.....	5
OF REFINANCING HOME LOANS .....	5
CHAPTER 4. PRINCIPLES OF COOPERATION WITH PARTNERS (SELECTION OF PARTNERS).....	5
CHAPTER 5. MAXIMUM LIMIT OF PFIs .....	7
CHAPTER 6. REVISION OF THE LIMIT FOR PFIs .....	8
CHAPTER 7. LOAN REFINANCING INTEREST RATE.....	8
CHAPTER 8. REFINANCING OF HOME LOANS .....	10
CHAPTER 9. MATURITY OF LOANS ISSUED BY THE COMPANY.....	11
CHAPTER 10. CHECKING COMPLIANCE OF THE PRESENTED HOME LOANS WITH THE ESTABLISHED REQUIREMENTS .....	11
CHAPTER 11. MEANS OF SECURITY FOR LOANS ISSUED BY THE COMPANY.....	12
CHAPTER 12. REPAYMENT OF LOANS ISSUED BY THE COMPANY .....	13
CHAPTER 13. REPORTING ON REFINANCED LOANS AND CONTROL THEREOF.....	14
CHAPTER 14. MISCELLANEOUS PROVISIONS .....	15
Annex 1 .....	16
List of documents and information submitted by financial institutions to the Company and forms of information submission .....	16
Annex 2 .....	17
MINIMUM QUALITY STANDARDS .....	17
Introduction .....	17
1. Loan Application.....	17
2. Documents required for loan issuance .....	18
3. Credit Appraisal.....	19
4. Property Appraisal.....	21
5. Insurance .....	21
6. Minimum Requirements to Loan and Pledge Agreements.....	22
Loan Agreement.....	22
Pledge (Mortgage) Agreement .....	23
7. Monitoring.....	23
ANNEX 1 TO MINIMUM QUALITY STANDARDS. METHODOLOGY FOR ESTIMATING THE INCOME OF THE SELF-EMPLOYED.....	25
Qualified Loans.....	31
Mandatory Criteria for Acquisition Loans .....	31
<i>Clarification 1. Loans issued for acquisition of residential real estate under construction (an apartment in a residential apartment building under construction)</i> .....	32
Mandatory Criteria for Construction Loans .....	34
<i>Clarification 2. Loans issued for construction of residential buildings/houses</i> .....	35
Mandatory Criteria for Renovation Loans .....	35
<i>Clarification 3. Loans issued for renovation of residential property</i> .....	37

<b>Mandatory Criteria for All Loans</b> .....	37
<b><i>Clarification 4. Energy efficiency standards</i></b> .....	38
<b><i>Clarification 5. Minimum requirements for heating systems and household appliances</i></b> .....	39
<b>Annex 4</b> .....	41
<b>MASTER LOAN AGREEMENT</b> .....	41
<b>ANNEX 1 TO THE MASTER LOAN AGREEMENT</b> .....	56
<b>LOAN APPLICATION No.</b> .....	56
<b>ANNEX 2 TO THE MASTER LOAN AGREEMENT</b> .....	57
<b>LOAN DISBURSEMENT AGREEMENT No. _____</b> .....	57
<b>ANNEX 3 TO THE MASTER LOAN AGREEMENT</b> .....	60
<b>MONTHLY REPORT ON QUALIFIED LOANS</b> .....	60
<b>ANNEX 4 TO THE MASTER LOAN AGREEMENT</b> .....	61
<b>CLAIM CESSION AGREEMENT</b> .....	61

## CHAPTER 1. GENERAL PROVISIONS

1.1. The Regulation on Refinancing of Home Loans (hereinafter – the Regulation) is an internal regulation of National Mortgage Company refinancing credit organization closed joint stock company (hereinafter – the Company), which sets forth the requirements to Home Loans refinanced by the Company (such as the maximum amount, currency, maturity, security, the procedures of borrowers' creditworthiness assessment, loan issuance and service, monitoring of the use of loan proceeds, repayment, etc.), the process of Home Loans refinancing and the grounds and principles of the Company's cooperation with banks and credit organizations operating in the Republic of Armenia (hereinafter – the RA).

1.2. The purpose of the Regulation is:

- to regulate the processes and procedure of refinancing of Home Loans issued by commercial banks and credit organizations cooperating with the Company (hereinafter – a partner financial institution or PFI);
- to establish lending standards acceptable for the Company, including the standards of the required documents related to issuance of Home Loans, the relevant contracts and agreements (hereinafter – the minimum quality standards or MQS), the purpose of which is to mitigate the risks arising in the course of issuing Home Loans as much as possible. The MQS are used by the Company;
- to serve as a basis for formation of the standardized Home Loans portfolio.

1.3. The purpose of the Regulation is also to document the details of contractual relationships between the Company and PFIs cooperating with the Company, in accordance with the Master Loan Agreement (hereinafter also – the MLA).

1.4. The Regulation is an integral part of the Master Loan Agreement signed between the parties and the requirements stipulated by it are a part of contractual obligations. During the validity term of the MLA, the Company, based on the decision of the Board of Directors of the Company, may amend the requirements stipulated by the Regulation. The Company shall present all amendments to the PFI in the manner set forth by the Regulation and the MLA.

## CHAPTER 2. DEFINITIONS

**2.1. Home Loan** – in the context of the Regulation, Home Loans are the loans issued for the purpose of purchasing, constructing or renovating residential real estate, or loans issued for the purpose of refinancing loans already issued for the above purposes, meeting the requirements set forth in Annex 3 to the Regulation.

**2.2. Qualified Loan** – all Home Loans meeting the criteria set forth in Annex 3 to the Regulation, issued in accordance with the standards specified in Annex 2 to the Regulation.

**2.3. Lending** - the process of issuing a loan in accordance with the requirements of the Regulation.

**2.4. Refinancing of Home Loans** - lending to Partner Financial Institutions by the Company for refinancing Home Loans issued by the PFIs and meeting the requirements established by the Company.

2.5. All other capitalized definitions used in the Regulation correspond to the definitions used in the template of the Master Loan Agreement (Annex 4), unless otherwise specified in the Regulation.

## **CHAPTER 3. GENERAL DESCRIPTION OF THE PROCESS OF REFINANCING HOME LOANS**

- 3.1. The Company announces the Refinancing interest rate set by the Board of Directors of the Company. For a certain period of time, the Company can set both the maximum amount of total allocated funds and the maximum amount of funds allocated to individual PFIs for the given period.
- 3.2. The PFIs present to the Company the Home Loans that meet the specified requirements and submit the Loan Application in accordance with Annex 1 to the Master Loan Agreement presented in Annex 4 to the Regulation.
- 3.3. Before accepting a Home Loan, the Company checks compliance of each Home Loan with the requirements specified in Annex 2 and Annex 3 to the Regulation.
- 3.4. The Company prepares a Loan Disbursement Agreement in accordance with Annex 2 to the Master Loan Agreement presented in Annex 4 to the Regulation.
- 3.5. If the PFI signs the Loan Disbursement Agreement and submits it to the Company, Home Loans that meet the specified requirements are refinanced on the date set forth in this Regulation and/or the MLA. Non-compliant loans are rejected.

## **CHAPTER 4. PRINCIPLES OF COOPERATION WITH PARTNERS (SELECTION OF PARTNERS)**

- 4.1. The Company is ready to cooperate with all those banks and credit organizations operating in the Republic of Armenia, which express willingness and, in the reasonable opinion of the Company, are able to issue Home Loans that meet the requirements specified by the Company in this Regulation, which made profit over the past three years, whose financial standing implies that their stability will not deteriorate in the near future, and which accept the terms of cooperation established by the Company. In addition to the above, the Company cooperates with those financial institutions that meet the adopted principles of corporate governance, as well as have a proper risk management system in place.
- 4.2. The Company has set the following additional criteria for credit organizations operating in the Republic of Armenia:
  1. the total capital of the credit organization as of the last day of the month preceding the month of applying to the Company, as well as based on the average daily calculation (the ratio of the sum of daily amounts of the total capital during the month to the number of days in the month) for the month preceding the month of applying to the Company shall not be less than AMD 500,000,000 (five hundred million) and
  2. all prudential standards established by the Central Bank of the Republic of Armenia shall apply to the credit organization based on the types of operations established by the charter of that organization.
- 4.3. The Company may set additional criteria for selection of Partner Financial Institutions.
- 4.4. Upon receiving a relevant application from banks and credit organizations operating in the Republic of Armenia, the Company provides them with this Regulation (including all annexes to it) and the list of necessary documents and information to be submitted to the Company for making a decision on cooperation, as well as the adopted templates for submission of information, in accordance with Annex 1 to this Regulation.

- 4.5. For cooperation with the Company, banks and credit organizations apply to the Company in writing, stating that they are familiar with the requirements set by the Company and accept them, submitting the documents and information requested by the Company.
- 4.6. The Company studies the submitted documents within five working days and prepares a conclusion to be presented at the meeting of the Board of Directors of the Company. The issue of cooperation with the applicant organization is discussed during the next meeting of the Board of Directors of the Company. If the decision of the Board of Directors of the Company is positive, the Chief Executive Officer of the Company takes measures to sign a MLA with the applicant organization as soon as possible.
- 4.7. The Company suggests to refuse signing a MLA with the institution that applies for cooperation if the latter does not fully accept the requirements set by the Company or does not meet the requirements set by the Company (including in terms of corporate governance and/or risk management system), or if the predicted home lending at the expense of the Company's funds does not comply with (contradicts) the policy adopted by the Company, or if the presented information is not reliable.
- 4.8. Where necessary, the Company employees can meet the representatives of the institution applying for cooperation to obtain additional clarifications for making a decision.
- 4.9. By decision of its Board of Directors, the Company can limit the number of institutions cooperating with it. In case of making such decision, the Company announces temporary suspension (for indefinite period) of signing MLAs with new institutions.
- 4.10. The Company can select the organizations cooperating with it through a tender open for banks and credit organizations operating in the Republic of Armenia. In the event of holding a tender, the main selection criteria shall be the financial stability, as well as the willingness and ability to issue home loans in line with the Company's goals. The Company can set additional criteria for the tender.
- 4.11. Cooperation between the Company and partner financial institutions is established for indefinite period, unless otherwise stipulated by the MLA.
- 4.12. By signing the MLA, the PFI undertakes to comply with all criteria underlying the established cooperation throughout the validity term of the MLA, in the event of violation whereof the Company may terminate further Lending to the PFI.
- 4.13. To analyze the activities of the PFIs, the Company may request certain information from the PFIs regarding their activities.
- 4.14. By signing the MLA, the PFI undertakes to make available to the Company, and within the framework of any financing program - also to the organization that has provided relevant financing, complete information on the refinanced Home Loan/ Home Loan presented for refinancing, both when making a decision on refinancing and after refinancing, during the entire term of the Home Loan.
- 4.15. By signing the MLA, the Company does not undertake to refinance the Qualified Loans presented to it every time such loans are presented. Based on the amount of available funds of the Company and/or its strategic concerns, the Company may temporarily suspend (for indefinite period) the process of refinancing the Home Loans issued by the PFIs. In the event of making such a decision, the Company immediately informs all PFIs accordingly.
- 4.16. The MLA signed with the PFI specifies the maximum loan amount for the PFI, i.e. the maximum outstanding gross amount of loan disbursements, determined in the manner prescribed by Chapter 5 of the Regulation.

## CHAPTER 5. MAXIMUM LIMIT OF PFIs

5.1. At the time of signing the MLA, the maximum amount of the loan for the PFI that is a bank within the framework of the general cooperation agreement is equal to the smallest of the following amounts:

1. the amount requested by the PFI for the next 12 months, or
2. AMD 1 billion.

5.2. At the time of signing the MLA, the maximum amount of the loan for the PFI that is a credit organization within the framework of the general cooperation agreement is equal to the smallest of the following amounts:

1. the amount requested by the PFI for the next 12 months,
2. AMD 500 million, or
3. The PFI's maximum limit.

5.3. The maximum amount of the loan for the PFI can be revised during the term of cooperation, in the manner prescribed by Chapter 6 of the Regulation.

5.4. The maximum limit for the PFI that is a bank (the maximum outstanding gross amount of loan disbursements to the PFI during the entire term of cooperation) cannot exceed 50% of the PFI's total regulatory capital. The maximum limit for the PFI that is a credit organization (the maximum outstanding gross amount of loan disbursements to the PFI during the entire term of cooperation) cannot exceed 300% of the PFI's total regulatory capital. Different amounts of the maximum limit can be set for individual PFIs by the decision of the Company's Board of Directors.

At the same time, the actual gross amount of loan disbursements to the PFI that is a bank issued within the framework of all regulations of the Company during a calendar year cannot exceed 10% of the Company's total regulatory capital, and for PFIs that are credit organizations - 5% of the Company's total regulatory capital.

The share of loans for purchase of real estate from the primary market (directly from the developer) submitted by a PFI for refinancing cannot exceed 35% of the actual amount of Home Loans issued by the given PFI and refinanced by the Company (EE renovation microloans defined in Table 3 of Annex 3 of the Regulation are not included in the calculation).

*(5.4 was amended by Board decision No. 034L as of 11.11.2024)*

5.5. The Company recalculates the maximum limits of PFIs quarterly, based on the data of the published quarterly reports of the PFIs. Where necessary, the Company may request the PFIs to submit their monthly reports (in the format of published reports) to recalculate the limits at other intervals.

5.6. The Company discontinues further Lending to the PFI if, in the result of recalculation mentioned in clause 5.5. above or because of passing beyond the scope of the prudential standards established for credit organizations by the Central Bank of the Republic of Armenia, the maximum limit of the PFI is less than or equal to the sum of the actual outstanding amounts of the loans issued to the PFI by the Company.

5.7. If, as a result of study of the PFI's financial data, in the reasonable opinion of the Company, the indicators describing the PFI's activity have deteriorated, the Company prepares a reference on the PFI's activity and presents the issue of discontinuing further Lending to the PFI at the next meeting of the Board of Directors. If the decision of the Board of Directors is positive, the Company informs the PFI accordingly in writing.

5.8. If the PFI is planning to pass beyond the scope of the prudential standards established for credit organizations by the Central Bank of the Republic of Armenia, it shall issue a prior written notice to the Company about its intention to do so.

## **CHAPTER 6. REVISION OF THE LIMIT FOR PFIs**

6.1. PFIs can apply to the Company for revision of the limit once a quarter. Within one month after the end of the quarter, after publication of the reports and prudential standards, the PFIs can apply for an increase of the PFI limit set under the MLA. PFIs shall submit a written application to the Company, with the following documents attached to it:

- The amount requested from the Company for the next 12 months and the respective placement forecasts;
- Financial statements and the report on the prudential standards (in the format of published reports) as of the last day of the month before the date of submitting the application;
- Other documents requested by the Company.

6.2. The Company studies the documents submitted by the PFI, recalculates the PFI's maximum limit and approves or rejects the PFI's application within 5 working days.

6.3. The Company can reject the PFI's application for additional amount if any of the following grounds is present:

6.3.1. At the moment, the PFI has used its maximum limit fully;

6.3.2. In the reasonable opinion of the Company, the indicators describing the PFI's activity have deteriorated;

6.3.3. The data provided by the PFI are incomplete and/or unreliable;

6.3.4. The PFI has not properly fulfilled its previous obligations towards the Company.

6.4. The Company approves the PFI's application in the absence of the grounds mentioned in clause 6.3. above.

6.5. If provision of the additional amount requested by the PFI would result in breach of the PFI's maximum limit, the Company may provide the PFI with a portion of the requested amount equal to the difference between the PFI's maximum limit and the sum of the actual outstanding amounts of the loans raised by the PFI from the Company.

6.6. If provision of the additional amount requested by the PFI would potentially result in breach by the Company of any of the prudential standards established by the Central Bank of the Republic of Armenia, the Company may provide the limit in the amount that would not result in breach of the prudential standards.

6.7. If the decision on increase of the PFI's current limit is positive, the Company takes measures to sign a supplementary agreement with the PFI, while in case of a negative decision the Company informs the PFI accordingly in writing.

## **CHAPTER 7. LOAN REFINANCING INTEREST RATE**

7.1 The interest rate for refinancing of Home Loans issued by PFIs is determined by the Board of Directors of the Company. The Board of Directors of the Company can set several interest rates for refinancing, depending on the maturity of the refinanced loan. The Board of Directors can set the refinancing rate also based on the loan type.

7.2 The interest rate for refinancing of Home Loans, the interest rates and the procedure of determination thereof is set for each quarter. The Company reports the refinancing rate to the PFI until and including the 25<sup>th</sup> day of the month preceding the respective quarter. If a new limit of the interest rate for refinancing is not announced by the specified date, it is considered that the interest rate for refinancing remains unchanged.



7.3 Based on the current situation in the economy, the Board of Directors of the Company can revise the interest rate for refinancing at any time. The new interest rate enters into force on the date of adoption of the decision, unless otherwise specified by the decision.

7.4 When determining the interest rate, the Company takes into account the cost (interest rate) of the funds raised by it, the potential risks, its expenses and other factors.

## CHAPTER 8. REFINANCING OF HOME LOANS

8.1 To obtain loans from the Company, PFIs issue Qualified Home Loans at the expense of their funds. If PFIs have issued Qualified Home Loans for the respective amount, they are entitled to apply to the Company for refinancing of those loans.

