

“MICROCREDIT ORGANIZATION “ASIA CREDIT FUND” LLC

Approved by
The General Meeting of the
Participants of “MCO “ACF” LLC

“ _____ ” _____ 2013

REGULATIONS on MICROCREDIT ARRANGEMENTS

Almaty, 2013

TABLE OF CONTENTS

<u>1. GENERAL PROVISIONS</u>	<u>3</u>
<u>2. MAXIMUM AMOUNT AND TERMS OF MICROCREDIT</u>	<u>3</u>
<u>3. MAXIMUM/MINIMUM INTEREST RATES FOR MICROCREDIT UTILIZATION</u>	<u>3</u>
<u>4. INTEREST PAYMENT PROCEDURE UNDER MICROCREDITS PROVIDED</u>	<u>3</u>
<u>5. LOAN COLLATERAL REQUIREMENT</u>	<u>4</u>
<u>6. PROCEDURE ON SUBMISSION OF MICROCREDIT APPLICATION FORM BY THE APPLICANT AND THE PROCEDURE OF CONSIDERATION THEREOF</u>	<u>5</u>
<u>7. METHODS OF MICROCREDIT REPAYMENT AND PROCEDURE OF MICROCREDIT AGREEMENT CONCLUSION</u>	<u>6</u>
<u>8. RULES OF ANNUAL EFFECTIVE INTEREST RATE CALCULATION ON MICROCREDITS PROVIDED</u>	<u>6</u>
<u>9. OTHER PROVISIONS UNDER MICROCREDIT</u>	<u>7</u>
<u>10. CONCLUSIVE PROVISIONS</u>	<u>7</u>
<u>Appendix №1</u>	<u>8</u>

1. GENERAL PROVISIONS

- 1.1. Hereby we establish the Regulations on Microcredit Arrangements (hereinafter referred to as the “Regulations”) by “Microcredit Organization “Asia Credit Fund” Limited Liability Company (hereinafter referred to as “MCO “ACF” LLC), including by the Company’s branches. The Regulations have been developed in accordance with the Law of the Republic of Kazakhstan as of November 26, 2012 № 56-V LRK “On Microfinance Organizations”, regulatory-legal acts of the National Bank, as well as with the company’s Charter.
- 1.2. “MCO “ACF” LLC offers individual and group-based credit products. The conditions of microcredits to the borrowers are determined according to the Credit Policy of “MCO “ACF” LLC, “Group Credit Procedures” and “Individual Credit Procedures”.
- 1.3 Both physical persons and legal entities may become the borrowers of “MCO “ACF” LLC.
- 1.4 “MCO “ACF” LLC offers microcredits on the basis of reward, term and repayment, as well as on other conditions determined by the agreement on microcredit provision.

2. MAXIMUM AMOUNT AND TERMS OF MICROCREDIT

- 2.1. The maximum amount of the microcredit of “MCO “ACF” LLC may not exceed 8 000 times amount of monthly calculated rates per one borrower.
- 2.2. “MCO “ACF” LLC provides microcredits for the following maximum terms
 - 2.2.1. Individual credit product for the term up to 24 months, inclusive;
 - 2.2.2. Group-based credit products for the term up to 12 months inclusive.

3. MAXIMUM/MINIMUM INTEREST RATES FOR MICROCREDIT UTILIZATION

- 3.1. The maximum interest rates on the microcredits shall be approved by the Senior Credit Committee of “MCO “ACF” LLC based on the risk exposure assessment and mission assessment. The Senior Credit Committee shall be entitled to revise interest rates towards decrease down to minimum or increase up to maximum interest rate in order to provide that the annual effective interest rate does not exceed the maximum interest rate determined by the legislation of the Republic of Kazakhstan (Law of the Republic of Kazakhstan as of November 26, 2012 № 56-V LRK “On Microfinance Organizations” and appropriate Resolutions of the National Bank of the Republic of Kazakhstan).
- 3.2 “MCO “ACF” LLC applies the following minimum and maximum nominal interest rates return on microcredits granted:
 - The minimum interest rate - 23 % per annum.
 - The maximum interest rate - 28,32 % per annum.
- 3.3. The Microcredit Agreement shall obligatory specify both nominal interest rate and the effective interest rate per annum, which shall be calculated according to the procedure determined by the regulatory documents of the National Bank of the Republic of Kazakhstan.

