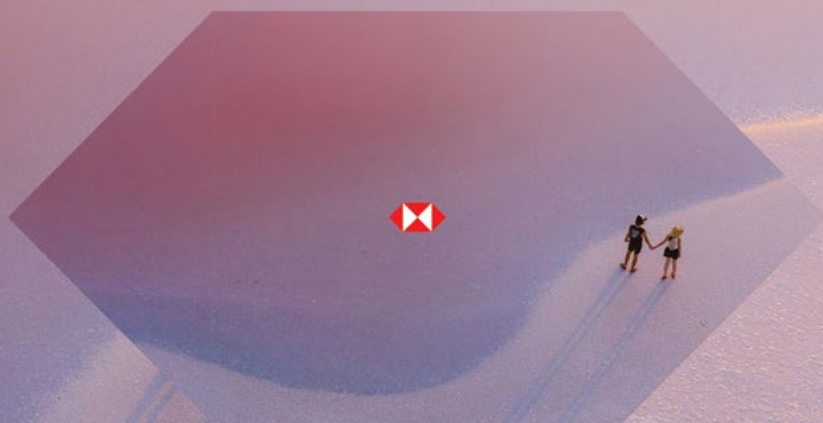


CORPORATE CREDIT SOLUTIONS

Information booklet for Legal Entities



Publication date: February 2023.

Terms stipulated in the booklet may be changed.

For up-to-date and detailed information please refer to www.business.hsbc.am or call us at +374 60 655 200.

Bank is regulated by the Central Bank of Armenia.



WHO CAN APPLY FOR COMMERCIAL CREDIT AND TRADE FACILITIES?

Facilities are being issued to resident legal entities, while non-resident companies will be considered on a case-by-case basis.

Applicants should have sufficient business history (at least 1 year).

Our team of dedicated Relationship Managers provide an individual approach whilst partnering with our customers to help them achieve their strategic goals and ambitions. General terms and conditions of Commercial banking facilities are presented in this information booklet. For detailed information and clarifications, please contact the representatives of the Wholesale Banking Department of the Bank.

Commercial banking facilities are provided by Main Office – address 66 Teryan Street, Yerevan 0009, RA, Telephone +374 60 655 200.

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Products

Credit and lending

Get access to a range of long and short-term loans designed to meet the specific funding requirements of your business. Use our credit and lending solutions to finance capital investments and business growth, and obtain working capital to improve your cash flow, or manage day-to-day expenses more effectively.

- **Term loan**

Term loans are facilities with limits amortizing in line with the repayment of portions of their principal amounts. The Bank may extend capital finance loans, which are intended for capital investment purposes with fixed term (generally for a period of up to 5 years). The finance is used by businesses for fixed assets purchases, reconstruction and development, consequently resulting in business expansion or launching of new business lines, as well as for projects with relatively long-term payback period. Term loans may also be provided for making a one-off injection into working capital or for other purposes.

- **Revolving loan**

Revolving loans represent a working capital finance tools with fixed term (generally for a period of up to 3 years) subject to annual reviews. You are allowed to draw down amounts up to the approved limit, which are then repaid in a few monthly instalments, as stipulated in the agreement. Revolving loans are generally used for regular remittances to suppliers, as well as for funding other working capital requirements.

- **Overdraft**

Overdraft is a type of revolving limit, which allows the Borrower to have a negative balance on the current account in the respective currency granted with fixed term (the limit is generally granted for up to 3 years) subject to annual reviews. Overdraft is intended for meeting the short-term cash requirements of the Customer by providing the companies with flexible, short-term financing solution. Overdraft enables the Customer to cover the temporary cash

shortages arising in the course of the day-to-day operations of the business and contributes to the better management of the cash flows of the companies, especially for businesses with expressed seasonality features.

- **Credit card solutions**

Use corporate credit card for all your business related expenses. It is a fast, convenient and reliable way of making miscellaneous payments through internet, via POS terminals, as well as cash withdrawals and card-to-card transfers. Credit cards are used by company's owners and top management, as well as by other assigned employees who can have additional cards to company's Credit card with shared limits (generally our credit cards range from AMD 50.000 to AMD 5.000.000 for unsecured cards and from AMD 1.000.000 to AMD 20.000.000 for secured cards). Corporate credit card limits are generally provided for a period of up to 3 years subject to annual renewals.

The terms and conditions, as well as applicable tariffs of the product are covered in the "Card Products terms and Conditions" information bulletin and are available in our website at business.hsbc.am.