8.2 The minimum amount of Qualified Loans required for applying to the Company is set at AMD 4 (four) million. Other limits of the maximum amount of Qualified Loans can be set for individual PFIs by the decision of the Company's Board of Directors.

*(8.2 was amended by Board decision No. 034L as of 11.11.2024)*

8.3 When issuing a Home Loan, PFIs may turn to the Company employees for advice and/or clarifications regarding the requirements set by the Company.

8.4 For refinancing of Home Loans, Partners submit a Loan Application to the Company, in accordance with Annex 1 to the Master Loan Agreement presented in Annex 4 to the Regulation.

8.5 PFIs may submit a Loan Application on any working day. The Loans presented for refinancing in accordance with the Loan Applications submitted by PFIs are refinanced on the days determined by the Company.

8.6 By signing the Loan Application, the PFI represents and warrants that all Home Loans presented to the Company comply with the requirements and features set by the Company. The Partner also warrants that the Loan data specified in the submitted documents are accurate and reliable.

8.7 From the moment of submitting the Loan Application, the PFI shall provide the Company with access to the presented Home Loans, including all documents available in the loan package, in the manner established by the Company, so that the Company can check their compliance with the established requirements.

8.8 Having received the Loan Application, the Company employees check compliance of the presented Home Loans with the criteria established by the Company and present a conclusion on that at least 3 working days before the date of Loan issuance.

8.9 If the presented Home Loans are determined to be qualified, the Company approves the application and prepares a Loan Disbursement Agreement in accordance with Annex 2 to the Master Loan Agreement presented in Annex 4 to the Regulation, which defines the interest rate for refinancing, the final date of issuance and other terms of Loan issuance. The Loan Disbursement Agreement can be sent to the PFI by post, via electronic channels of communication, or delivered in person.

8.10 If the PFI accepts the Loan Disbursement Agreement, it signs the covenant and submits the signed version to the Company within three days following the date of receipt of the covenant but not later than the day before the Loan issuance date specified in the Loan Disbursement Agreement. Based on the signed Loan Disbursement Agreement and in accordance with the instruction given by the Chief Executive Officer of the Company, the Company transfers the amount specified in the covenant to the PFI's bank account.

8.11 If the PFI does not submit the Loan Disbursement Agreement to the Company within the period specified in clause 8.10 above, it shall be considered void.

8.12 A separate package is prepared for each loan issued by the Company, including all necessary documents related to the Borrower and the loan.

8.13 After repayment of the loan, the respective loan package is stored at the Company for the minimum term of storage of documents established by the legislation of the Republic of Armenia.

## CHAPTER 9. MATURITY OF LOANS ISSUED BY THE COMPANY

9.1 The Company issues the loan to the PFI for a maximum term of 12 years. The maximum maturity of the loan is set by the Company at 80% of the weighted average maturity of Home Loans presented for refinancing, based on the following formula:

$$T = \frac{\sum(L_n \cdot t_n)}{\sum L_n} \cdot 80\%,$$

where:

T is the maturity of the loan issued to the PFI by the Company (in years);

L is the amount of the Home Loan presented by the PFI for refinancing;

t is the maturity of the Home Loan presented by the PFI for refinancing, in years;

n is the number of Loans included in the application for refinancing submitted by the PFI.

To be noted that if the result calculated by the formula is not a whole number, a number with decimal digits equal to and higher than 5 is rounded up, while a number with decimal digits lower than 5 is rounded down. Thus, for example, if  $T=6.5$ , the maturity of the loan issued to the PFI by the Company will be 7 years, while if  $T=6.2$ , the maturity of the loan will be 6 years. If the result calculated by the formula is greater than 12, the maturity of the loan will be 12 years.

9.2 The Company has the right to request the PFI to repay the loan amount provided by the Company before the due date if the PFI violates any term of the Master Loan Agreement and/or the Loan Disbursement Agreement during the maturity term of the loan.

## CHAPTER 10. CHECKING COMPLIANCE OF THE PRESENTED HOME LOANS WITH THE ESTABLISHED REQUIREMENTS

10.1 Compliance of the presented Home Loans with the established requirements is checked by means of review of the following documents (hereinafter – the Documents) (for each Home Loan):

10.1.1 Completed Home Loan application, loan and mortgage (if any) agreements;

10.1.2 Trilateral agreement on purchase and pledge of real estate (with state-registered resulting rights of ownership and lien) for real estate acquisition loans, agreement on pledge of the right to purchase real estate (with state-registered resulting lien), agreement on pledge of the funds transferred to the developer's special account for loans aimed at acquisition of real estate under construction, agreement on pledge of constructed real estate (with state-registered resulting lien) for real estate construction loans, and agreement on pledge of real estate (if any, with state-registered resulting lien) for real estate renovation loans;

10.1.3 Property appraisal report signed by an independent appraiser;

10.1.4 Property and life insurance policies, down payment insurance policy, if required under this Regulation;

10.1.5 The real estate ownership certificate evidencing the Borrower's ownership right, issued by the respective regional department of the Cadaster Committee;

- 10.1.6 The real estate lien certificate evidencing the lien to the real estate, issued by the respective regional department of the Cadaster Committee;
- 10.1.7 Schedule of repayment of the principal loan amount and interest;
- 10.1.8 Decision of the Credit Committee (or other authorized body) regarding issuance of the loan;
- 10.1.9 Creditworthiness assessment report/loan conclusion (including all creditworthiness assessment documents, such as calculations, credit assessment data, etc.);
- 10.1.10 For relevant Loans established by this Regulation, the online or Excel version of the completed EE standards assessment tool with a positive conclusion according to the link or file provided by the Company;
- 10.1.11 Other documents established by the MQS and/or the Company;
- 10.1.12 Additional documents requested by the Company.
- 10.2 The Company checks completeness of the Home Loan package, including compliance of the provided documents with the requirements established under the MQS.
- 10.3 If, as a result of study of the presented Home Loans, it is revealed that something is missing or incomplete in the loan package, the Company contacts the PFI and requests to provide the missing information. Otherwise, the Home Loan is not refinanced.
- 10.4 The loan package should contain the list of documents included in the package, signed by the PFI's representative/responsible person.

## **CHAPTER 11. MEANS OF SECURITY FOR LOANS ISSUED BY THE COMPANY**

- 11.1 After signing the Loan Disbursement Agreement, the claim rights arising from the respective Qualified Home Loans serve as means of security for the loan issued to the PFI by the Company. Information on the loans is included in the List of the means of security for loan issuance attached to the Loan Disbursement Agreement (according to Annex 4).
- 11.2 The value of the means of security shall at any time be at least equal to the minimum value of the means of security. If, at any moment, the value of the means of security is less than the minimum value of the means of security, the PFI shall have to reduce the outstanding amount of the loan obtained from the Company for the amount of the difference without paying any penalty for early repayment, in accordance with Chapter 12 of this Regulation.
- 11.3 From time to time, the Company calculates the value of the means of security and the minimum value of the means of security and, where necessary, notifies the PFI about the need to reduce the outstanding amount of the issued Loan. Having received the notice, the PFI shall reduce the outstanding amount of the loan obtained from the Company on the first payment date following the day of receiving the notice.
- 11.4 In the event of non-fulfillment of obligations by the PFI, the rights to the means of security for the Loan are transferred to the Company by virtue of the Claim Cession Agreement signed by the Parties, which forms an integral part of the MLA.
- 11.5 For a Qualified Loan included in the list of means of security for the Loan, under which the payment of the principal amount or interest becomes overdue for more than 90 days, or which, in the reasonable opinion of the Company, is no longer a Qualified Loan, on the first payment date following the date when payment becomes overdue for more than 90 days or when the Company decides that the loan is no longer a Qualified Loan, the PFI shall reduce the outstanding loan amount without paying any penalty for early repayment. Such Home Loans are considered excluded from the list of means of security.

11.6 In the event of death of the Borrower having a Qualified Loan included in the list of means of security for the Loan, temporary incapacity or maternity leave for taking care for a child under the age of three, the PFI, subject to the Company's written consent, has the right to set a grace period for the respective loan for a term of 6 months after the specified circumstances arise, during which no payment is collected for the principal amount of the loan and/or interest accrued on the loan and/or any other fee due for the loan. In such case, the Home Loan repayment schedule or the terms and conditions of the Home Loan (except for increasing of the principal amount, which is prohibited) are amended with the Company's written consent. To be noted that for the mentioned loans calculation of the 90-day period defined by clause 11.5 of this Regulation begins from the end of the grace period.

11.7 If, during the current year of cooperation between the PFI and the Company, more than 5% (more than 3% for credit organizations) of the PFI's Qualified Loans (refinanced by the Company) become overdue for more than 90 days or, in the reasonable opinion of the Company, are no longer Qualified Loans (including the amount of loans repaid to the Company by the PFI during the given year), the Company can apply certain restrictions to that PFI for a definite period (or for indefinite period). The form and the period of applying the restrictions is determined by the decision of the Board of Directors of the Company.

11.8 The PFI has the right to apply to the Company with a request to remove some means of security from the list of means of security provided that the required minimum value of the means of security is maintained.

11.9 The PFI shall continue managing the refinanced Home Loans and may, subject to the Company's consent, take on its behalf actions related to such Home Loans, e.g. restructuring of the loan, compliance with conditions, termination, etc.

11.10 PFIs shall ensure proper service of the Home Loans included in the list of means of security throughout the term of the Home Loan.

## **CHAPTER 12. REPAYMENT OF LOANS ISSUED BY THE COMPANY**

12.1 PFIs make payments for the Loan amount obtained from the Company and the interest in accordance with the repayment schedule of the Loan, which the Company sends to the PFI on the date of the Loan disbursement after signing the Loan Disbursement Agreement in the form established by the Company. The amount payable is calculated based on the principal amount of the Loan, interest payable, penalties and other fees due, accrued until the end of calculation. If there are Loans raised under different Loan Disbursement Agreements, the payments made by the PFIs are distributed sequentially, starting from the Loan raised under the Loan Disbursement Agreement signed first, taking into account the sequence of making payments specified in Annex 4 to this Regulation - in clause 3.20 of the Master Loan Agreement.

12.2 The repayment schedule for the Loan issued by the Company can be developed both on the basis of the repayment schedules of Home Loans refinanced with that Loan, and on the basis of the principle of equal or annuity repayments of the Loan amount. For effective management of its cash flows, the Company determines the repayment principle for the Loan issued to the PFI, and sends a prior written notice to the PFI, indicating the beginning of the period of application of the determined principle.

12.3 In case of developing the repayment schedule for the Loan based on the repayment schedules of Home Loans refinanced with that Loan:

12.3.1 PFIs make loan payments every month. The amount of payment for the principal amount of the Loan issued by the Company due for the given month is calculated as the sum of payments of the principal amount of the Home Loans refinanced with that Loan made during the previous month. Interest on the Loan issued by the Company accrues on the outstanding Loan amount.

12.3.2 PFIs shall make all payments due for Home Loans refinanced with the Loan issued by the Company, both scheduled and early payments, to the Company every month.

12.3.3 PFIs make payments to the Company defined by the repayment schedule of the Home Loans regardless of whether they have actually received those amounts or not.

12.3.4 The PFIs submit the information regarding all payments for the Home Loan amount to the Company as part of their monthly reports. If the Home Loan is repaid in full, it is removed from the list of the security means for the Loan issued by the Company.

12.3.5 PFIs make payments for the Loan issued by the Company on the basis of the Company's Loan Repayment Notice, which the Company prepares on the basis of the report mentioned in the clause above. The Company sends the Loan Repayment Notice to the PFI by the third working day preceding the payment date for the given month.

12.4 In case of issuing the Loan on the basis of the principle of equal or annuity repayments:

12.4.1 Quarterly or semi-annual frequency can apply for the Loan payments.

12.4.2 Every month, based on the reports received from the PFIs, the Company checks the balances of the refinancing Loan issued by it and the Home Loans refinanced with the funds of that Loan. If, as a result of early repayment of Home Loans, the balance of the Loan issued by the Company exceeds 10% of the total sum of balances of the refinanced Home Loans, the PFIs shall reduce the balance of the Loan received from the Company for the amount of the difference, by making the appropriate payment to the Company.

12.4.3 If a refinanced Home Loan is repaid in full, the PFIs shall reduce the balance of the Loan received from the Company for the amount of such full repayment, regardless of the amount of difference between the balance of the Loan received from the Company and balances of the refinanced Home Loans.

12.4.4 PFIs make the early payments mentioned in clauses 12.4.2 and 12.4.3 of this Regulation on the basis of the Company's Loan Repayment Notice. The PFIs pay the amount specified in the notice to the Company within the period stated in the notice.

12.5 PFIs pay penalty for overdue payments for the Loan received from the Company. The amount of the penalty, the procedure of calculation and payment thereof is set forth in the Master Loan Agreement or the Loan Disbursement Agreement.

12.6 Except for the cases caused by early repayment of Home Loans and other cases defined by this Regulation, in the event of early repayment of the Loan received from the Company the PFI pays a penalty in the amount set forth in the Master Loan Agreement.

12.7 No early repayment penalty is charged for early repayment of overdue Home Loans and those Home Loans that cease to be Qualified Loans.

## **CHAPTER 13. REPORTING ON REFINANCED LOANS AND CONTROL THEREOF**

13.1 PFIs submit a monthly report on refinanced Home Loans to the Company, in accordance with Annex 3 to the Master Loan Agreement stated in Annex 4 to this Regulation. The procedure and deadlines for submission of the monthly report are set forth in the Master Loan Agreement.

13.2 Where necessary, the Company may request PFIs to submit additional reports on refinanced Home Loans.

13.3 Monitoring over refinanced Home Loans is performed by the relevant employees of the Company. Performance of routine monitoring over a Home Loan implies monitoring of timely fulfillment of each Borrower's obligations under the loan agreement.

13.4 In the availability of overdue payments for refinanced Home Loans, the employee of the Company contacts the respective PFI to find out the cause of delays and the measures taken by the PFI.

13.5 Every month, the employees of the Company submit reports to the Chief Executive Officer of the Company on the quality of refinanced Home Loans.

## **CHAPTER 14. MISCELLANEOUS PROVISIONS**

14.1. In individual cases the Company may deviate from the provisions of this Regulation based on the decision of the Company's Board of Directors.

## List of documents and information submitted by financial institutions to the Company and forms of information submission

1. The amount requested from the Company for the next 12 months and its projected allocation.
2. The published balance-sheet and profit and loss statements for the past three years, as well as the financial statements as of the last day of the month preceding the month of applying to the Company and the report on the prudential standards (in the format of published reports).
3. Information on compliance with the prudential standards established by the Central Bank of the Republic of Armenia during the past one-year period and as of the last day of the month preceding the month of applying to the Company. The actual value of each prudential standard is presented.
4. Copy of the institution's registration certificate.
5. Copy of the institution's activity license.
6. Charter of the institution.
7. Decision of the authorized body of the institution on approval of the master loan agreement and cession agreement within the framework of cooperation, unless the authority to make decisions regarding execution of such agreements belongs to the sole executive body of the institution by virtue of the law or the charter of the institution.
8. The list of the names of the officials authorized by the institution to sign (execute) documents under this agreement on behalf of the institution, as well as the sample signatures of those officials, verified by the authorized manager of the institution.
9. Description and chart of the institution's management structure.
10. Main principles and procedure of applying corporate governance by the institution.
11. Description of and regulation on the risk management system of the institution.
12. Home lending regulations of the institution.
13. The actual Home Loan portfolio of the institution for the past three years, as per the table below. The amount to be entered in the table shall be in AMD, as of the end of the period.

Date	Amount		Quantity	
	Total	- including classified	Total	- including classified
As of December 31 of the first year				
As of December 31 of the second year				
As of December 31 of the third year				

14. The institution's strategy in the home lending market for the coming year, including the projected volume, terms and target group of borrowers of Home Loans to be issued at the expense of the funds to be provided by the Company.



## MINIMUM QUALITY STANDARDS

### Introduction

***Minimum Quality Standards (hereinafter – the MQS) set out the minimum requirements for Home Loans to be refinanced by the Company aiming to reduce the lending/loan risks and standardize the process of issuing Home Loans.***

**MQS structure:** MQS consist of the following sections:

1. Loan application
2. Documents required for loan issuance
3. Credit appraisal
4. Property appraisal
5. Insurance
6. Minimum requirements to loan and pledge agreements
7. Monitoring

PFI should have internal procedures/regulations in place, describing in detail the processes of issuing Home Loans (they should thoroughly describe all stages of lending, including the interaction between the involved departments), the procedure for servicing Home Loans and the measures/procedure aimed at reducing the risks inherent in home lending.

### 1. Loan Application

The loan application shall contain at least the following information:

1. Information about the borrower and co-borrower(s) (if any)	Borrower's/co-borrower's name, surname, patronymic, passport data, registration and actual residence addresses, marital status, number of family members Employment details (position, employer's name and address) Data on the income earned on assets, investments and other sources (if any) Data on current liabilities (if any)
2. Information about the real estate	Address: Property type (e.g. apartment, house, etc.) Floor (for an apartment) Total area • Purchase price (in case of real estate acquisition)
3. Information about the requested loan	Type of the requested loan (purpose, security, maturity, interest rate, loan amount and loan repayment method) Amount and source of down payment (if any)

When completing the loan application, the PFI shall provide the borrower with information on the interest rate of the loan to be issued, the maturity, penalties and costs related to obtaining the loan (one-off and regular costs).