4. INTEREST PAYMENT PROCEDURE UNDER MICROCREDITS PROVIDED

- 4.1. For use of microcredit the Borrower shall pay the monthly interest to “MCO “ACF” LLC.
- 4.2. Interest rate for microcredit utilization shall be specified in the Microcredit Agreement on the annual base, regardless the microcredit term.
- 4.3. The interest on loan shall be accrued based on the actual number of days of the loan utilization

- and shall be calculated based on the calendar year equal to 360 days, and 30-day month.
- 4.4. Payment of interest by the Borrower for microcredit utilization shall be made according to repayment schedule attached to Microcredit Agreement.
 - 4.5. In case of any payment delay under microcredit, the interest shall be accrued for the period of actual period of microcredit utilization, and penalties shall be accrued according to the terms and conditions of microcredit agreement.
 - 4.6. If the Borrower fails to comply with its obligation for principal debt repayment and/or payment of interests and other fees provided for by Microcredit Agreement, the Borrower shall pay to the Lender the penalty in the amount of 0,5% up to 1% (depending on the credit product) of the overdue monthly principal amount for each day of delay.

5. LOAN COLLATERAL REQUIREMENT

- 5.1. Fulfillment of the Borrower’s obligations under the Microcredit Agreement shall be secured by guarantee and/or collateral.
- 5.2. Either physical person or legal entity may act as the guarantor. In this connection the guarantors shall bear joint liability with the Borrower for fulfillment of the contract obligations.
- 5.3. Either the Borrower, or any third party – physical person or legal entity may act as the Collateral Provider (Pledger). If Collateral Provider is not a Borrower, then Collateral Provider shall be the Guarantor.
- 5.4. Provision of the collateral is required under the following credit products:
 - Microcredits secured with collateral;
 - Microcredits for small- and medium-scale business development;
 - Microcredits for acquiring and refurbishment of apartment or commercial real estate.
- 5.5. “MCO “ACF” LLC treats collateral as the secondary source for credit repayment. The following property may be provided by the Borrower as collateral:
 - a. Real Estate:
 - Buildings;
 - Land;
 - House, apartment;
 - Other.
 - b. Movable Property:
 - Light, truck and special vehicles;
 - Equipment, manufacturing equipment;
 - c. Real estate and movable property produced by business;
 - d. Personal property.

5.6. The following Table is used for determination of the collateral value:

➤ Inventories	50%-100% of purchase price (excluding semi-finished products)
➤ New Equipment	50% of cost price
➤ Second-hand Equipment	50% of market value
➤ Transport Facilities	50% of the value specified in the Independent Appraisal Report
➤ Land	50% of the value specified in the Independent Appraisal Report

➤ Personal / Commercial Real Estate	50-70% of the value specified in the Independent Appraisal Report
➤ Personal Property	50% of market value

- 5.7. Property, provided as the collateral shall be registered/executed according to the procedure established by the current legislation.
- 5.8. Pledge of the property subject to state registration by resolution of the Senior Credit Committee shall be registered with the body providing state registration of such property.
- 5.9. Upon provision of group-based microcredits the principle of joint group liability shall apply. The joint group and every member thereof shall bear joint liability for full repayment of the entire amount under the joint group credit according to the Microcredit Agreement.

6. PROCEDURE ON SUBMISSION OF MICROCREDIT APPLICATION FORM BY THE APPLICANT AND THE PROCEDURE OF CONSIDERATION THEREOF

- 6.1. If the Applicant applies to «MCO «ACF» LLC for getting microcredit, the Credit Officer shall acquaint the Applicant with the Microcredit Regulations and the terms and conditions of the credit products offered by «MCO «ACF» LLC as well as microcredit repayment schedule options provided in Appendix 1 to these Microcredit Regulations.
- 6.2. The Credit Officer shall provide comprehensive and reliable information on the lending procedures, terms of loan consideration, fees relevant to disbursement, service and repayment of microcredit and on any other terms and conditions of microcredit.
- 6.3. If the Applicant is interested in certain type of microcredit the Credit Officer shall provide the Applicant with the list of documents required for consideration of the application for microcredit.
- 6.4. The Applicant shall submit to «MCO «ACF» LLC the following documents and information required for consideration of his/her/its application:
 - The Microcredit Application Form specifying the purpose of microcredit use, data on the property (if secured credit) provided as the collateral for fulfillment by the Borrower of its obligations connected with microcredit repayment;
 - Identity Card;
 - House register or registered address certificate;
 - Documents evidencing the Borrower's income;
 - Notary certified copies of the Borrower's constituent documents (for legal entities);
 - Documents evidencing the authorities of the Borrower for signing of Microcredit Agreement;
 - If microcredit is secured with the pledge – the copies of the documents evidencing ownership for the property.