- **Combined limits**

Various revolving facilities may be aggregated under a combined limit, which could include import/ export facilities (documentary credits and documentary collections), different types of bank guarantees, as well as revolving loans, overdrafts and Credit cards. Combined limit will allow you to get facilities specified in the contract in a short time.

Global Trade and Receivables Finance product range

As a major bank and an organization focused on international trade, HBSB is able to offer an extensive range of trade-related services in many countries of the world, adding a real value to your business. Our trade specialists and technical consultants can work with you to tailor a package of services designed for your company needs. The Bank is offering a full range of trade finance solutions, including documentary credits, collections, bank guarantees, acceptances, etc.

Global Trade and Receivables Finance products and fees are covered in the Global Trade and Receivables Finance respective leaflets, as well as in our website at business.hsbc.am.



General terms and conditions

Credit amount, currency and provision order

There are no specific minimum thresholds for facilities, and the amount of facility is defined mainly based on customer needs, financial stand, security, cash flow and purpose of the loan.

The facilities are generally provided in Armenian Drams, United States Dollars and Euros. Fluctuation of foreign currency exchange rate may impact the loan repayment amount (for USD and Euro Loans). The loan is provided non-cash through crediting the respective current account of

the Customer with the Bank, while in case of overdraft, the facility can be provided by allowing respective negative balance on the current account of the Customer.

Pricing

The pricing is made based on risk and return considerations and is in line with the current market conditions. Generally, the pricing depends on the purpose, amount, tenor of the facility, Customer's credit history, offered security, financial, operating, other risks involved, prevailing market rates, quality, reliability of the Customer financial accounts, as well as the overall Bank products usage of the Customer (FEX transactions, account balance, inwards/outwards, trade products). Interest rate is defined based on contractual agreement.

The facilities are generally extended at floating rate, defined as the Bank's base rate, plus a fixed margin. **Bank's base rate is a floating rate which might be changed from time to time advising customers beforehand. Information on Bank's base rate is available in our website at [hsbc.am: https://www.hsbc.am/en-am/important-information/base-rate/](https://www.hsbc.am/en-am/important-information/base-rate/) as well as in branches which is considered proper notification.**

Calculation and payment of interest

The interest is accrued on a daily basis on the outstanding balance of the principal amount of the facility in the currency of the facility, unless otherwise agreed between the Bank and the Customer. The calculation of interest is based on a 360-days year.

The interest is payable in Armenian Drams on 25th day of each month (on next working day if 25th is a non-working day), unless otherwise agreed between the Bank and the Customer.

Repayment schedule

Repayment schedule is aligned to cash flow, customer's business need, project type, Bank's risk appetite. More flexible repayment schedule and/or different frequency of instalments can be determined individually based on the specifics of each business and seasonal character of the Borrower's cash flows.

Early repayment fees/penalties are being negotiated with customers individually for each facility. Typically bank applies early repayment fees in all cases when customer makes early repayment to reimburse Bank's unearned interest due to loan early repayment calculated based on the time and resources required for reinvesting early repaid funds.

The acceptable level of the security/facility ratio is determined taking into consideration the Customer's credit history, facility amount, security type, availability of audited financial accounts, risk and return considerations, and degree of liquidity of their security.

The property pledged to the Bank must be valued by either of independent valuers acceptable for the Bank and insured at the Bank's request by the Insurance companies accepted by the Bank for the whole market value of the property acceptable for the Bank. You can find the list of Independent valuers and Insurance Companies recommended by the Bank at Appendix 2 or at www.business.hsbc.am.

The valuation cost may vary depending on property type and features. The Bank also requires revaluation on an annual basis. Valuation instruction is submitted by the Bank and valuation fee is charged from customer account based on the provided invoice by the valuator.

Insurance premium may vary depending on the type of security specifics of the insured vehicle, the insurance coverage required and overall market development and typically is negotiated and agreed between insurance company and customer.

Insurance policy must be renewed every year throughout the duration of the credit. In case the Customer does not ensure the renewal of the collateral, the Bank will ensure it by itself at the account of the Borrower.

Collateral

Though ssecurity is not the primary factor for the assessment of a proposal, the availability of adequate collateral, securing the requested credit facilities is necessary.

We accept the following types of securities:

- Commercial and residential real estate
- Vehicle and Machinery pledge
- Personal guarantee of the stakeholders
- Corporate guarantee
- Marginal deposit /term deposit under lien
- Pledge over the stock/tradable goods (fixed/floating charge)
- Share pledge
- Government guarantees
- License pledge
- Assignment on cash flow
- Contractual obligations
- Indirect pledge right
- Other bank securities which as per credit and risk appetite may be deemed acceptable

Information for guarantor

When providing guarantee, the guarantor should acknowledge all the consequences of the guarantee provision, including full repayment of the obligation and applicable penalties, negative impact on the guarantor's credit history and even repossession of the guarantor's property, in case the borrower does not perform their obligations.