## 2. Documents required for loan issuance

This section presents the list of minimum documents required for loan issuance. The PFI can add other documents to the list based on the requirements established by its internal regulations.

	Required documents
<b>1. Information about the borrower<sup>1</sup></b>	
The Borrower's identity	<ul style="list-style-type: none"> <li>• Borrower's passport or an equivalent document</li> <li>• Borrower's social card (if any)</li> <li>• Marriage certificate (if any)</li> <li>• Birth certificates of the children (if any)</li> </ul>
Information about income	<p><i>If the borrower is a hired employee:</i></p> <ul style="list-style-type: none"> <li>• Salary statement issued by the employer, indicating the borrower's position, length of service in the company and the monthly income amount (gross or net; if net income is indicated, this should be clearly indicated in the salary statement)</li> <li>• Past employment record – the employer, position held, length of service at each company (required only if the borrower's length of service with the current employer is less than 12 months)<sup>2</sup></li> <li>• Information about other income (if any)</li> <li>• If the borrower is married – the income statement of the spouse (optional)</li> </ul> <p><i>If the borrower is self-employed:</i></p> <ul style="list-style-type: none"> <li>• Taxpayer identification number (TIN)</li> <li>• Registration certificate, charter (if any)</li> <li>• Documents permitting the given type of activity, if special permission from the respective bodies is required for the respective type of activity under the legislation in force</li> <li>• Financial and tax statements for the past 1 year approved by tax authorities</li> <li>• Profit and loss statements/records for the past 12 months (if any)</li> <li>• Income appraisal analysis for self-employed persons, in accordance with the methodology of income appraisal for self-employed persons presented in Annex 1 to the MQS or a similar methodology established by the PFI (the analysis is performed by the PFI)<sup>3</sup>.</li> </ul> <p>In the event the borrower/co-borrower is at the same time the founder (owner) and Director (head of the executive body) of the given company, the borrower's/co-borrower's income should be appraised in accordance with the methodology presented in Annex 1; otherwise, if the borrower/co-borrower submits a salary statement, the amount indicated in the statement should be verified through one of the below options:</p> <ul style="list-style-type: none"> <li>• by means of analysis of the company's official reports approved by tax authorities; or</li> <li>• based on the information obtained from other reliable databases (e.g. the database maintained by Nork technology center)</li> </ul>

<sup>1</sup> The documents listed in this sub-section should be submitted also for all co-borrowers (if any).

<sup>2</sup> With the exception of cases when it is the borrower's/co-borrower's first place of employment and borrower's/co-borrower's length of service is less than 12 months.

<sup>3</sup> The results of the analysis should be presented in detail for a third party to understand them easily.

Information about the credit history	<ul style="list-style-type: none"> <li>• Inquiry from ACRA credit bureau</li> <li>• If the borrower has an existing loan, it should be classified as a standard loan according to the procedure jointly approved by the Central Bank of the Republic of Armenia and the Ministry of Finance of the Republic of Armenia and according to the inquiry from the CBA register – there should be no outstanding overdue liabilities under the loan</li> <li>• Evidencing documents to prove that the total number of overdue days for all loans (existing and repaid) over the past twelve months does not exceed 30 calendar days<sup>4</sup>, except when the total amount of overdue liability/liabilities does not exceed AMD 1000.</li> </ul>
<b>2. Property documents</b>	<ul style="list-style-type: none"> <li>• Ownership right registration certificate for the pledged real estate</li> <li>• Unified reference on real estate encumbrance for the pledged property, issued by the Cadaster Committee</li> <li>• Appraisal report for the pledged real estate</li> <li>• Cost estimate for renovation/development of the pledged property (only for renovation or development loans) and construction permit in the cases prescribed by the legislation of the Republic of Armenia</li> </ul>
<b>3. Other documents</b>	<ul style="list-style-type: none"> <li>• The borrower's/co-borrower's consent for making a credit inquiry</li> <li>• Insurance policy for the pledged real estate</li> <li>• The borrower's/co-borrower's accident insurance (in proportion to income)</li> <li>• Other documents, if necessary.</li> </ul>

### 3. Credit Appraisal

This section outlines the ratios used for creditworthiness assessment. PFIs should have a creditworthiness assessment methodology that should include the following ratios used for calculation of the Borrower's and co-borrower's ability to repay the loan:

1. The total debt-to-income ratio (DTI)

Where:

**Total debt payments** are equal to the sum of monthly installments (principal amount + interest), insurance premiums and other liabilities under the loan to be obtained.

**Net income** is equal to the total sum of the monthly net income (after tax and other deductions) earned by the borrower and co-borrower(s).

The maximum ratio is 45% (except for non-standard acquisition mortgage loans and non-standard construction mortgage loans, in which case the maximum ratio is 60%).

If the Home Loan is issued with equal repayments of the principal loan amount, the DTI ratio is calculated on the basis of the first (largest) payment specified in the loan repayment schedule.

If there is an opportunity to subsidize interest in cases prescribed by the legislation of the Republic of Armenia, only the amount of actual payments to be made by the borrower (the calculated monthly payment minus the subsidy amount)

<sup>4</sup> Exceptions include the cases when the borrower presents clear documentary evidences that the delays were not caused by his/her behavior. In such cases, the total number of overdue days should not exceed 90 calendar days and, at the same time, the loan risk class during the past 12 months should be at most "watched" according to the procedure jointly approved by the Central Bank of the Republic of Armenia and the Ministry of Finance of the Republic of Armenia.

can be included in the calculation of the DTI ratio of creditworthiness assessment. When applying the annuity method of loan repayment, the arithmetic mean of the actual payments to be made by the borrower (the calculated monthly payment minus the subsidy amount) should be taken as a basis.

If there is an opportunity for income tax refund prescribed by the legislation of the Republic of Armenia, the **net income** defined in this clause is increased for the amount of  $\text{average}(\min(A,B))$ , where:

A – monthly interest;

B – monthly income tax amount;

**$\text{average}(\min(A,B))$**  – the arithmetic mean of the smallest values of A and B throughout the loan term.

The primary income should be considered as the main income. Normally, it is the documented income that the borrower earns based on his/her skills or professional experience.

All other sources of income should be considered secondary, such as: rental income, interest income, inward international remittances<sup>5</sup>, bonuses, dividends, income from employment that is not directly related to the applicant's professional employment or skills, and other recurrent revenue.

If, when calculating the DTI ratio, the PFI takes the secondary income into account, it should be included in the calculation at no more than 60%. The following cases can be an exception:

- Rental income can be included in the calculations at 100% if it is documented, the real estate was rented out for at least 270 days during the previous year, and it is supported by the respective documents.
- The bonus received by the borrower can be included in the calculation of the borrower's income at 100% if it is regular (is received at least twice a year) and was paid within the past one-year period.
- Dividends can be included in the calculation at 100% if they are regular.

The borrower shall submit evidencing document for his/her secondary income. The Loan Officer shall describe determination of the amount of such income in the appraisal of the loan so that third parties can understand that analysis easily.

If, when calculating the DTI ratio, the PFI takes into account also the income earned by the co-borrower(s), those persons shall also be parties to the loan agreement. However, it is not necessary for the co-borrower(s) to be co-owner(s) of the pledged property.

## 2. Ratio of the loan to the collateral value (LTV)

Where the value of the collateral is equal to the lesser of the appraised market and acquisition values (if any) of the collateral.

The maximum ratio is 70%, except for the cases described below.

For loans issued for the purpose of acquisition, the minimum down payment can be 10%, if other residential estate is pledged in addition to the property being purchased. In such cases, the LTV ratio is calculated on the basis of the sum of the values of two pledged properties.

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<sup>5</sup> Inward international remittances can be taken into account if received from family members (in the context of this Regulation) for at least 8 months during the previous year.

In case of acquisition loans (if only the property being purchased is pledged), the loan amount can be a maximum of 90% of the collateral value, if there is mortgage loan down payment insurance for an amount above 70% of the LTV ratio.

Thus, for example, if the purchase price of residential real estate is AMD 20,000,000, and the appraised value is AMD 17,000,000, the maximum loan amount (if there is no additional security) will be  $AMD\ 17,000,000 \times 70\% = AMD\ 11,900,000$ . However, the maximum loan amount can be AMD 15,300,000 ( $17,000,000 \times 90\%$ ), if there is mortgage loan down payment insurance for the amount of AMD 3,400,000 ( $17,000,000 \times 90\% - 17,000,000 \times 70\%$ ).

#### **4. Property Appraisal**

This section outlines the minimum requirements to pledged real estate and the real estate appraiser.

As means of security for a mortgage loan, the property offered shall meet the following requirements:

1. The property should not be encumbered with obligations, there should be no other restrictions in respect to the property.
2. The right to the pledged property should be registered in the manner prescribed by the legislation of the Republic of Armenia.
3. The pledged property should be appraised by an independent appraisal company.
4. The pledged property should be appraised according to the real estate appraisal standard of the Republic of Armenia.
5. For loans issued for acquisition of real estate under construction, real estate appraisal can be based on the value of 1 square meter in an apartment building or a certain part of it. In such case, an appraisal report or an information letter can be submitted by the independent appraisal company.
6. To calculate the LTV ratio, the PFI should take as a basis the smaller of the appraised and acquisition (if any) values of the property.
7. The pledged property should be insured for the outstanding amount of the loan secured with it. The insurance policy should cover at least the damages arising from the following:
  - fire or explosion
  - failure of the heating, water supply or drainage system
  - hail, flood or pounding rain
  - storm or strong wind
  - malicious actions by third parties

The company appraising the pledged property should comply with the following criteria:

- The company should be a licensed independent appraiser and should operate in accordance with the requirements established under the legislation of the Republic of Armenia;
- The company should have at least 2 qualified appraisers;
- The company should have been active in the Armenian real estate market for six months before the appraisal date.

#### **5. Insurance**

To issue a loan, the PFI shall request insurance policies for the pledged property and for borrower's and co-borrower's (if any) insurance against accidental death. To be noted that in the presence of co-borrower(s), insurance against accidental death shall be obtained in proportion to the borrower's and co-borrower's income from the loan amount. The loan amount cannot exceed 90% of the collateral value, if there is mortgage loan down payment insurance for an amount above 70% of the LTV ratio. Mortgage loan down payment insurance shall be valid at least until the moment when the borrower repays the loan for an amount above 70% of the LTV ratio.

Insurance policies can be signed with insurance companies meeting the following criteria:

- The insurance company should be established and possess the required licenses in accordance with the legislative and regulatory requirements established in the Republic of Armenia;
- The insurance company should have minimum 2 years of experience in the insurance market, or the work experience of the members of the executive body of the insurance company (at least the Chief Executive Officer, Deputy Chief Executive Officer, the responsible actuary) in the insurance sector should be no less than 5 years on the average.

Property insurance should be obtained in accordance with the following requirements:

- The insurance amount should be equal to the outstanding amount of the loan secured by the property. For residential houses, only the building is insured;
- If an insurance event occurs, the PFI should give the borrower the right to use the indemnity received from the insurance company to repair the damage (in case of partial damage to the pledged property) or to purchase a new apartment (in case of complete destruction of the pledged property). The newly acquired apartment should be the new security (collateral) for the loan;
- The property should be insured for the entire term of the mortgage loan;
- The PFI can be the beneficiary under the property insurance policy.

Insurance against accidental death should be obtained in accordance with the following requirements:

- The insurance amount should be at least equal to the loan amount;
- Any amount payable in respect of a claim should be paid to the PFI;
- The insurance policy shall be valid at least for the entire term of the mortgage loan;
- The PFI can be the beneficiary under the insurance policy.

Mortgage loan down payment insurance should be obtained in accordance with the following requirements:

- The insurance terms and the template of the down payment insurance policy used by the insurance company should be accepted by the Company beforehand;
- The policy should provide for down payment of insurance compensation in the event of occurrence of a situation with signs of an insured event, before confirmation of the insured event, and the policy should exclude any regulation or definition of an exception that would hinder satisfaction of the mentioned requirement;
- The definition of non-reimbursable amount should be excluded in the policy.

## **6. Minimum Requirements to Loan and Pledge Agreements**

The loan and pledge agreements shall be prepared in accordance with all requirements established by the Civil Code of the Republic of Armenia and the legislation of the Republic of Armenia. The minimum terms and conditions to be included in the loan and pledge agreements are stated below.

### **Loan Agreement**

The loan agreement should at least contain the following information and terms:

1. Data about the borrower (name, address);
2. Data about the borrower and co-borrower(s) (if any) (name, surname, patronymic, permanent residence address);
3. Loan amount, currency, interest rate, maturity, issuance and repayment dates;
4. Purpose of the loan;
5. Schedule of installments to be made by the borrower, including their start date and frequency;
6. Collateral details;
7. Early repayment terms and penalties;
8. Overdue repayment terms and other penalties;

9. The lender should be authorized to assign its rights under the loan agreement to a third party without the borrower's consent;
10. The borrower's consent that his/her data may be transferred or disclosed to the National Mortgage Company.

### **Pledge (Mortgage) Agreement**

In the event of acquisition of residential real estate, the pledge agreement is signed between the seller, borrower (buyer-pledger) and the lender. In the event of renovation or construction of residential real estate, the pledge agreement is signed between the lender, borrower and pledger (if the borrower and the pledger are different persons). The pledge agreement should contain at least the following information and provisions:

1. Data about the pledgee/lender (name, address);
2. Data about the pledger (name, surname, patronymic, permanent residence address);
3. Data about the seller (name, surname, patronymic, permanent residence address), if the loan is issued for acquisition of residential real estate;
4. The mortgage loan amount, interest rate and maturity;
5. The property description and/or property registration details (if land is included, description of the land should also be included);
6. In the event of sale of property, the purchase price of the property and the payment procedure;
7. No other rights may arise with respect to the pledged property without the written consent of the Pledgee/Lender;
8. The pledge agreement should authorize the pledgee/lender to assign its rights under the pledge agreement to a third party without the pledger's consent;
9. If the pledger violates the provision(s) of the loan and/or pledge agreement, the pledgee/lender shall have the right to sell the collateral extrajudicially;
10. Those persons with property rights to the collateral (tenant, person using the property free of charge, etc.), whose property rights survive in the event of sale of the collateral, should sign consents verified by a notary, whereby they will agree that in the event of sale of the collateral their property rights will cease;
11. The pledger, his/her family members, tenants and persons with the right to use the residential area must vacate the property within 30 days following the date of receiving the notice on the pledgee's intention to sell the collateral. In the event of foreclosure on the property, the pledgee/lender should be entitled to dispose of the property in any manner permitted by the legislation of the Republic of Armenia at the time of sale;
12. The pledger shall maintain the property in proper condition;
13. The borrower/pledger shall obtain insurance for the property upon the pledgee's/lender's demand to do so;
14. The pledger shall inform the pledgee/lender about any significant change (actual or planned) in the property or its condition or changes in use of the property, and shall have to obtain the lender's/pledgee's consent in this regard.

At the time of signing the pledge agreement, the pledged property should be free of encumbrances and other restrictions, except for the case stipulated by Table 4 of Annex 3, when subsequent pledge is allowed.

### **7. Monitoring**

PFIs should monitor all Home Loans refinanced by the Company for 12 months following the date of issuance of the loan (from the date of issuance of the last tranche, if the loan is issued in tranches) and for loans issued for acquisition of residential real estate under construction - for 12 months following the date of issuance of the building completion certificate. The results of monitoring performed by the PFI should be submitted in the format set forth in Annex 2 to the MQS; all fields should be completed, verified (signed) by a representative of the respective unit having performed the monitoring. For Home Loans issued for the purpose of construction and renovation, along with the monitoring opinion, photos or videos evidencing the target use of the loan should be attached to the loan case. Exceptions are the EE renovation microloans issued through the mechanism of transferring the loan amount directly to the supplier, set

forth in Table 3 of Annex 3 to the Regulation, in which case the PFI performs target monitoring in accordance with its internal procedures.

The Company also performs monitoring of the Home Loans refinanced by it, including review of the refinanced Home Loans (performed on the PFI's premise (on-site monitoring) and/or in the Company's office), as well as the review/verification of the reports submitted to the Company by PFIs. The purpose of monitoring is to:

- make sure that throughout the maturity term of the refinanced Home Loans the PFIs are governed by the criteria and requirements established by the Company;
- verify reliability of the information submitted to the Company by PFIs.

Normally, monitoring of the Home Loans refinanced by the Company per PFI is performed once a year. A different frequency of monitoring may be established for individual PFIs as a result of changes in their overall performance indicators and/or in the quality of refinanced Home Loans, as well as other factors.

A PFI undertakes to ensure unhindered performance of monitoring by the Company.



## ANNEX 1 TO MINIMUM QUALITY STANDARDS. METHODOLOGY FOR ESTIMATING THE INCOME OF THE SELF-EMPLOYED<sup>6</sup>

Name of the borrower  
 Name of the organization/legal entity  
 Equity holders  
 Registration address/Business address  
 Period of activity  
 Field of activity  
 Number of employees

### 1. Analysis of the Balance-Sheet and Balance-Sheet Ratios

Balance-sheet			
ASSET		LIABILITY	
Cash, settlement account, savings		Accounts payable	
Accounts receivable		Advances received	
Prepaid expenses		Short-term loans	
Other		Commodity loans	
Inventory		Other short-term liabilities	
<b>Current assets</b>		<b>Total short-term liabilities</b>	
Equipment			
Vehicles		Long-term liabilities	
Real estate		<b>Total liabilities</b>	
Other assets			
<b>Total fixed assets</b>		<b>Shareholder equity</b>	
<b>TOTAL</b>		<b>TOTAL</b>	

Capital adequacy= Total Liabilities / Total Assets < 0.5

Current liquidity = Current assets / Short-term liabilities > 1

#### Additional clarifications:

Cash, settlement account, savings	
Prepaid expenses and other accounts receivable	
Inventory	
Devices, equipment	
Vehicles	
Real estate	
Other assets	
Advances received	
Commercial loans	
Commodity loans	
Other short-term liabilities	
Long-term liabilities of the business	

<sup>6</sup> The business should be registered and should have been operating for no less than 12 months.

Shareholder equity structure: ratio of own debt to own funds	
Probability of withdrawing capital funds from the business and restrictions	

## 2. Profit and Loss Analysis

### Income from the main lines of business

Month/year	— /—	—/— —	—/— —	—/— —	—/— —	—/— —	—/— —	—/— —	—/— —	—/— —	—/— —	—/— —
Income (1)												
Income (2)												

Average monthly income (1)

Average monthly income (1) without maximum and minimum monthly values

Average monthly income (2)

Average monthly income (2) without maximum and minimum monthly values

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Profit and Loss Statement (average monthly value)	
Sales revenue (1)	
Sales revenue (2)	
Product cost (1)	
Product cost (2)	
Gross profit	
Payroll	
Rental	
Utility costs	
Transport costs	
Insurance premiums	
Representations costs	
Other costs	
Total fixed costs	
Earnings before interest and taxes	
Taxes and mandatory fees	

Service of the outstanding loans (interest and principal amount) of the business	
<b>Net profit</b>	
Deductions by other shareholders and retained earnings	
<b>Borrower's retained earnings</b>	
<b>Net income included in creditworthiness assessment<sup>7</sup></b>	

Breakeven point of sales = fixed assets / (Income – variable costs<sup>8</sup>) < 85%

**Additional clarifications:**

Sales revenue (1)	
Sales revenue (2)	
Product cost (1)	
Product cost (2)	
Payroll	
Rental	
Utility costs	
Transport costs	
Insurance premiums	
Representations costs	
Other costs	
Taxes and mandatory fees	
Service of the outstanding loans (interest and principal amount) of the business	
Deductions by other shareholders and retained earnings	

### 3. Additional Information and Comments

**Additional information:**

1. All business-related documents and required information based on the MQS.
2. Founders and profit distribution structure, potential restrictions on the borrower's income management.
3. Features of the consumer market: seasonality, frequency of payments, etc.

<sup>7</sup> If the amount of net income cannot be determined on the basis of the official reports on the Borrower's activities (e.g. when working for a flat fee), calculation is based on the volume of turnover reflected in the reports.

<sup>8</sup> Here, variable costs means the cost of products (and services).

4. Sources of supply of raw materials and products, contractual relations connected with supply and sale of products (if any).
5. Credit and non-credit history of the business/company (if any).
6. Information on/statement of the company's bank account (if any).
7. Information on insurance cases, losses incurred and compensation received.
8. Other information

**Additional comments 1:**

Aren't there any personal expenses attributed to the business that would reduce profits and tax liabilities accordingly?
Aren't there any recent drastic fluctuations in income and other indicators that may be related to the planned loan application?
To what extent are the plans/needs of the borrower to obtain other (consumer or business) loans analyzed, in which case the borrower's OTI indicator may increase sharply?
Other comments.

**Additional comments 2:**

Advantages of the business/development prospects	Disadvantages of the business/risks

**Conclusion of the SME Loan Officer/confirmation of the analysis results:**

## ANNEX 2 TO MINIMUM QUALITY STANDARDS

LOAN MONITORING CONCLUSION										
Monitoring date:										
							day	month	year	
Borrower:										
					Name/Surname/Patronymic					
Loan agreement number:										
Property address:										
Loan	Purpose			Acquisition						
				Renovation/Construction						
				Refinancing						
	Agreement number						AMD			
	Date of issue						(day/month/year)			
Additional terms and conditions set forth in the loan agreement and/or by the committee				none						
		available			fulfilled completely					
					fulfilled partially					
					not fulfilled					
		Comments (if any)								
Target use of the loan										

Acquisition <i>(including refinancing of loans issued for acquisition)</i>			
The acquired property is occupied		Yes	Specify who resides in the property and on what ground they do so
		No	
Comments (if required)			
Renovation/Construction <i>(including refinancing of loans issued for renovation/construction)</i>			
Completed according to the cost estimate		Yes	
		No	
Comments (for deviations from the cost estimate)			
The loan amount was used for the specified target		Fully	
		Partially	
Comments (in case if partially used for the specified target)			
Condition of the collateral		The borrower's financial standing	
	bad		bad
	satisfactory		satisfactory
	good		good

Person performing the monitoring (position, name, surname) (signature)

Department head (position, name, surname) (signature)

## Qualified Loans

Home Loans are considered Qualified Loans and are eligible for refinancing if issued in accordance with the minimum loan quality standards defined in Annex 2 to this Regulation and also if they comply with the following conditions established for Loans by the Company. The conditions are grouped per loan types: Acquisition (Table 1), Construction (Table 2) and Renovation (Table 3); the conditions applicable to all loan types are separated as well (Table 4).

The energy efficiency standards applicable to all types of green and EE loans established by the Company are set out in Clarification 4 and Clarification 5.

**Table 1**

### Mandatory Criteria for Acquisition Loans

1.	Purpose	<ul style="list-style-type: none"> <li>Acquisition of residential real estate under construction for residential purposes (the requirements for loans issued for acquisition of residential real estate under construction (an apartment in an apartment building under construction) are set forth in Clarification 1)</li> <li>Acquisition of existing residential real estate for residential purposes</li> </ul>
2.	Types	<ul style="list-style-type: none"> <li>Standard acquisition mortgage loans</li> <li>Green acquisition mortgage loans</li> <li>Non-standard acquisition mortgage loans</li> </ul>
3.	Maturity	<ul style="list-style-type: none"> <li>Maximum 35 years, minimum 10 years</li> </ul>
4.	Loan amount/contractual loan amount	<ul style="list-style-type: none"> <li>Standard acquisition mortgage loans – AMD 35 mln</li> <li>Green acquisition mortgage loans – AMD 45 mln</li> <li>Non-standard acquisition mortgage loans – AMD 60 mln</li> </ul>
5.	Borrower	<ul style="list-style-type: none"> <li>The borrower should be the owner of the residential real estate.</li> </ul>
6.	Collateral	<ul style="list-style-type: none"> <li>In case of loans issued for the purpose of acquisition of existing residential real estate, the acquired residential real estate is pledged.</li> <li>In case of loans issued for the purpose of acquisition of residential real estate under construction (an apartment in an apartment building under construction), the loan shall be secured with pledge of the right to purchase the real estate and the funds available on the developer's special account until registration of the ownership right to the real estate, after which the real estate will become the collateral.</li> <li>If, besides pledging of the residential real estate being acquired, other existing residential real estate is pledged as additional security for the loan, the minimum down payment can be 10 percent. To be noted that the LTV ratio is calculated on the basis of the sum of the values of the two pledged properties (calculated in the manner prescribed by the MQS), and the loan amount cannot exceed 90% of the lesser of the appraised and acquisition values of the residential property being acquired.</li> </ul>

7.	Maximum value of the residential real estate to be acquired	<ul style="list-style-type: none"> <li>Maximum amount of the acquisition and appraised market value of the real estate – AMD 55 mln for standard and green acquisition mortgage loans.</li> <li>Maximum amount of the acquisition and appraised market value of the real estate – AMD 90 mln for non-standard acquisition mortgage loans.</li> </ul>
8.	Creditworthiness assessment	<ul style="list-style-type: none"> <li>In accordance with the Minimum Quality Standards (MQS) set forth in Annex 2 to the Regulation</li> </ul>
9.	Insurance	<ul style="list-style-type: none"> <li>Insurance of the pledged real estate and insurance of the borrower and co-borrowers against accidental death, in accordance with the MQS requirements</li> <li>Insurance of the mortgage loan down payment in the cases specified by the MQS</li> </ul>
10.	Other requirements	<ul style="list-style-type: none"> <li>For all acquisition mortgage loans, when residential real estate is purchased from a developer, the building should have an energy performance certificate, according to which the EE class of the building is at least B.</li> <li>Acquisition mortgage loans whereby residential real estate is purchased with the seller and buyer being members of the same family, are not eligible for refinancing.</li> <li>Acquisition mortgage loans whereby residential real estate is purchased with the borrowers and co-borrowers who become the owners of the property being members of the same family, are eligible for refinancing.</li> <li>The criteria for green acquisition mortgage loans are set forth in Clarification 4.</li> </ul>

These criteria may be revised.

***Clarification 1. Loans issued for acquisition of residential real estate under construction (an apartment in a residential apartment building under construction)***

- Residential real estate under construction should have an energy performance certificate, the acceptable procedure for issuance whereof is defined by the relevant guidelines of the Company.
- A loan for acquisition of residential real estate under construction (an apartment in an apartment building under construction) is secured by pledge of the funds transferred to the developer's special account by the PFI and the right to purchase real estate until registration of the ownership right to the real estate in a building under construction, after which the real estate will become the collateral.
- The PFI issues the loan by transferring the loan amount to the developer's special account held with any bank operating in the Republic of Armenia (mandatory requirements for inclusion of the developer's special account in the agreement may be defined by the Company).
- The developer's special account should be in AMD and that account must be designated special for the loans refinanced by the Company. The cash flow on the specified account must be accessible to the Company and in the event of financing under any program – also to the organization that has provided relevant financing.
- A loan can be submitted for refinancing ***within maximum 90 days*** after its issuance. The loan submitted for refinancing should meet all of the following conditions simultaneously:
  - The mortgage loan is secured by pledge of the right to purchase residential real estate (an apartment in an apartment building) in a building under construction and by pledge of the loan funds transferred to the developer's special account by the PFI at least for the amount stated in clause 5.2;
  - The pledged funds are at least equal to 100% of the amount to be refinanced.



- 5.3. The developer has submitted a schedule for the construction works (including preparation of the commissioning act) prepared before the start of the construction works and containing at least 5 stages of works.
- 5.4. Deviation from each stage of the schedule for the construction works, as well as from the deadline set for completion of the construction works, does not exceed 180 days.
- 5.5. In the event of violation of the requirement set forth in clause 5.4, the Company will have the right to stop qualifying all loans issued for the purpose of purchasing apartments in the respective building as Qualified Loans.
- 5.6. In the event of violation of the requirement set forth in clause 5.4, the Buyer-borrower will have the right to unilaterally terminate the agreement signed with the developer. The buyer-borrower has ceded this right to the PFI by force of the agreement.
- 5.7. The agreement stipulates that in the event of non-fulfilment or improper fulfillment of the respective obligations by the Developer, also when terminating unilaterally the agreement mentioned in clause 5.6 above or in case of identification of risks as a result of monitoring of the construction works (including non-target use of the loan funds or deterioration of the collateral that secures repayment of the loan), the PFI has the right to require the Buyer-borrower to repay the loan amount in full ahead of schedule. In case the Buyer-borrower fails to comply with this requirement within 20 working days, the PFI has the right to demand from the developer, without obtaining additional consent from the Buyer-borrower, to return the loan amount transferred as down payment to the developer's special account and use it for repayment of the Buyer-borrower's liabilities.
- 5.8. The agreement on pledge of the funds available on the developer's special account stipulates that in case of the developer's failure to return the funds transferred to the developer's special account on the ground of termination of the agreement, the PFI may seize those funds extrajudicially and without obtaining additional consent from the Buyer-pledgee.
- 5.9. In case of non-fulfilment or improper fulfillment of the respective obligations by the Developer, the Buyer-pledgee hereby gives his/her consent and instructs the bank servicing the developer's special account to satisfy first of all the PFI's claims stipulated by the loan agreement at the expense of the collateral upon receipt of the PFI's written demand and use the remaining amount to satisfy the Buyer-pledgee's claims.
6. In addition to the above, the following conditions shall be met during the entire construction period:
  - 6.1. The PFI organizes for monitoring over observance of the schedule mentioned in clauses 5.3 and 5.4 above and allowed deviation periods. The Company also has the right to unimpededly monitor observance of the schedule mentioned in clauses 5.3 and 5.4 above and allowed deviation periods. If the PFI or the developer creates obstacles, the Company has the right to discontinue cooperation with the developer and to stop qualifying all loans issued by the Company for the purpose of acquisition of apartments in the building(s) under construction by that developer as Qualified Loans.
  - 6.2. At least once every six months, the PFI submits to the Company a monitoring conclusion for the completed construction works with photos, within 10 working days after expiry of the specified period.
  - 6.3. Besides the frequency specified in clause 6.2 above, the Company may request the PFI to perform additional monitoring.
7. The following conditions should be met after preparation of the commissioning act for construction works:
  - 7.1. The rights of ownership and lien towards the real estate must get state registration within a maximum of 60 days after preparation of the commissioning act for construction works.
  - 7.2. After state registration of the rights of ownership and lien towards the real estate, all requirements established by this Regulation for acquisition loans shall be applicable.
8. At the time of submitting the refinancing request, the developer shall comply with the following requirements:
  - 8.1. The development plan implemented by the developer should be pre-approved by the Company.

- 8.2. The developer should be the owner of the land plot on which the residential real estate (apartment building) is being constructed. If the developer's ownership right to the land plot was registered no more than 1 year before submission of the development plan to the Company for approval, all documents that served as the basis for registering the developer's ownership right to the land plot should be submitted, to certify that the target of the land plot has not changed.
- 8.3. The developer's activity should be profitable during each of the past 3 years or the developer's total capital should amount to no less than AMD 500 million.
- 8.4. The developer must have earned good reputation over the entire period of its activity.
9. At the time of submitting the refinancing request, the Contractor/Construction company shall comply with the following requirements:
- 9.1. The Contractor/Construction company must have earned good reputation over the entire period of its activity.

For the above-mentioned loans, in addition to other specified documents, the borrower applying for a loan for the purpose of acquiring residential real estate under construction (apartment in an apartment building under construction) must submit to the PFI the agreement signed between the borrower and the developer, as well as the documents certifying the payments made before applying for the loan. To be noted that the maximum amount of the loan shall not exceed the difference between the price of the residential real estate specified in the agreement between the borrower and the residential real estate developer and the amount already paid to the developer.

**Table 2**

**Mandatory Criteria for Construction Loans**

1.	Purpose	<ul style="list-style-type: none"> <li>Construction of residential real estate (the details are set forth in Clarification 2)</li> </ul>
2.	Types	<ul style="list-style-type: none"> <li>Standard construction mortgage loans</li> <li>Green construction mortgage loans</li> <li>Non-standard construction mortgage loans</li> </ul>
3.	Maturity	<ul style="list-style-type: none"> <li>Maximum 35 years, minimum 10 years</li> </ul>
4.	Loan amount/contractual loan amount	<ul style="list-style-type: none"> <li>Standard construction mortgage loans - AMD 35 mln</li> <li>Green construction mortgage loans - AMD 45 mln</li> <li>Non-standard construction mortgage loans - AMD 60 mln</li> </ul>
5.	Interest rate	<ul style="list-style-type: none"> <li>The loans issued by the PFI in tranches are refinanced at the interest rate set by the Company at the time such loans are submitted for refinancing.</li> </ul>
6.	Borrower	<ul style="list-style-type: none"> <li>The borrower should be the owner of the residential real estate under construction and the land plot, on which the residential real estate is being/has been constructed.</li> </ul>
7.	Collateral	<ul style="list-style-type: none"> <li>Pledge of real estate is not a mandatory requirement at the construction stage. The PFI can apply for refinancing when the entrance door, the roof and windows are in place. Real estate that has already been constructed is pledged.</li> <li>Where necessary, other residential real estate is pledged as well. The LTV ratio is calculated at the time of submission of the application for refinancing.</li> </ul>
8.	Creditworthiness assessment	<ul style="list-style-type: none"> <li>In accordance with the Minimum Quality Standards (MQS) set forth in Annex 2 to the Regulation</li> </ul>
9.	Insurance	<ul style="list-style-type: none"> <li>Insurance of the pledged real estate and insurance of the borrower and co-borrowers against accidental death, in accordance with the MQS requirements</li> </ul>

10.	Other requirements	<ul style="list-style-type: none"> <li>Construction mortgage loans whereby residential real estate is constructed with the borrowers and co-borrowers who become the owners of the property being members of the same family, are eligible for refinancing.</li> <li>The criteria for green construction mortgage loans are set forth in Clarification 4.</li> </ul>
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These criteria may be revised.