The Bank is obliged to:

- Provide examples (copies of credit, guarantee agreements, repayment schedule with the notice "True Copy of original") and individual paper.
- Provide information on outstanding amount of credit.
- Communicate with you by your preferred channel via post or e-mail.
- Notify you about the changes to the terms of the agreement 7 working days prior to those changes are made.

In addition to the clause:

- In case of negative change, the Bank is obliged to submit an offer, the guarantor may accept it or not.
- In case of a positive change or a prior consent, the Bank is obliged to notify you within one working day after the change is approved. Remind you about the credit obligation one day prior to its due date.
- Notify you about delayed credit repayments at latest 1 day after the delay.
- Notify you about termination of the contract within 7 working days.
- Indicate the amount and provide at least 7 working days for payment in case of demand.

You have the right to:

- Request information from the Bank on the credit's residual amount at any time.
- Claim from the borrower the credit amount paid by you, as well as other losses borne by you instead of the borrower.

The deadlines and factors for decision making of credit application and loan provision/drawdown

Generally, factors leading to positive/negative decision making of credit facilities include financial assessment, purpose, amount, tenor of the facility, Customer's credit history, offered security, financial, operating risks involved, quality, reliability of the Customer financial accounts and decision is made individually for each client/deal.

The period for making decision on credit application depends on the complexity of the case, provided term and quality of requested information and documentation, product type, amount, term and is maximum 30 working days after the Bank has received all the necessary documents and information related to the application. In some cases, considering the specific nature of the deal, the decision may take longer to complete. The applicant will be notified about the respective decision within 3 working days after the decision has been made via relationship manager.

The loan amount is provided within 3 working days once all the loan documentation has been completed and the security has been completed in due manner, with respective notarizations and registrations in state authorities in place, where applicable

Important Note

1. **Failure to make timely repayments of interest and principal will lead to this information record in the Loan Register.**
2. **In case the Customer breaches its obligation under the respective agreement with the Bank, the Bank has the right to indemnify itself through collateral provided by the Borrower.**
3. **In case the securities pledged to the Bank are not sufficient for repaying the outstanding loan amounts of the Customer, the Bank reserves the right to indemnify itself through repossession of other properties of the Borrower in accordance with RA legislation.**
4. **In case of Borrower's failure or inadequate conduct related to meeting the contractual obligation the Bank has the right to demand full balance repayment of the extended facilities or repossession of the pledged collateral irrespective of the Customer's fault and/or force majeure circumstances.**
5. **In case you have outstanding obligations towards the Bank, the following repayment order will apply, when you fulfil your obligations:**
 - **Penalties**
 - **Interest**
 - **Principal**

For detailed information and clarifications about general terms, please contact the representatives of the Wholesale Banking Department of the Bank or visit our website at business.hsbc.am.

Fees

In this section are presented general approaches that serve as guidance when defining credit fees, while the final terms and conditions of each deal/service are defined on a contractual basis..

Fee type	Description	Tariff
Facility upfront fee	This is an upfront fee charged at the drawdown (for revolving limits, every year upon renewal of the service) of the approved facility	Up to 0.5% of the facility amount. In case of term loans, this amount is charged once at the inception of the finance, while in case of revolving lines, which are considered one-year renewable products, fee is charged once at the inception of the finance and every year upon renewal of the facility.
Credit account servicing/ monitoring fees	A fee charged for the annual review of the facilities	Up to AMD 500,000
	A fee, which may be applied in cases of amending the terms of approved or extended facility	Up to AMD 500,000
Facility line non-utilization penalty	This penalty ensures certain level yield maintenance for the unutilized portion of the available limits	Up to 2% per annum of the non-utilized amount charged monthly, unless otherwise agreed between the Bank and the Customer. Introducing a minimum utilization level and ensuring that full interest is charged for the underutilized portion (in this case, the calculation is done on annual basis, unless otherwise agreed between the Bank and the Customer).
Loan early repayment penalty	This penalty ensures certain level of yield maintenance for a predetermined period in case of early repayment of the extended facility.	Early repayment penalty may constitute up to 50% of the foregone interest income
Covenant breach penalties	Penalties may be imposed by the Bank for breaches of either of the covenants attached to the facility (including arranging insurance coverage on time)	Covenant breach penalties are generally specified as a percentage of facility amount with an absolute cap fixed (up to 0.5% of facility amount, not exceeding AMD 500,000 for each case)
Penalty	Default interest rate is applied in case of the failure to pay the facility principal, and/or any interest accrued thereon within the time period specified by the agreement	Facility Interest Rate + 10%