**Clarification 2. Loans issued for construction of residential buildings/houses**

1. In case of issuing loans for construction of residential buildings/houses, the maximum loan amount should not exceed 80 percent of the cost estimated for the construction works submitted by the client. At the same time, the loan amount should not exceed 70 percent of the total value (estimated in the manner established by the MQS) of the pledged real estate (the land plot on which the residential building is constructed and the residential real estate pledged as additional security).
2. Loans for the purpose of construction should be issued in tranches. To be noted that the last tranche of the loan should finance the last stage of the construction works and should not exceed 20 percent of the loan amount.
3. The PFI can submit such loan for refinancing within 90 calendar days after disbursement of the last tranche.
4. In addition to other specified documents, the borrower applying for a loan for the purpose of construction of a residential building/house shall submit to the PFI the construction design approved in accordance with the construction law, the construction permit, the agreement signed between the borrower and the developer (if any), the documents certifying the payments already made (if any), the cost estimate for the construction works in the format approved by the Company, as well as other documents, if necessary.
5. The borrower shall submit the ownership certificate for the land plot on which the residential building is being/has been constructed. If the borrower's ownership right to the land plot was registered no more than 1 year before submission of the application for a construction loan to the PFI, all documents that served as the basis for registering the borrower's ownership right to the land plot should be submitted, to certify that the target of the land plot has not changed.
6. The PFI and the borrower together prepare the schedule for issuance and use of the loan, establishing the works to be performed with each tranche of the loan (as well as with the borrower's funds). Before disbursing each tranche of the loan, the PFI should check actual performance of the works specified by the schedule. The checkup results should be documented and attached to the loan case together with photos of the completed works.
7. If the construction works are to be performed by a developer, the lender can transfer the loan amount directly to the developer's account. If the loan is disbursed to the borrower, at the time of submitting the loan for refinancing the PFI should provide the Company with evidence that the loan amount has been fully transferred to the developer by the borrower.
8. Construction works should be fully completed 1 year after issuance the last loan tranche.

**Table 3**

**Mandatory Criteria for Renovation Loans**

1.	Purpose	<ul style="list-style-type: none"> <li>Renovation of residential real estate: housing improvement (detailed requirements for renovation loans are set forth in Clarification 3)</li> </ul>
2.	Types	<ul style="list-style-type: none"> <li>Standard renovation mortgage loans</li> <li>EE renovation mortgage loans</li> <li>EE renovation microloans</li> </ul>

		<ul style="list-style-type: none"> <li>• EE renovation microloans issued through the mechanism of transferring the loan amount directly to the supplier</li> </ul>
3.	Maturity	<ul style="list-style-type: none"> <li>• Maximum 35 years, minimum 5 years</li> </ul>
4.	Maximum loan amount/ maximum and minimum contractual loan amount	<ul style="list-style-type: none"> <li>• Standard renovation mortgage loans – maximum AMD 35 mln, minimum AMD 275,000</li> <li>• EE renovation mortgage loans - maximum AMD 35 mln, minimum AMD 5 mln</li> <li>• EE renovation microloans – maximum AMD 5 mln, minimum AMD 275,000</li> <li>• EE renovation microloans issued through the mechanism of transferring the loan amount directly to the supplier – maximum AMD 5 mln, minimum AMD 275,000</li> </ul>
5.	Interest rate	<ul style="list-style-type: none"> <li>• The loans issued by the PFI in tranches are refinanced at the interest rate set by the Company at the time such loans are submitted for refinancing.</li> </ul>
6.	Borrower	<ul style="list-style-type: none"> <li>• The borrower should be the owner or family member of the owner of the residential real estate. For EE renovation microloans issued through the mechanism of transferring the loan amount directly to the supplier, this requirement is not mandatory.</li> </ul>
7.	Collateral	<ul style="list-style-type: none"> <li>• In case of standard renovation mortgage loans and EE renovation mortgage loans – the real estate under renovation.</li> <li>• In case of EE renovation microloans (including those issued through the mechanism of transferring the loan amount directly to the supplier) the requirement to pledge the real estate under renovation is not mandatory.</li> </ul>
8.	Creditworthiness assessment	<ul style="list-style-type: none"> <li>• In case of standard renovation mortgage loans and EE renovation mortgage loans - in accordance with the Minimum Quality Standards (MQS) set forth in Annex 2 to the Regulation.</li> <li>• In case of EE renovation microloans (including those issued through the mechanism of transferring the loan amount directly to the supplier) creditworthiness assessment is performed in accordance with the PFI's internal regulations.</li> </ul>
9.	Insurance	<ul style="list-style-type: none"> <li>• In case of standard renovation mortgage loans and EE renovation mortgage loans - insurance of the pledged real estate and insurance of the borrower and co-borrowers against accidental death, in accordance with the MQS requirements.</li> <li>• In case of EE renovation microloans (including those issued through the mechanism of transferring the loan amount directly to the supplier) insurance is not a mandatory requirement.</li> </ul>
15	Other requirements	<ul style="list-style-type: none"> <li>• The EE standards for EE renovation mortgage loans and EE renovation microloans (including those issued through the mechanism of transferring the loan amount directly to the supplier) are set forth in Clarification 4 and Clarification 5.</li> </ul>

These criteria may be revised.

**Clarification 3. Loans issued for renovation of residential property**

1. A residential real estate renovation loan is usually financing for housing improvement and/or modernization.
2. Improvement works should increase habitability of the apartment/real estate or efficiency of its use. Improvement works include renovation of both the entire apartment/residential house and its separate parts (e.g. renovation of the bathroom, kitchen, water supply and electricity supply systems, installation or renewal of utility water supply, heating or ventilation systems, installation of insulating materials, hermetic and insulating windows, enhancement of seismic resistance, which includes but is not limited to shoring of the foundation and metal structure and/or damage repair). Improvement works cannot include construction of built-in wardrobes or luxury items, and the portion of purchase of household appliances cannot exceed 10% of the total loan amount. In case of green loans, the heating system and household appliances are not considered eligible investments.
3. Improvement works should be fully completed 1 year after issuance of the loan. In case of disbursement of the loan in tranches, the 1-year period is calculated from the date of disbursement of the last tranche.
4. *Specifics of the loan issuance process:* The borrower submits the cost estimate for the planned works to the PFI in the format approved by the Company. The relevant photos, drawings and technical specifications, the full description of the works to be performed, as well as the starting and closing dates for the works, should be attached to the cost estimate. The borrower should also submit the amount of the relevant expenses and other details so that the PFI can comprehensively assess the scope, quality and value of the renovation work.

**Table 4****Mandatory Criteria for All Loans**

1.	Loans issued for refinancing of home loans	<p>The Company can refinance the loans issued by PFIs for refinancing of acquisition, construction or renovation loans issued by another lending institution. In this case, the following conditions are mandatory:</p> <ul style="list-style-type: none"><li>• The original loan should be issued in AMD.</li><li>• The loan issued by the PFI for refinancing of the original loan should be at a lower interest rate, i.e. the transaction is financially beneficial for the borrower.</li><li>• Only loans with maturity of no less than 10 years can be refinanced by the PFI, with remaining maturity of minimum 5 years.</li><li>• Only those loans issued by PFIs, the loans refinanced with which were not initially refinanced by the Company or by the Project Management Unit of the German-Armenian Fund, are eligible for refinancing by the Company.</li></ul>
2.	Currency	AMD
3.	Location	Anywhere on the territory of the Republic of Armenia
4.	Maturity	<ul style="list-style-type: none"><li>• The loan maturity is calculated starting from the date of execution of the loan agreement.</li><li>• If the loan maturity is less than the minimum term set for the loan when calculating the difference between the due date and the execution date, rounding up to 30 days is acceptable.</li><li>• If the difference between the dates of actual issuance of the loan and execution of the loan agreement is greater than one month, the amount of the monthly payment stated in the schedule calculated based on the remaining maturity of the</li></ul>

		loan should be included in the calculation of the OTI ratio for assessment of the borrower's creditworthiness.
5.	Interest rate	<ul style="list-style-type: none"> <li>Fixed interest rate that cannot be revised during the entire term of the loan, except for the case set forth in part 2, Article 10 of the RA Law on Housing Mortgage Lending.</li> </ul>
6.	Loan repayment method	<ul style="list-style-type: none"> <li>Fully paid annuity loan or loan with equal installments of the principal amount. Payments should be made monthly, except for the case established by clause 11.6 of this Regulation.</li> <li>A seasonal payment schedule is acceptable only for borrowers with an agricultural source of income. To be noted that the frequency of loan installments cannot be less than twice a year. In all cases, monthly interest payments are mandatory.</li> </ul>
7.	Borrower	<ul style="list-style-type: none"> <li>The borrowers/co-borrowers should be citizens of the Republic of Armenia, with main source of income in the Republic of Armenia.</li> <li>Co-borrowers should be members of the borrower's family as defined under this Regulation.</li> </ul>
8.	Collateral	<ul style="list-style-type: none"> <li>At the time of refinancing, the pledged real estate should be the primary collateral.</li> <li>The property that is already the primary collateral as a means of security for a loan refinanced by the Company can be a subsequent collateral.</li> <li>Regardless of the number of loans, for which the property is a means of security, in the event of sale of the property on any ground the liabilities towards the Company should be satisfied first.</li> </ul>
9.	Deadline for submission of the loan for refinancing	<ul style="list-style-type: none"> <li>Within 90 days after the date of issue.</li> <li>If the loan is issued in tranches, the 90-day period is calculated from the date of disbursement of the last tranche of the loan.</li> </ul>
10.	Other requirements	<ul style="list-style-type: none"> <li>In the context of this Regulation, a family member means the father, mother, spouse, parents of the spouse, grandmother, grandfather, sister, brother, children, the spouse and children of the sister or brother.</li> <li>A loan that does not meet the requirements of the legislation on prevention of money laundering and terrorist financing is not considered a qualified loan. A loan used for purposes other than the specified target is not considered a qualified loan either.</li> <li>The energy efficiency standards for all types of green and EE loans are set forth in Clarification 4 and Clarification 5.</li> </ul>

These criteria may be revised.

#### **Clarification 4. Energy efficiency standards**

The Company applies the following energy efficiency standards to all types of green and EE loans. All technical requirements and details of the energy efficiency standards are set forth in the Green Standards document of the Company.

1. Green acquisition mortgage loans:
  - 1) An apartment building should have an energy performance certificate, according to which the EE class<sup>9</sup> of the building is at least B.
  - 2) The procedure of issuing an energy performance certificate to the building acceptable for the Company is defined by the relevant guidelines of the Company.
  - 3) The building (also a building under construction) must be thermally insulated, external doors and windows must be installed and must comply with the minimum requirements established by the Green Standards.
2. Green construction mortgage loans - the wall thickness, thermal insulation of the roof, the windows, glazed areas and external doors of the residential house under construction must comply with the requirements established by the Green Standards.
3. EE renovation mortgage loans and EE renovation microloans:
  - 1) EE renovation mortgage loans - the total cost of energy efficiency measures should be equal to no less than 30% of the loan amount. If the total cost of energy efficiency measures amounts to 90% or more, such loans will be considered green renovation mortgage loans unless the cost estimate submitted for them finances household appliances and the heating system.
  - 2) EE renovation microloans (including those issued through the mechanism of transferring the loan amount directly to the supplier) - the total cost of energy efficiency measures should be equal to no less than 30% of the loan amount. If the total cost of energy efficiency measures amounts to 90% or more, such loans will be considered green renovation microloans unless the cost estimate submitted for them finances household appliances and the heating system.

The energy efficiency measures included in the cost estimate for all types of EE renovation loans must fully comply with the minimum technical requirements established by the Green Standards, except for heating systems and household appliances, since those measures cannot be applied and implemented in case of Green loans. The minimum requirements for heating systems and household appliances are set forth in Clarification 5.

#### ***Clarification 5. Minimum requirements for heating systems and household appliances***

### **1. Installation of a heating system**

- Apartments

The basic heat supply efficiency factor for apartments is set at 85% and the new heat supply efficiency factor is  $\geq 92\%$ . As mentioned earlier, the final annual consumption of thermal energy by residential buildings is set at 185 kWh/m<sup>2</sup> taking into account the weighted average indicator of GHGs of residential buildings (3,225.8 °C·day / year), according to the logic defined in the foregoing section of this document. Energy savings and CO<sub>2</sub> emission reduction figures are respectively derived from climate data for each region.

- Private houses

For private houses, in the base scenario adopted for Armenia, the house is modeled as typology of average weighted private houses. The following parameters were considered:

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<sup>9</sup> In accordance with the RACN 24-01-2016 approved by Order N 120-N of the Minister of Urban Development of the Republic of Armenia dated June 16, 2016.

Number of inhabitants = 5	Number of storeys = 2	No. of sides sheltered = 2	
Length (m) = 8	Width (m) = 12 m	Total base air change rate = 0.5 ach	
Area	Floor surface (m <sup>2</sup> )	Floor height (m)	Volume (m <sup>3</sup> )
The rate of heat loss through construction fabrics	Area (m <sup>2</sup> )	U-value (W / m <sup>2</sup> °K)	Heat loss rate (W / °K)
Pitched roof (attic)	96	0.64	61.6
Wall (tufa block)	230	0.89	206.04
Window (wooden frame, double glazed)	15	2.8	41.7
Door (entrance, metal)	5	3.6	17.9
Basement ceiling	96	0.98	94.5

The useful energy for space heating is 32,218 kWh per year (the specific energy demand for space heating is 167,81 kWh/m<sup>2</sup> per year), which takes into account the weighted average value of GHGs for a private house (3,308.6 °C·day /year), according to the logic defined in the foregoing section of this document.

In case of the base scenario, the base coefficient of heat supply efficiency of heating boilers is set at 85% for natural gas, 60% for biomass stoves, and 100% for electric heaters. Considering the structure of energy supply<sup>10</sup> in Armenia, the base heat supply efficiency is set at 83.8%. Similar to apartments in apartment buildings, for private houses the new coefficient of heat supply efficiency is also set at ≥ 92%. Energy savings and CO<sub>2</sub> emission reduction figures are respectively derived from climate data for each region.

## 2. Household appliances

Certain household appliances, including refrigerators, washing machines, air conditioners and dishwashers, can be purchased under all types of renovation loans. These devices must comply with the minimum required energy efficiency class A++. Reference parameters are determined using class A energy efficiency rating and the corresponding annual energy demand figures for each type of household appliances, as specified below:

1. Refrigerator: 270 kWh/year
2. Washing machine: 250 kWh/year
3. Air conditioner: 440 kWh/year
4. Dishwasher: 330 kWh/year

<sup>10</sup> [https://unfccc.int/sites/default/files/resource/BUR3\\_Armenia.pdf](https://unfccc.int/sites/default/files/resource/BUR3_Armenia.pdf)



## MASTER LOAN AGREEMENT

Yerevan, Republic of Armenia

..... two thousand .....

National Mortgage Company refinancing credit organization closed joint stock company (hereinafter – the Company or the Lender), registered at ....., represented by ..... of the Company, acting on the basis of the Company's Charter, on the one part, and ....., registered at ..... (hereinafter – the Borrower), acting on the basis of the Borrower's Charter, represented by ..... and authorized person ....., passport: ....., date of issue: ....., issuing authority: ....., residing at: ....., acting on the basis of power of attorney No. .... issued on ..... year two thousand ....., considering that the Borrower certifies that it has already issued or can issue over time Home Loans that comply with the requirements established by the Lender and wishes to refinance them with the proceeds of a loan obtained from the Lender,

entered into this Master Loan Agreement (hereinafter also - the Agreement) on ..... year two thousand ....., as follows: the Lender agrees to issue to the Borrower and the Borrower agrees to borrow from the Lender a Loan to refinance its Qualified Loans in accordance with the provisions of this Agreement.

### Section 1. Concepts

**1.1. In the context of this Agreement:**

Substantial portion of assets –in the context of this Agreement, substantial portion of assets means 25 (twenty-five) percent or more of the book value of the Borrower's assets.

Means of security - means of security for performance of the obligations ensuing from the issued Loan and any other security provided to the Lender by the Borrower to ensure proper performance of its obligations under this Agreement.

Value of the means of security - the value of the Qualified Loan(s) as means of security at any point in time equal to the outstanding balance of the Qualified Loan(s).

Minimum value of the means of security - at any point in time it is equal to the sum of the outstanding balance of the principal amount of the Loan, the interest, and other monetary obligations of the Borrower ensuing from this Agreement.

Regulation on refinancing of home loans (hereinafter – the Regulation) - the Lender's internal regulation that outlines the Lender's rules and procedures for issuing, servicing and refinancing Qualified Loans during the term of this Agreement, as amended and supplemented from time to time.

Bank account agreement - the agreement on the loan issuance bank account of the Borrower that is a credit organization, as well as all other agreements for other bank accounts held by the Borrower, which should contain a provision establishing that without the instruction of the Borrower (bank client), based on the Lender's written request, the bank shall withdraw funds from the bank account in favor of the Lender within one banking day, in the amount requested by the Lender.

Pledged property - real estate pledged to secure fulfillment of the qualified mortgage loan obligations.

Registration or registered - the act or fact of state registration of rights arising from a certain transaction in the relevant state authority, in the manner prescribed by the Law.

Quarter - a calendar quarter consisting of three calendar months, with the first Quarter beginning on January 1 of each calendar year.

Quarterly notice - a written notice from the Lender to the Borrower stating: (1) the interest rate set for Loan disbursement due during the next Quarter; and (2) any amendment or supplement to the Lender's established requirements that will take effect from the first day of the next Quarter.

Cost - the cost incurred by the Lender in connection with exercising its rights and obligations under this Agreement.

Penalty - the amount to be paid to the Lender by the Borrower as a sanction for violating its obligations under this Agreement.

Disbursement - the action of transferring funds to the Loan disbursement account by the Lender.

Documents - the documents are defined by the Lender's Regulation and include, among other documents, any loan, borrowing or mortgage agreement, property appraisal document, loan application and any document submitted to the Borrower by the Debtor or otherwise obtained by the Borrower within the framework of the loan distribution process.

Home loan - Any loan issued to an individual for the purpose of buying, constructing or renovating residential real estate, secured by pledge of that residential real estate, or not secured by pledge of that residential real estate in the cases established by the Lenders Regulation.

Borrower's inspection - inspection carried out by the Lender from time to time with respect to the Borrower's operations, written procedures, staff competences, loan cases, loan quality and other aspects of the Borrower's operations related to issuance and service of Qualified Loans to make sure that the Borrower acts in accordance with the requirements established by this Agreement and the Lender's Regulation.

Qualified loan - as defined in the Regulation.

Monthly report on Qualified loans submitted to the Lender by the Borrower - in the form prescribed by the Regulation.

Notice of default - a written notice on non-performance of the obligations under this Agreement by the Borrower issued to the Borrower by the Lender in accordance with the provisions set forth in Section 8 of this Agreement.

Debtor - a person having received a Qualified loan included in the means of security for the Loan and bearing liabilities for it.

Loan - the sum of all loan disbursements to the Borrower by the Lender under this Agreement.

Loan disbursement - any disbursement of funds by the Lender under this Agreement to the Loan disbursement account, done on the Loan disbursement date, to satisfy the Loan application submitted by the Borrower.

Loan disbursement agreement - the Lender's consent to issue a loan and the Borrower's consent to accept a loan (in the form established by Annex 2 to this Agreement), which can also be signed as an electronic document verified by electronic digital signatures of the Lender's and the Borrower's authorized officials.

Means of security for loan disbursement - one or more Qualified home loans presented to the Lender by the Borrower in connection with the specific Loan disbursement and included in the List of the means of security for loan issuance attached to the Loan Disbursement Agreement.

Maximum quarterly loan disbursement - the maximum aggregate amount of Loan disbursements that can be issued to the Borrower during any quarter in the manner specified in clause 3.5 of this Agreement.

Maximum loan amount - the maximum aggregate amount of Loan disbursements under this Agreement, as defined in clause 3.4 of this Agreement.

Outstanding loan amount – the total sum of the amounts disbursed to the Borrower (Debtor) and not repaid to the Lender (Borrower) in connection with the Loan, any disbursement of the Loan, means of security for the Loan or a refinanced Home loan, at any point in time.

Loan application – the Borrower’s application submitted to the Lender in the form established by Annex 1 to this Agreement.

Loan disbursement account - a bank account of the Borrower that is a bank opened with the Central Bank of the Republic of Armenia or a bank account of the Borrower that is a credit organization opened with any bank, to which the Lender shall transfer the amounts of loans to be disbursed to the Borrower under this Agreement.

Loan disbursement date(s) - the dates set by the Lender during the term of this Agreement.

List of the means of security for the loan - the list presented in Annex 1 to the Loan Disbursement Agreement attached to this Agreement.

Regular installments of the loan amount - any regular repayment of the amount payable to the Borrower by the Debtor in accordance with the terms and conditions of the Qualified loan.

Non-regular installments of the loan amount - any repayment of the Qualified loan amount to the Borrower that is not a regular installment of the loan amount, including any permitted early repayment and insurance compensation.

Due date - the due date is established by the Loan Disbursement Agreement during the term of this Agreement.

Payment of installments – repayment of the Loan amount and payment of the interest amount by the Borrower in accordance with clauses 3.17 and 3.18 of this Agreement.

Interest payment period - the period from the Due date until the day before the next Due date.

## **Section 2. Conditions for Execution of this Master Loan Agreement**

2.1 As a condition of execution of this Agreement, the Borrower has submitted to the Lender, and the Lender has confirmed that it has received, copies of the following documents, the authenticity whereof has been verified by an authorized official of the Borrower:

- a) The decision of the Borrower’s authorized body on approving execution of the Agreement, unless the authority to make decisions regarding execution of such agreements belongs to the Borrower’s sole executive body by virtue of the law or the Borrower’s charter;

b) The list of the names of the officials authorized by the Borrower to sign (execute) documents under this Agreement on behalf of the Borrower, also using electronic digital signatures, as well as the sample signatures (also electronic digital signatures) of those officials, verified by the Borrower's authorized manager.

2.2 The Borrower that is a credit organization shall:

- 2.2.1 Submit copies of all of its Bank account agreements to the Lender within 10 days after execution of this Agreement.
- 2.2.2 Within 5 days after signing a new Bank account agreement, amending already executed Bank account agreements or terminating them, submit copies of the agreement or amendments to agreements to the Lender or inform the Lender about termination of such agreement.

### **Section 3. Issuance of the Loan**

**3.1. Loan application.** The Loans is issued to the Borrower in form of separate disbursements, after submission of the Loan application to the Lender and receiving the Loan Disbursement Agreement.

Loan applications can be submitted on any working day.

Along with the Loan application, the documents specified in clause 3.2 of this Agreement, which refer to the Qualified loans offered by the Borrower for refinancing as of the next Issuance date, are submitted to the Lender.

A loan is issued only on the basis of the Loan application, after signing the Loan Disbursement Agreement and provided that all obligations under this Agreement, as well as the previous Loan Disbursement Agreement, have been properly fulfilled by the Borrower as of the last day of the month preceding the month of the Issuance date.

Loan applications are numbered in the order of submission during the term of this Agreement.

**3.2. Documents to be submitted as attachment to the Loan application.** For each Qualified loan, the Borrower submits the following documents along with the Loan application:

- a) Copies of the loan and mortgage (if any) agreements for Qualified loans, to be attached to the application;
- b) A copy of the certificate evidencing the Borrower's lien on the real estate ensuing from the mortgage agreement;
- c) A copy of the pledged property appraisal report or other documents required by the Lender that will certify the appraised value of the pledged property;
- d) A copy of the insurance policy for the pledged property;
- e) A copy of the insurance policy for the Debtor's insurance against accidental death;
- f) A copy of the down payment insurance policy, in the case established by the Regulation;
- g) The List of the means of security for the loan, with the total sum of outstanding amounts of the Qualified loans included therein as means of security to be no less than the amount specified in the Loan application; and
- h) Any other document that might be specified by the Lender in the Regulation from time to time.

The Lender has the right to request any other information from the Borrower regarding the Loan application or any Qualified loan, necessary to clarify the arisen uncertainties or to eliminate the existing inconsistencies.

**3.3. The Borrower's representations and warranties when submitting the Loan application.** By signing the Loan application, the Borrower represents and warrants that:

- a) All representations and warranties made by the Borrower under this Agreement are true and reliable as of the date of the application and are incorporated in the application by reference;
- b) The Borrower is not aware of any fact or risk of default under this Agreement;
- c) There are no suspicious transactions in the Home loans submitted to the Lender for refinancing in terms of the legislation on prevention of money laundering and terrorist financing and every loan is a Qualified loan;
- d) The Home loan data available in the submitted Documents are accurate and reliable, and the originals of those documents and other documents are stored by the Borrower;
- e) The Borrower is the rightful owner of the right of claim arising from the Home loans submitted for refinancing and has the right to transfer them to the Lender in accordance with the provisions of this Agreement;
- f) Each of the Home loans included in the list of means of security for the loan is not refinanced by the Lender as of the date of submission of the respective Loan application, is fully operational and has legal effect, and the Borrower is not aware of any case of default related to those Home loans. Each of the Home loans is fully disbursed and the outstanding balances of such loans are as stated in the List of the means of security for the loan submitted by the Borrower.
- g) There is no encumbrance or right with respect to the Home loans that would be superior to the Lender's rights and interests under this Agreement and the cession agreement for the Home loans.

**3.4. Maximum loan amount.** The aggregate sum of the outstanding balances of the Loan disbursements issued to the Borrower under the Agreement cannot exceed the amount of AMD ..... (.....), unless otherwise agreed by the parties to the Agreement.

**3.5. Maximum quarterly disbursement of the Loan.** The Lender has the right to set the maximum limit of Loan disbursements that can be issued to the Borrower during each Quarter. In case of setting a maximum quarterly limit, the Lender shall specify it in the Quarterly notice. During the term of this Agreement, the Quarterly notice shall be issued by the Lender at least 5 days before each Quarter. The maximum quarterly disbursement of the Loan is determined by the Lender at its sole discretion and is not related to the maximum quarterly disbursement of the Loan during any previous Quarter.

**3.6. Accepting the maximum quarterly disbursement of the Loan.** If the maximum limit of quarterly loan disbursements provided for in clause 3.5 of this Agreement is set, the Lender has the right to offer the Borrower a loan disbursement within that limit. The Borrower has the right to accept the offered disbursement or reject it. The Loan disbursement mentioned herein is considered accepted if the Borrower does not notify the Lender in writing about refusal to accept it within five days following the date of receiving the Quarterly notice.

**3.7. Using the maximum quarterly disbursement of the Loan.** In case of accepting the maximum quarterly disbursement of the Loan, the Borrower shall submit Qualified loans to the Lender for the amount of the maximum quarterly disbursement specified in the Quarterly notice by the twentieth day of the last month of the given quarter, as the means of security for disbursement of the Loan/Loans to be received during that quarter.

**3.8. Penalties for failure to use the amount of the maximum quarterly disbursement of the Loan.** In the event of violation of the obligation specified in clause 3.7 of this Agreement after acceptance of the maximum quarterly disbursement of the Loan, the Lender may impose a penalty on the Borrower in the amount of 1% of the unused portion of the maximum quarterly disbursement specified in the Notice. To be noted that in case of making a decision to apply the above-mentioned penalty, the Lender informs the Borrower accordingly in writing at least 3 months before enforcement of the maximum quarterly disbursement of the Loan. The Borrower shall pay the penalty mentioned in this clause to the Lender in accordance with clause 3.20 of this Agreement. The Borrower is exempted from the obligation to pay the penalty specified herein, if the unused portion of the maximum quarterly disbursement is less than 5% of the amount of the maximum quarterly disbursement specified in the Quarterly notice.

**3.9. Disclaimer of Liability.** Execution of this Agreement, even if the Lender has set the amount of the maximum quarterly disbursement of the Loan and the maximum Loan amount, cannot be interpreted as the Lender's obligation to issue a loan to the Borrower. The Lender's obligation to issue a loan arises only when loan issuance consent is given in accordance with the provisions of this Agreement and when the Borrower fulfills the requirements for receiving a loan disbursement according to this Agreement.

The Borrower acknowledges that granting of the Lender's loan issuance consent depends on availability of spare funds with the Lender and the Lender's strategy and that the conditions of granting the Loan issuance consent may be established and amended from time to time by the Lender at its sole discretion. The Lender does not guarantee permanent availability of funds designated for loan issuance or that the Disbursements will be made on terms and conditions acceptable to the Borrower. Neither the Lender nor its agents and representatives shall be liable to the Borrower for refusal to issue the Loan or for not offering the Loan on terms and conditions acceptable to the Borrower.

**3.10. The amount of each disbursement of the Loan.** Loan disbursements are made for the amount specified in the Loan application, which should not exceed:

- 1) The difference between the maximum Loan amount and the balance of the amounts of Loan disbursements already issued to the Borrower under this Agreement;
- 2) The difference between the maximum quarterly disbursement of the Loan and the balance of the amounts of Loan disbursements already issued to the Borrower during the given quarter if the amount of the maximum quarterly disbursement of the Loan has been determined by the Lender's decision.

The amount of each Loan disbursement cannot exceed the balance of the Qualified loans submitted to the Lender along with the Loan application.

The Lender has the right to set a minimum limit of the amount of Loan disbursement in the Regulation.

**3.11. Interest rate of Loan disbursements.** The interest rate specified in the Quarterly notice is indicative and may be revised by the Lender in accordance with the provisions of this Agreement.

Each Loan disbursement is issued at the interest rate determined by the Lender and specified in the Loan Disbursement Agreement. The interest rate specified by the Lender in the Loan Disbursement Agreement may be changed by the Lender at any time subject to issuance of a prior notice to the Borrower, up to and including the fifth working day preceding the date of disbursement of the loan. Upon receiving a notice on interest rate increase, the Borrower may terminate the Loan Disbursement Agreement without paying any penalty.

**3.12. Giving and accepting the loan issuance consent.** After approval of the loan application, the Lender notifies the Borrower accordingly by sending the Loan Disbursement Agreement establishing the loan disbursement terms and conditions to the Borrower by post or electronic channels of communication.

The Lender gives the loan issuance consent only after fulfillment of the following conditions by the Borrower:

- a) a Loan application completed in the established form and the list of the means of security for the loan accepted by the Lender has been submitted to the Lender;
- b) the loans submitted as means of security for the Loan and attached to the Loan application are Qualified loans;
- c) the requirements set forth in clause 3.10 of this Agreement have been fulfilled;
- d) the Borrower has not violated any provision of this Agreement.

The Loan issuance consent shall be deemed accepted by the Borrower when the Borrower's authorized official signs two counterparts of the Loan Disbursement Agreement and submits them to the Lender. The two signed counterparts of the Loan Disbursement Agreement shall be submitted to the Lender no later than two days after receipt thereof by the Borrower, unless the Lender specifies some other deadline for submission. Having received the signed counterparts of the Loan Disbursement Agreement, the Lender also signs them and sends one counterpart to the Borrower.

The Loan Disbursement Agreement can be signed electronically using electronic digital signatures of the authorized officials of the Lender and the Borrower verified by the certification center chosen by the Lender. The Loan Disbursement Agreement is signed electronically, upon prior notification of the Borrower by post or electronic channels of communication.

**3.13. Termination of the Loan issuance consent.** The Borrower's failure to accept the Loan issuance consent by the specified date leads to termination of the Loan Disbursement Agreement, except for other cases specified by the Lender's written consent. Termination of the Loan Disbursement Agreement does not limit the Borrower's right to submit other Loan applications within the framework of this Agreement afterwards.

**3.14. Making loan disbursements.** Loan disbursements can be made only on the Disbursement dates, unless otherwise agreed by the parties to the Agreement. Loan disbursement is considered to be made by the Lender from the moment of withdrawal of the Loan disbursement amount from the Lender's account.

**3.15. Legal status of the Loan Disbursement Agreement.** The Loan Disbursement Agreement is an integral part of this Agreement.

**3.16. Partial disbursement of the Loan.** The Lender reserves the right to reject any Home loan presented by the Borrower as means of security for the Loan if it does not comply with the requirements established by this Agreement and to reduce the requested amount of the Loan disbursement for the amount of the rejected loan.

**3.17. Payment of interest.** For calculation of the interest amount, duration of the year is assumed to be 365 (three hundred sixty five) days, and duration of months is equal to the actual number of days in the months. Interest accrual starts from the date of Loan disbursement and the interest amount is payable on each Repayment date. Interest is calculated on the outstanding balance of the Loan disbursement.

**3.18. Repayment of the loan amount.** The amount of Loan disbursements is to be repaid on each Repayment date on which there is an outstanding Loan disbursement. The amount (loan principal, interest) to be repaid on the Repayment dates is determined in advance according to the repayment schedule of the loan sent to the Borrower by the Company by e-mail after signing of the Loan Disbursement Agreement, and then according to the loan repayment notices sent to the Borrower in accordance with this Agreement.

**3.19. Early repayment of Loan disbursements.** Except for the cases specified in this Agreement and the Loan Disbursement Agreement, in the event of early repayment of the Loan disbursement amount the Borrower shall pay a penalty of one percent (1%) of the amount repaid ahead of schedule. Early repayment penalties are payable for each early repayment, including early repayment because of breach of this Agreement. For early repayment, the Borrower

applies to the Lender in writing, specifying the amount to be repaid early, the Loan Disbursement Agreement under which early repayment is planned to be made, the reasons for early repayment and the Qualified Loans to be removed from the list of means of security as a result of early repayment. The Borrower can make an early repayment only on the Repayment dates, unless otherwise specified in the Loan Disbursement Agreement.

**3.20. Making payments.** Any amount payable to the Lender by the Borrower shall be paid on the basis of a written statement issued to the Borrower. All payments received from the Borrower in connection with the Loan disbursement are made in the following sequence:

- 1) payments aimed at reimbursing the funds spent for the exercise of the Lender's rights under this Agreement;
- 2) penalties applied in the cases established by this Agreement;
- 3) payments of interest amounts on Loan disbursement; and
- 4) payments of the principal amount of the Loan disbursement.

Payments of each subsequent turn are made only after full completion of the payments included in the previous turn.