Note

All legal and out-of-pocket expenses, including those related to security notarization and perfection, are borne by the Customer. Below are presented the approximate ranges of fees related to notarization and registration of the securities, however, it should be noted that in certain cases these fees may extend the mentioned ranges based on the specifics of the deal. Range of fees is defined according to Law on Notary and and Law on State Duty.¹

¹ According to the Law on Notary, there is a state duty which is charged by notary according to The law on State Duty, but the fee for notary actions/services is determined by the concrete Notary, the Government gives the ranges for fees and the maximum threshold above which the Notary has no right to charge.

Type of collateral	Notary fee	State Cadastre (electronic registration) / Road Police Inspection Fee
Mortgage over real estate/land plot	Up to AMD 15,000	AMD 26,039 (AMD 26,000 + 0.15% commission for State Electronic Payment System (e-payments))
Trilateral collateral agreement (real estate)	Up to AMD 20,000	AMD 71,107 (AMD 71,000 + 0.15% commission for State Electronic Payment System (e-payments)) (MTG right registration + Ownership right registration)
Trilateral collateral agreement (vehicle)	Up to AMD 20,000	AMD 2,003 (AMD 2,000 + 0.15% commission for State Electronic Payment System (e-payments)) – pledge right registration fee
Pledge over vehicle	Up to AMD 20,000	AMD 2,003 (AMD 2,000 + 0.15% commission for State Electronic Payment System (e-payments))
Pledge over equipment/ machinery	Up to AMD 20,000	AMD 2,003 (AMD 2,000 + 0.15% commission for State Electronic Payment System (e-payments))
Pledge over Trademark	Up to AMD 20,000	AMD 2,003 (AMD 2,000 + 0.15% commission for State Electronic Payment System (e-payments))
Pledge over stock	Up to AMD 20,000	AMD 2,003 (AMD 2,000 + 0.15% commission for State Electronic Payment System (e-payments))
Pledge over share in company/ company stock (LLCs)	Up to AMD 20,000	AMD 2,003 (AMD 2,000 + 0.15% commission for State Electronic Payment System (e-payments))

Required documents

To apply for a standard credit facility, the following documentation should be presented.

- Financial accounts (including notes) of the company for at least two previous years.
 - Cash Flow Projection/historical cash flow, budget, financial model.
 - Non-financial information including suppliers (contract terms, agreements), buyers, competitors, market share (information regarding industry), operating model, management and ownership structure.
 - Offered security related information.
- agreement preparation and signing, or to ensure that these documents and information are available for the Bank by paying respective applicable charges.
- Below is the list of the main documents that the Customer may need to provide which is not exhaustive. The list may differ **from case to case** (depending whether the transaction is significant or not, security type, etc.), thus, during documentation review each Customer will be advised individually regarding required documents, presentation terms and timing.

After approval of the credit application, the Bank will ask the Customer to provide documents necessary for loan and security

Legal entity related documents	Security related documents
<p>1. LLC, Cooperative, Foundation</p> <ul style="list-style-type: none"> True Copy of Company's Charter, Founding document, Charter amendments (if any) True Copy of Company's State Registry Certificate with Director Enclosure (if registered before March 2017) and/or otherwise certified information on company registration and executive body Passport/ID/Social Security card (SSC) copies of participants, trustees, founders, and/or director/executive body Excerpt from State Register stating information regarding restrictions and/or encumbrances over company shares Statement on company net assets Tax certificate from respective authorities stating the pending taxes for the Borrower (if applicable) Minutes of Meeting and/or Board Decision regarding confirmation and authorization of the transaction 	<p>1. Mortgage</p> <ul style="list-style-type: none"> Ownership certificate of the real estate² Original certificate from State Cadaster regarding restrictions of the property to be mortgaged (miasnakan- valid for 15 working days) Copy of documents certifying real estate acquisition sources Passport copies/IDs, SSCs of all involved parties and marriage certificate/s of the spouses in case of co-ownership

² In case of the ownership certificate is issued before 2018 the original Ownership certificate will be requested only for Sell and Purchase (S&P) purposes.