**3.21. The Lender's right to collect funds from the Borrower's account without acceptance.** In the event the Borrower fails to fulfill the payment obligation within 5 (five) days after receiving the statement specified in clause 3.20 of this Agreement and/or after the date specified in the payment notice issued by the Lender in the cases established by this Agreement or, if no date is specified, within 5 (five) days after receiving the payment notice, the Lender has the right to collect the funds without acceptance from the accounts of the bank Borrower held with the Central Bank of the Republic of Armenia or to submit a claim to the credit organization Borrower's bank to collect the funds without acceptance from the Borrower's account in favor of the Lender.

**3.22. Date of repayment of Loan disbursements.** The outstanding balance of each Loan disbursement is subject to repayment no later than the Repayment Date specified in the Loan Disbursement Agreement, or no later than the payment deadline prolongation date approved by the Lender. The Repayment date requirement established in the Loan Disbursement Agreement remains in effect regardless of termination of the Borrower's right to submit Loan applications under this Agreement.

**3.23. Overdue repayment penalties.** In the event of failure to fulfill its monetary obligation towards the Lender under this Agreement within the specified timeframe, the Borrower shall pay an overdue repayment penalty to the Lender equal to 0.1% (zero point one percent) of the late payment amount for each day of delay until actual fulfillment of the obligation or until full transfer to the Lender of all rights and obligations of the Borrower (including those of the lender, the pledgee and the beneficiary in the event of being a beneficiary under the insurance policy) under the Qualified loan agreements in accordance with clause 4.1. of this Agreement and with the cession agreement (i.e. until state registration of the pledgee's rights in the manner prescribed by the law). Overdue repayment penalties (late payment penalty) are paid together with the overdue repayment amount, except when the right of claim with respect to Qualified Loans is ceded to the Lender in accordance with Clause 4.1 of this Agreement. In such cases, the penalties shall be paid on the date of state registration of the rights arising from the Cession Agreement in accordance with clause 4.1 of this Agreement, in the manner prescribed by the law, or on the day following it.

**3.24. Procedure for refinancing of home loans.** The Lender has the right to amend and supplement the Regulation from time to time or to approve a new edition of the Regulation (hereinafter collectively referred to as amendments), including, but not limited to, revising the definition of the "Qualified Loan" concept, in which case the mentioned amendments shall apply to performance of this Agreement.

The rights and obligations of the Lender and the Borrower in connection with the Loan disbursements are also governed by the provisions of the Regulation as it is in force on the date the Loan issuance consent takes effect. Amendments to the Regulation may have retroactive effect and apply to the legal relations in connection with a Loan disbursement made before the date of their enforcement if this is specified in the decision on making those amendments.



**3.25. Application of the Agreement.** The provisions of this Agreement, which establish the Borrower's and the Lender's rights and obligations ensuing from disbursement of the Loan, shall take effect on the enforcement date of the Loan Disbursement Agreement.

## **Section 4. Security**

**4.1 Cession of rights to the means of security for the loan.** In case of the Borrower's failure to fulfill its obligations, the rights to the means of security for the loan are transferred to the Lender by virtue of the Cession Agreement signed by the Parties in accordance with Annex 4 to this Agreement, which is considered to have been executed from the day the Borrower receives the Notice of Default sent by the Lender. If the Notice of Default specifies a period during which the Borrower must fulfill the obligation and the Borrower fails to do so within the specified period, then within 15 (fifteen) days following expiry of that period or if no such period is specified - within 15 (fifteen) days from the date of receiving the Notice of Default the Borrower shall ensure, at its own expense, performance of the legal and factual actions necessary for assigning of the pledgee's rights to the Lender with respect to the real estate pledged to secure repayment of the Qualified Loans, in the manner prescribed by the legislation of the Republic of Armenia and shall register those rights in the authorized state agency performing state registration of rights in accordance with the legislation of the Republic of Armenia.

Cession of rights to the means of security includes cession of all claim rights and income connected with the means of security for the Loan, lien to them, transfer of profit and income, regardless of its source, owned or to be received by the Borrower, its agents, representatives, custodians or authorized persons. Such profit and income include, but are not limited to, principal amounts, interest, insurance compensations, charges and fines, along with the pledgee's rights to the Pledged property and the relevant Documents evidencing such rights.

Within 5 working days after receiving the Notice of Default, the Borrower shall provide the Documents related to the means of security for the Loan to the Lender or the person authorized by the latter.

**4.2. The minimum value of the means of security.** The value of the means of security should at any time be at least equal to the minimum value of the means of security. If at any point in time the value of the means of security is less than the minimum value of the means of security, the Borrower shall reduce the balance of the Loan disbursement amount without paying any early repayment penalty if such reduction is necessary to reach the minimum value of the means of security.

Not more often than once a month, the Lender calculates the value of the means of security and the minimum value of the means of security and, where necessary, notifies the Borrower about the need to reduce the balance of the Loan disbursement amount. Having received such notification, the Borrower shall reduce the balance of the Loan disbursement amount on the first Repayment date after receipt of the Notice.

The Borrower shall reduce the balance of the Loan disbursement amount on the first Repayment date for the balance of a Qualified loan available on the list of means of security for Loan disbursement, which becomes overdue for more than 90 (ninety) days in terms of repayment of the principal or the interest, or which is not a Qualified loan according to the Lender's decision once the regular installment for such loan becomes overdue for more than 90 (ninety) days or once the Lender decides that it is not a Qualified loan, without paying the early repayment penalty. Such Home loans are considered to be removed from the list of the means of security.

**4.3. Removing a means of security from the list of means security.** If the Borrower has not violated any of its obligations under this Agreement or towards the Lender, provided that the minimum value of the means of security is maintained, the Borrower has the right to apply in writing to the Lender for the following purposes, with a request to remove the means of security from the list of the means of security for the Loan:

- a) To take other legal action with respect to any Qualified loan if there is any overdue installment for the principal amount or interest on that loan, including restructuring of the loan;
- b) For other purposes, subject to the Lender's consent.

**4.4. Procedure for removing a means of security from the list of means of security.** A means of security is removed from the list of means of security on the basis of the Borrower's written application specifying the nature and purpose of removal. The Borrower shall submit the amended list of the means of security for the Loan, attaching it to the application. After the Lender approves the application for amending the list of means of security, the new list of means of security for the Loan disbursement becomes an amendment to the Loan Disbursement Agreement, without the need for the Lender or the Borrower to take any additional action for that purpose.

**4.5. Other loans issued to the Borrower by the Lender.** The Loan is also secured by any other property or right pledged by the Borrower in favor of the Lender or transferred to the Lender as means of security for any other loan of a similar or different nature issued to the Borrower by the Lender before or after the date of signing this Agreement.

## **Section 5. Regular Reports on Refinanced Loans and Management Thereof**

**5.1. Reports.** During the entire term of this Agreement, the Borrower shall submit to the Lender the following reports:

- a) Report on the means of security for the loan in form of a monthly report on Qualified loans, according to the Regulation, for each month until the 5<sup>th</sup> (fifth) day of the next month;
- b) Other reports required under the Regulation, within the timeframe and in the manner specified by the same Regulation.

**5.2. Management of the means of security for Loan distribution.** The Borrower shall manage the means of security for Loan distribution in accordance with the provisions of the Regulation, and may, acting as the Lender's agent, take actions with relation to the means of security for Loan distribution on behalf of the Lender subject to the consent of the latter such as restructuring, satisfying, terminating, etc. The mentioned authority of the Borrower ceases from the moment the Lender submits a Notice of Default to the Borrower.

**5.3. Protection and segregation of the means of security for Loan distribution.** The Borrower is responsible for maintaining the confidentiality of all Documents related to the means of security, including confidentiality of the information contained therein. The Borrower shall keep the Documents related to each Qualified loan included in the means of security for Loan distribution separately and they should be accessible to the Lender, and in case of financing within the framework of any program - also to the organization that has provided relevant financing, for inspection during working hours. The Lender acquires the right to do so from the moment of notifying the Borrower accordingly a day before the date of such inspection.

**5.4. Delivery of the Documents.** At any point in time during the term of this Agreement, at the request of the Lender, as well as in each case of sending a Notice of Default to the Borrower, the Borrower shall deliver to the Lender the originals of the Documents, including the originals of loan, borrowing and mortgage agreements kept by the Borrower. At the Lender's request, the Borrower shall pay the custodial fees related to the Documents.

**5.5. The Lender's obligations in relation to the means of security for Loan distribution.** The Lender's obligations in relation to the means of security for Loan distribution shall include only the exercise of due care for storage of the documents in its possession and shall not include the obligation in connection with storage of documents

related to exercise of any right to the Qualified loans or of the underlying document, receipt or delivery of any notice, or taking any other management action in connection with the Qualified loans.

**5.6. The Lender's responsibility for the means of security for Loan distribution.** The Lender does not bear any responsibility for the means of security for Loan distribution and cannot be held liable for any guarantee given by the Borrower or any action taken or omitted by the Borrower. The Lender bears no responsibility for any drawback, misrepresentation or error revealed in the Documents. The Borrower hereby undertakes to hold the Lender harmless of any and all damages, losses, costs, expenses and penalties that may arise in connection with the Lender's possession of the means of security for Loan distribution. Any such loss, damage, penalty, fine or expense incurred by the Lender as a result of any guarantee given by the Borrower or any action taken or omitted by the Borrower shall be added to the outstanding balance of the Loan amount.

**5.7. Accounting of the means of security for Loan distribution.** The means of security for Loan distribution are accounted for separately from other accounts of the Borrower. The Borrower shall account for each Qualified Loan included in the means of security for Loan distribution in accordance with the provisions of the Regulation.

**5.8. The Borrower's Distribution account.** The Borrower that is a bank shall open the Borrower's distribution account with the Central Bank of the Republic of Armenia, and the Borrower that is a credit organization shall open an account at a bank or branch of a foreign bank registered in the Republic of Armenia.

## **Section 6. The Borrower's Representations and Warranties**

The Borrower represents and warrants to the Lender that:

- a) The Borrower has obtained the right to receive the Loan from the Lender by virtue of the applicable legislation, its Charter and the decision of its authorized body.
- b) The Borrower has provided the Lender with copies of its financial statements as of .....  
(.....) and warrants to the Lender that those statements are true and accurate as of the date submitted and that no significant adverse changes in the Borrower's financial condition have occurred since the date of those statements.
- c) The Borrower is not in the process of bankruptcy or liquidation.
- d) The Borrower is not on the list of financial sanctions published by the USA, the EU or any other state, whereby any foreign/international organization cooperating with the Lender is guided.
- e) The Borrower complies with all laws, by-laws, regulations and judicial acts (in case of insurance claims - also legal acts related to such claims) that apply to its activities or the means of security for the Loan, including those pertaining to environmental protection, safety and labor law.
- f) The Borrower has not been presented with legal claims or factual circumstances that might produce any significant negative impact on the Borrower's financial standing, and there is no possibility of such a claim arising in the future, of which the Borrower is aware or might be aware.
- g) The Borrower: (1) has received a copy of the Regulation; (2) is familiar with the contents of the Regulation; and (3) is not aware of facts that might produce any negative impact on the Borrower's features as a lender meeting the established requirements or that might be considered violation of the Borrower's obligations under the Regulation.

## **Section 7. The Borrower's Obligations**

### **7.1. The Borrowers obligations to perform certain actions.**

The Borrower shall:

- a) Make timely payments for the Loan and Loan disbursements, i.e. the amount, interest and additional payments established under this Agreement;

- b) Perform all of its obligations under this Agreement and the Regulation;
- c) Keep its legal status and banking [credit organization] license in force and notify the Lender immediately of the fact or possibility of any significant negative change in the Borrower's financial standing after the enforcement date of this Agreement;
- d) Maintain complete and accurate accounting books and records of the means of security for Loan disbursement for at least 10 years following the date of disbursement of the Loan;
- e) Promptly respond to the Lender's requirements in connection with the means of security for the Loan disbursement;
- f) Allow the Lender and its representatives, and in case of financing within the framework of any program - also to the organization that has provided relevant financing, to perform inspection of the Borrower's documents and accounts related to the means of security for the Loan disbursement, as well as the Borrower's financial statements;
- g) Allow the Lender to conduct an inspection of the Borrower's activities periodically, within the timeframes determined by the Lender, in the manner established by the Lender;
- h) Act in accordance with the legislation of the Republic of Armenia in all cases not covered by this Agreement and the Regulation.

## **7.2. The Borrower's obligations to omit performing certain actions.**

The Borrower has no right to perform the following actions without the Lender's consent:

- a) Sell or otherwise dispose of or pledge all of its assets or a significant portion thereof.
- b) Sell, transfer, hand over, encumber with rights of third parties, modify, terminate, release or otherwise dispose of the means of security for Loan distribution.

## **Section 8. Default on Obligations**

**8.1. Cases of default on obligations.** The occurrence of one or more of the following cases shall be considered Default on obligations under this Agreement by the Borrower:

- a) The Borrower does not fulfill, does not comply with the provisions of this Agreement or ceases to meet any of the terms and conditions of this Agreement;
- b) The Borrower violates any provision of the Regulation in connection with the grounds for certifying the Borrower's status as a lender meeting the established requirements in terms of the Loan issued under this Agreement, any other Loan issued to the Borrower by the Lender, the means of security for the Loan disbursement or in accordance with the Regulation;
- c) The Borrower does not maintain or restore the minimum value of the means of security in accordance with the provisions of this Agreement;
- d) The balances of the Borrower's bank accounts specified in clause 3.21 of this Agreement are not sufficient to charge the required amount without acceptance in the cases and in the manner established by the same clause;

- e) The Borrower's banking [credit organization] license is revoked, or the Borrower's banking [credit organization] activity ceases;
- f) The Borrower sells or otherwise disposes of all of its own assets or a significant portion thereof, or the Borrower, as a legal entity, performs any action aimed at self-liquidation or reorganization;
- g) A decision has been made regarding liquidation of the Borrower or alienation of a significant portion of the Borrower's assets or insolvency or bankruptcy proceedings have been initiated against the Borrower;
- h) It is revealed that any representation or warranty issued by the Borrower under this Agreement is at variance with facts when issued;
- i) The Lender decides that the Borrower's financial standing has deteriorated significantly as compared to the financial standing presented on the date of signing this Agreement.

**8.2. The Lender's legal remedies.** In case the Borrower fails to fulfill its obligations under this Agreement, the Lender has the right to demand immediate repayment of all amounts payable under the Loan and exercise any of its rights under this Agreement and the laws and regulations of the Republic of Armenia. The Borrower's default on its obligations under this Agreement shall be considered default on its obligations under all Loan Disbursement Agreements signed on the basis of this Agreement, which shall entitle the Lender to demand repayment of all Loan disbursements and exercise its rights to any Means of security. The Borrower's default on its obligations under this Agreement shall also be considered default on the obligations in connection with a similar or any other loan issued to the Borrower before or after the date of signing this Agreement.

In the event of the Borrower's default on its obligations under this Agreement, the Lender's legal remedies include but are not limited to the following actions:

- a) Terminate this Agreement unilaterally by notifying the Borrower accordingly;
- b) Demand delivery of the Documents related to the means of security for the Loan disbursement in accordance with the provisions of clause 5.4 of this Agreement;
- c) Take any security measure under its control or control by its authorized person;
- d) Exercise its rights in connection with any means of security pledged by the Borrower in favor of the Lender or transferred to the Lender, which secures repayment of any other loan of similar or different nature issued to the Borrower by the Lender before or after the date of signing this Agreement;
- e) Submit notices and claims to any bank, registrar, transfer agent or the Debtor, which might be necessary to exercise any legal remedy;
- f) File any other claim related to the Borrower and the Borrower's assets, which the Lender may have the right to file in accordance with the legislation of the Republic of Armenia.

**8.3. The Borrower's accounts.** In addition to all legal remedies reserved to the Lender under this Agreement, in case of the Borrower's default on its obligations the Lender shall have the right to charge the amounts payable to it by the Borrower from any of the Borrower's accounts held with other banks, including correspondent accounts, or from the Borrower's Loan disbursement account.

**8.4. Notice of Default.** The Borrower shall notify the Lender of default on any of the obligations established by this Agreement, stating in the notice the nature of default and the nature of the necessary actions to be taken by the Borrower with the Lender's consent.

The Lender shall notify the Borrower of the Borrower's default on the obligations under this Agreement, specifying the nature of the default and, if the Lender deems appropriate, it shall set a timeframe and specify the actions that the Borrower must perform within that timeframe to fulfill the respective obligation properly.

**8.5. Costs of exercise.** The Borrower shall bear all costs incurred by the Lender in connection with exercise of the rights established by this Agreement.

## **Section 9. Miscellaneous**

**9.1. Enforcement date of the Agreement.** This Agreement enters into force upon its notarization. The notarization costs are covered by the Borrower.

**9.2. Validity term of the Agreement.** The Borrower's right to request a Loan disbursement under this Agreement ceases on ....., unless it is terminated earlier in accordance with the provisions of this Agreement. Regardless of lapse of the Borrower's right to request a Loan disbursement, this Agreement remains in force until the Borrower has fulfilled all of its obligations under this Agreement.