2. OJSC/CJSC

- True Copy of Company's Charter, Founding document, Charter amendments (if any)
- True Copy of Company's State Registry Certificate with Director Enclosure (if registered before March 2017) and/or otherwise certified information on company registration and executive body
- Excerpt from State Depository or from other licensed company maintaining the reestre of the company's shareholders, on shareholders, shares and restrictions
- Copy of recent Balance Sheet and/or Letter on company's assets signed and sealed by company's director and accountant
- Passport/ID/SSC copies of shareholders and director
- Tax certificate from respective authorities stating the pending taxes for the Borrower (if applicable)
- Minutes of Meeting and/or Board Decision regarding confirmation and authorization of the transaction (if required drafted/prepared by Credit Services Team)

2. Vehicle pledge

- Original ownership certificate of the vehicle
- Certificate from Road Police regarding the vehicle status and the restrictions over the vehicle (valid for 5 working days)
- Copy of the technical passport of the vehicle
- Copy of documents certifying legal title source of the vehicle (bases if any)
- Passport copies/IDs, SSCs of all involved parties and marriage certificate/s of the spouses in case of co-ownership

3. Financial Institutions

- True Copy of Company's Charter, Founding documents, Charter Amendments (if any)
- True Copy of Company's License
- Company Director appointment decision
- Passport/ID/SSC copies of the owners and director
- Certificate from Central Bank of Armenia on recent amendments of the charter and the director (**valid for 30 days**)
- Minutes of Meeting and/or Board Decision regarding confirmation and authorization of the transaction

3. Movable property pledge (equipment, production line, etc.) and Floating charge/Fixed charge

- Complete and detailed list of movable property
- Bases (S&A agreement and/or customs clearance documentation and/or invoice and/or other any other related document)
- Passport copies/IDs, SSCs of all involved parties and marriage certificate/s of the spouses in case of co-ownership

4. Personal/Corporate Guarantee

- Passport copies/IDs, SSCs of guarantor
- In case of Corporate Guarantor, the criteria of requesting documents for legal entities is applied

Customers will be advised individually regarding presentation terms and timing depending on requested information/documentation. Conditioned by various factors the Bank may require additional information/documentation during and after facility provision.

For detailed information regarding required documents for credit facility, please visit our website at business.hsbc.am.

Appendix 1

You have the right to communicate with us with your preferred channel: via mail or email.

Terms and charges for statements, advices, their copies and other information during the whole period of facilities can be found in “Tariff of Charges of Corporate Banking Services” booklet and at our website (business.hsbc.am).

Appendix 2

The list of Independent valuers recommended by the Bank³

"A.G. Borsa" LLC	+374 (10) 252 789, +374 (10) 259 031, +374 (10) 252 230, +374 (10) 252 786 agborsa@mail.ru	22 Nairi Zaryan Street, Yerevan Ra
"VM-RP" LLC	+374 (10) 588 797, +374 (99) 588 797 vm-rp@mail.ru	Vardanants street 8th Blind Alley, Yerevan RA
"AMINTAS GROUP" LLC	+374 (10) 432 276, +374 (98) 800 424, +374 (93) 500 201 amintasgroup@mail.ru	23/6 Artsakh street, Tun Depo Complex, Yerevan RA
"RVM Consult" LLC	+374 (10) 546 490, +374 (98) 944 449, +374 (93) 944 449 info@rvmconsult.am	48/1 Nalbandyan street, Yerevan RA

The list of Insurance Companies recommended by the Bank⁴

Armenia Insurance	+374 (11) 560 404, +374 (10) 560 404 +374 (99) 560 404 armeniainsurance.am/	10 North Avenue, N1 area RA, Yerevan.
Ingo Armenia	+374 (10) 592 121 www.ingoarmenia.am/	51,53 Hanrapetutyan str., premises 47,48,50 Yerevan, RA
Nairi Insurance	+ 374 (60) 500 060 www.nairi-insurance.am	Area 110, 10 Vazgen Sargsyan str., "Piazza Grande" Business Center Yerevan, RA
RESO Insurance	+374 (60) 275 757 www.reso.am	62, Komitasi Ave., №93-93/1 Yerevan, RA
"ROSGOSSTRAKH-ARMENIA"	+374 (10) 591 010, +374 (10) 500 770 www.rgs.am	1, Hyusisain Ave., Yerevan, RA
Sil Insurance	+374 (60) 540 000 http://www.silinsurance.am/	3, Arami St. "Sil Plaza" trade centre building Yerevan, RA

³ The last updated list of Independent Valuers you can find at www.hsbc.am

⁴ The last updated list of Insurance Companies you can find at www.hsbc.am

NOTE: In case of discrepancies between Armenian and English version of the brochure, the Armenian version shall prevail.

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Legal sign off

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