**9.3. Prohibition of waivers.** Prolongation of the payment term or the Lender's permission issued to the Borrower for deviating from the terms and conditions of fulfillment of the Borrower's obligations under this Agreement, as well as the Lender's failure to exercise any of its rights ensuing from this Agreement, does not constitute a waiver of any of the Lender's rights under this Agreement and does not limit the exercise of any right or legal remedy by the Lender in the future.

**9.4. Consent.** In all cases, which require the Lender's consent under this Agreement, such consent should be issued in writing.

**9.5. Working days.** References to days in this Agreement shall mean calendar days unless otherwise expressly specified. Working days means the working days of the Central Bank of the Republic of Armenia. If the day on which a specific action under this Agreement is to be performed is not a working day, then the day of performance of such action is the working day after that non-working day.

**9.6. Other relations.** The relations that are not directly regulated by this Agreement but arise from its content or may arise in the course of implementation of its provisions are regulated by the legislation of the Republic of Armenia.

**9.7. Assignment of the Agreement.** The Lender's rights under this Agreement may be sold, assigned or pledged by the Lender or used by the Lender as means of security for bonds or other liabilities of the Lender without issuing any prior notice thereof to the Borrower and without obtaining the Borrower's consent. The Borrower's obligations under this Agreement cannot be assigned or delegated by the Borrower without obtaining prior written consent from the Lender; any assignment made without such consent shall be void.

**9.8. Notices.** All notices issued under this Agreement shall be delivered in person or by registered post, return receipt requested, to the following addresses:

If sent to the Borrower, to the following address: .....

If sent to the Lender: to National Mortgage Company RCO CJSC, ..., .....Yerevan, Republic of Armenia.

Each of the Parties may change its notification address by issuing a prior written notice to the other Party.

**9.9. Sealing of documents, notices.** All of the Borrower's documents and notices shall be signed (also using an electronic digital signature) by an authorized official of the Borrower, whose name shall be on the list of authorized officials submitted to the Lender by the Borrower. To be noted that the mentioned list may be amended by the Borrower from time to time. Documents and notices to be executed by the Lender shall be signed (also using an electronic digital signature) by an authorized official of National Mortgage Company RCO CJSC.

**9.10. Jurisdiction.** Disputes between the Parties are settled judicially.

**9.11. Amendment.** The Parties have the right to amend and supplement this Agreement on the basis of a written arrangement signed by both Parties.

**9.12. Conflict with laws.** This Agreement is governed by the legislation of the Republic of Armenia. If any provision of this Agreement is at conflict with any applicable law, such conflict shall not affect any other provision of this Agreement other than the inconsistent provision and shall not invalidate any other provision of this Agreement or the entire Agreement.

**9.13. Equal counterparts.** This Agreement is executed in English, in four counterparts, one of which is kept in the notary's office, each of the Parties gets its counterpart, and the fourth one is kept at National Mortgage Company RCO CJSC for submission to the respective department of the Cadaster Committee after execution of the claim cession transaction in accordance with Annex 4 to this Agreement. All four counterparts are of equal legal force. In the event of discrepancies between the counterparts, the one kept at the notary's office shall prevail.

**9.14. Exclusion of set-off rights.** None of the Borrower's obligations under this Agreement can be set off without the Lender's consent.

**9.15. Exclusion of third-party beneficiaries.** No individual or legal entity that is not a party to this Agreement has the right to act as a third party-beneficiary in relation to this Agreement or exercise any right or file any claim against or on behalf of the Parties to this Agreement.

**9.16. The Borrower's sole responsibility.** The Borrower is not exempted from responsibility for non-fulfillment or improper fulfillment of its obligations under this Agreement resulting from the actions of any individual or legal entity that is not a party to this Agreement, including the Borrower's employees and agents.

**9.17. Annexes.** Annexes to this Agreement form an integral part of this Agreement.

**9.18. Force majeure.** The Parties cannot be held liable for non-fulfillment of their obligations under this Agreement as a result of force majeure circumstances. Still, it does not release them from the responsibility to fulfill those obligations after elimination of the effects of force majeure circumstances.

## PARTIES

## LOAN APPLICATION No.

1. Reference is hereby made to the Master Loan Agreement dated ..... (hereinafter - the Master Loan Agreement) between [name of the Borrower] (hereinafter – the Borrower) and National Mortgage Company RCO CJSC (hereinafter – the Lender). All capitalized terms used in this Loan Application have the same meaning as defined in the Master Loan Agreement.
2. Hereby the Borrower presents to the Lender the Qualified \_\_\_\_\_ Loan and requests to issue a Loan in the amount of \_\_\_\_\_, with maturity of \_\_\_\_\_ years.

Borrower's name	Loan identification number assigned by the loan register (if any)	Location of the pledged property	Loan amount	Loan amount/ collateral value (%)	Date of issuance	Repayment date	Interest rate	Outstanding loan balance as of the date of pre-issuance	Mortgage registration number	Loan purpose
Total			---					---		

If this application is accepted by the Lender, the Loan shall not be issued to the Borrower until the Lender gives Loan issuance consent and until the Borrower complies with all terms and conditions set forth in the Master Loan Agreement and the Loan Disbursement Agreement.

[BORROWER]

Signature: \_\_\_\_\_

Position: \_\_\_\_\_

Date: \_\_\_\_\_



## LOAN DISBURSEMENT AGREEMENT No. \_\_\_\_\_

1. Reference is hereby made to the Master Loan Agreement between the undersigned Borrower and Lender dated \_\_\_\_\_ (hereinafter - the Master Loan Agreement). All capitalized terms used in this Loan Disbursement Agreement have the same meaning as defined in the Master Loan Agreement.

2. Loan issuance consent is given in accordance with the Master Loan Agreement, in response to Loan Application No. \_\_\_ submitted by the Borrower on \_\_\_\_\_.

3. In accordance with the provisions and terms of this Loan Disbursement Agreement and the Master Loan Agreement, the Lender hereby assumes a commitment towards the Borrower to issue a Loan to the Borrower on the following terms and conditions:

Amount: \_\_\_\_\_

Interest rate: \_\_\_\_\_

Maturity: \_\_\_\_\_

Loan issuance date: \_\_\_\_\_

4. The Lender has the right to revise the interest rate specified in the third clause of this covenant at any time after notifying the Borrower accordingly, up to and including the fifth working day before the date of loan issuance. If the interest rate changes, the Borrower has the right to terminate this Loan Disbursement Agreement without having to pay any penalty, by notifying the Lender accordingly.

5. The Lender has the right to request the Borrower to repay the loan amount provided to the latter under this covenant before the due date if the Borrower violates any term of the Master Loan Agreement and/or this covenant during the maturity term of the loan.

6. Repayment of the loan amount outstanding as of the repayment date and the accrued but unpaid interest is performed in the manner established by Chapter 12 of the Regulation on Refinancing of Home Loans. The loan repayment schedule is drawn up: a. based on the schedules of Qualified Loans refinanced at the expense of the Loan; b. based on the principle of equal repayments of the loan amount; c. based on the principle of annuity repayments of the loan amount (one of the options should be selected).

The Borrower repays the outstanding loan amount and the accrued but unpaid interest in the amounts specified in the loan repayment notices sent to the Borrower by the Lender in accordance with the Master Loan Agreement. The above installments are made on the \_\_\_ day of the respective month.

7. If the loan repayment schedule is drawn up based on the principle of equal or annuity repayments, before the new interest rate date the Lender sends to the Borrower the version of the loan repayment schedule revised as a result of application of the new interest rate, taking into account the early repayments and the outstanding loan amount. To be noted that the amounts to be regularly paid by the Borrower are determined by the following methods:

**If based on the principle of annuity repayments**

$\text{OnePayAmount} = \text{LoanAmount} * \text{Percent} / \text{PaysPerYear} / (1 - (1 + \text{Percent} / \text{PaysPerYear}) ^ {-\text{AllPays}}),$

**If based on the principle of equal repayments**

$\text{OnePayAmount} = \text{LoanAmount} / \text{AllPays} + \text{RemainLoan} * \text{Percent} / \text{PaysPerYear}$

Where:

OnePayAmount - Amount of the regular payment  
 LoanAmount - Principal loan amount  
 RemainLoan - Outstanding loan amount  
 Percent - Annual interest  
 PaysPerYear - Number of payments during 1 year  
 AllPays - Total number of payments

8. The Borrower hereby represents and warrants to the Lender that as of the date of approval of this covenant by the Borrower and as of the date of issuance of the Loan:

a) All representations and warranties made by the Borrower in the Master Loan Agreement are true and reliable and are incorporated by reference into this Loan Disbursement Agreement.

b) The Borrower is not aware of any fact or risk of non-fulfillment of the obligations under the Master Loan Agreement.

9. The Loan issuance shall be effected on the next Issuance Date, unless otherwise agreed between the Borrower and the Lender.

10. The List of the means of security for loan issuance is attached to this covenant and forms an integral part of it.

11. Two counterparts of this Loan Disbursement Agreement signed by an authorized official of the Borrower shall be provided to the Lender no later than within two days following the date of receipt thereof by the Borrower, unless another deadline for submission has been set by the Lender. If the Lender does not receive the signed counterparts of this Loan Disbursement Agreement within the specified period, this consent to issue the loan shall be considered void. This Loan Disbursement Agreement enters into force upon signing by the Lender. The Lender returns one signed counterpart of this Loan Disbursement Agreement to the Borrower.

This Loan Disbursement Agreement may be signed electronically using electronic digital signatures of the authorized officials of the Lender and the Borrower verified by the certification center chosen by the Lender. The Loan Disbursement Agreement is signed electronically, upon prior notification of the Borrower by post or electronic channels of communication.

12. Upon signing of this Loan Disbursement Agreement by the Borrower and the Lender it becomes a part of the Master Loan Agreement. No provision of this Loan Disbursement Agreement is intended to modify any provision of the Master Loan Agreement, and in the event of any inconsistency between the provisions of the Master Loan Agreement and this Loan Disbursement Agreement, the provisions of the Master Loan Agreement shall prevail.

**LIST OF THE MEANS OF SECURITY FOR LOAN ISSUANCE**

**UNDER LOAN DISBURSEMENT AGREEMENT No. \_\_\_\_\_ SIGNED BETWEEN \_\_\_\_\_ AND \_\_\_\_\_ ON \_\_\_\_\_**

Borrower's name	Loan identification number assigned by the loan register (if any)	Location of the pledged property	Loan amount	Loan amount/ collateral value (%)	Date of issuance	Repayment date	Interest rate	Outstanding loan balance as of the date of issuance	Mortgage registration number	Loan purpose

## **ANNEX 3 TO THE MASTER LOAN AGREEMENT**

### **MONTHLY REPORT ON QUALIFIED LOANS**

No standard template for the monthly report on qualified loans is defined hereby. The parties agree that the Borrower shall submit these reports to the Lender electronically, in the respective format presented to the Borrower by the Lender.

CLAIM CESSION AGREEMENT

Yerevan, Republic of Armenia

year two thousand .....

National Mortgage Company refinancing credit organization closed joint stock company (hereinafter – the Company or the Lender or the CESSIONARY), registered at ....., Yerevan, represented by ....., acting on the basis of the Company's Charter, on the one part, and ..... bank/credit organization registered at ....., (hereinafter – the Borrower or CEDENT), acting on the basis of the Borrower's Charter, represented by Chief Executive Officer (Chairman of the Management Board) ....., on the other part, hereinafter – the PARTIES, governed by the legislation of the Republic of Armenia and the Master Loan Agreement signed between the PARTIES on ....., entered into this agreement (hereinafter – the Agreement) as follows:

1. DEFINITIONS

1.1 All capitalized terms used in this Agreement have the same meaning as defined in the Master Loan Agreement, unless otherwise stipulated by this Agreement.

2. SUBJECT OF THE TRANSACTION

2.1 According to clause 4.1 of the Master Loan Agreement signed between the PARTIES on ....., the CEDENT cedes and the CESSIONARY accepts all rights and responsibilities of the lender (including the beneficiary in case of being a beneficiary under the insurance agreement) and the pledgee that belong to the CEDENT under agreements on Qualified Loans included in the list of means of security for issuance of Loans as of the date of conclusion of the transaction on cession of the claim right based on the Master Loan Agreement.

3. RIGHTS AND OBLIGATIONS OF THE PARTIES

3.1 Within 15 (fifteen) working days from the date of the conclusion of the transaction on cession of the claim right based on this Agreement, the **CEDENT** shall, in the manner prescribed by the legislation of the Republic of Armenia, ensure fulfillment of the legal and factual actions necessary to cede the pledgee's rights to the **CESSIONARY**, register those rights in the manner prescribed by the legislation of the Republic of Armenia in the authorized state body performing state registration of such rights and transfer to the **CESSIONARY** the agreements certifying the rights thus ceded to the **CESSIONARY** under this Agreement, and other Documents.

3.2 All payments related to the operations (actions) stipulated by this Agreement shall be performed by the **CEDENT**.

3.3 The **CEDENT** shall inform the Debtor about transfer of the **CEDENT's** rights to the **CESSIONARY** and prepare all relevant documents in the prescribed manner within 3 (three) days from the date of conclusion of the transaction on cession of the claim right based on this Agreement.

3.4 The **CEDENT** shall inform the **CESSIONARY** about all objections presented by the debtor against its claims.

3.5 The **CESSIONARY** has the right to cede the right ceded to it under this Agreement to another party in the manner prescribed by the legislation of the Republic of Armenia.

3.6 In the event of failure to comply with the timeframe set for fulfillment of the obligations set forth in clauses 3.1 and 3.3 of this Agreement the **CEDENT** shall pay penalty of 1 (percent) of the ceded claim amount for each day of delay.

4. VALIDITY OF THE AGREEMENT AND SETTLEMENT OF DISPUTES

4.1 This Agreement is subject to notarization, and the lien towards the real estate ensuring fulfillment of the right of claim ceded to the **CESSIONARY** in accordance with Article 399 of the Civil Code of the Republic of Armenia based

on the transaction on cession of the claim right under the Agreement is subject to state registration, in the manner prescribed by the legislation of the Republic of Armenia.

4.2 According to this Agreement, the date of conclusion of the transaction on cession of the claim right is the day when the Borrower receives the Notice of Default sent by the Lender in accordance with the Master Loan Agreement signed between the parties on ....., and if the Notice of Default specifies a period, during which the Borrower shall fulfill the obligation and the Borrower does not fulfill it within the specified period, then it is the day following expiry of that period.

4.3 Disputes and disagreements arising throughout the validity term of this Agreement shall be settled by means of negotiations between the **PARTIES**, and in the event of failure to reach agreement they shall be resolved in the manner prescribed by the legislation of the Republic of Armenia.

## 5. LIABILITY OF THE PARTIES

5.1 The **CEDENT** bears liability towards the **CESSIONARY** for invalidity of the ceded claim right mentioned in clause 2.1 of this Agreement.

## 6. FORCE-MAJEURE

6.1 The **PARTIES** are released from liability for failure to fully or partially fulfill the obligations under this Agreement if such failure is caused by force-majeure circumstances arisen after the date of execution of this Agreement, which the **PARTIES** could not foresee or prevent. In the context of this Agreement, force-majeure circumstances do not include strikes, breach of obligations by the counterparties of the **PARTIES**, lack of funds, lack of necessary goods on the market, etc., which the party in breach of the obligations could eliminate by taking the necessary measures.

## 7. MISCELLANEOUS

7.1 On the date of conclusion of the transaction on cession of the claim right under this Agreement, the **CESSIONARY** acquires all rights and responsibilities of the lender (including the beneficiary in case of being a beneficiary under the insurance agreement) that belong to the **CEDENT** under agreements on Qualified Loans included in the list of means of security for issuance of Loans as of the date of conclusion of the transaction on cession of the claim right based on the Master Loan Agreement. The **CESSIONARY** acquires the rights of lien and the obligations specified by the mortgage agreements ensuring fulfillment of agreements on Qualified Loans, starting from the date of state registration of those rights.

7.2 The **CEDENT** guarantees that the property pledged under the mortgage agreement is pledged in favor of the **CEDENT** and as of the date of conclusion of the transaction on cession of the claim right no other party will have rights towards the property (properties) pledged under mortgage agreements, the pledged property is not under seizure or confiscation, is not in detention or under arrest, it is not given for rent or other use.

7.3 Any amendment and supplement to this Agreement shall have legal effect if made in writing, signed by the **PARTIES** or by persons authorized by the **PARTIES** for that purpose, and notarized.

7.4 All relations arising from this Agreement, which are not regulated by this Agreement, are regulated by the legislation of the Republic of Armenia and the **Master Loan Agreement**.

7.5 This Agreement constitutes the entire agreement between the **PARTIES**.

7.6 This Agreement is binding on both the **PARTIES** and their legal successors.

7.7 This Agreement is prepared in four counterparts, the first of which is kept at the notary's office, the second one is provided to the **CEDENT**, the third one – to the **CESSIONARY** and the fourth one is kept by the **CESSIONARY** for submission to the respective department of the Cadaster Committee in the manner stipulated by the legislation of the Republic of Armenia, after execution of the claim right cession transaction. All four counterparts are of equal legal force. In the event of discrepancies between the counterparts, the one kept at the notary's office shall prevail.

**PARTIES**

***CESSIONARY***

***CEDENT***

National Mortgage Company RCO CJSC	.....
.....	.....
.....	.....
	.....