If necessary «MCO «ACF» LLC may request any additional documents required for consideration.
- 6.5. The Applicant shall be entitled to refuse from conclusion of the Microcredit Agreement.
- 6.6. If the Applicant refuses to submit any documents, «MCO «ACF» LLC shall be entitled to refuse to the Customer in consideration of his/her application.
- 6.7. «MCO «ACF» LLC shall be entitled to refuse in microcredit disbursement without explanations.
- 6.8. The period of the application consideration is 3-7 business days.
- 6.9. The procedure of the application consideration is implemented according to the «Group Credit Procedures » and the «Individual Credit Procedures» subject to visiting of the Applicant's place of business and/or residence.
- 6.10. The Potential Borrower's application shall be considered by the authorized credit committee or credit officer, having appropriate credit authorities, providing that the credit committee or the

credit office shall be entitled to review the amount, period and other terms and conditions under the Applicant's credit application.

6.11. The main conditions of the provided credit authorities and decision-making procedures are determined in the Credit Policy.

7. METHODS OF MICROCREDIT REPAYMENT AND PROCEDURE OF MICROCREDIT AGREEMENT CONCLUSION

7.1. Prior to conclusion of Microcredit Agreement the Credit Officer shall submit the draft microcredit repayment schedules calculated using the following repayment methods, to the Applicant (Appendix №1 to the Regulations):

- *Graduated-payment method*, according to which repayment of microcredit shall be made by decreasing payments, comprising equal amounts of principal and the accrued interest for the period;
- *Annuity payment method*, according to which repayment of microcredit shall be made by equal payments during the entire loan period, comprising increasing portion of principal amount and decreasing portion of interest accrued on the outstanding principal balance for the period. The amount of the first and last payments may differ from the other;
- *Annuity payment method*, according to which repayment of microcredit shall be made by equal payments, comprising equal amount of principal and the interest accrued on the initial loan amount for the entire period, equally distributed for the entire credit period.

7.2. The Microcredit Agreement and other required contracts shall be concluded in writing in the State and Russian languages.

7.3. The compulsory condition of Purpose Microcredit Agreement is indication of the microcredit purpose, as well as the control procedure of its target use.

7.4. The Borrower shall sign the microcredit agreement after reading thereof and getting of all required explanations from the Credit Officer on the any arising questions.

7.5. If it is provided for by the conditions of the product the Borrower shall sign other Contracts together with the Guarantors/ Collateral Providers (Collateral Contract, Credit Facility Agreement, Guarantee Agreement and etc.)

7.6. Guarantors and Collateral Providers shall sign Guarantee Agreement and Collateral Contract (if it is provided for by the product terms and conditions) in the presence of Credit Officer and the Borrower.

7.7. When collateral is subject to state registration the Borrower shall register the Collateral Contract with the authorized state bodies.

8. RULES OF ANNUAL EFFECTIVE INTEREST RATE CALCULATION ON MICROCREDITS PROVIDED

8.1. Annual effective interest rate in accurate, annual, effective, compatible calculation under microcredit shall be calculated taking into account the Borrower's expenses, comprising interest, if any – commission and other fees, payable to microfinance organization for disbursement, service and repayment of microcredit.

8.2. The amount of the annual effective interest rate on microcredit shall not exceed the maximum amount determined by the regulatory legal act of the authorized body.

8.3. Rules of the annual effective interest rate calculation under the provided microcredits are developed and approved by the authorized body.

8.4. The annual effective interest rate on the provided microcredits shall be calculated using the

following formula:

$$AEIR = \frac{(TIA + TPA) / (TI / P)}{P} \times 12 \times 100,$$

where:

(AEIR) – annual effective interest rate on microcredit;

(TIA) – total interest amount for the entire period of microcredit utilization;

(TPA) – total amount of commission and other payments to microfinance organization for provision, service and repayment of microcredit for the entire period of microcredit utilization;

(TI) – total amount of monthly indebtedness balance under microcredit for the entire period of microcredit utilization;

(P) – period of microcredit repayment in months.

9. OTHER PROVISIONS UNDER MICROCREDIT

- 9.1. The commission, interest and other payments connected with provision of microcredit shall be withheld after or on the date of microcredit provisioning.
- 9.2. Preliminary consulting and further work for documents collection shall not oblige «MCO “ACF” LLC to provide microcredit.
- 9.3. «MCO “ACF” LLC shall be entitled to refuse to the applicant in provision of microcredit without any explanations.
- 9.4. In case of positive decision disbursement of microcredit shall be made after submission of all duly executed documents, signing of agreements and pledged property registration, if it is required under the terms and conditions of the loan.
- 9.5. The credits shall be disbursed in the national currency of RK – tenge, in cash or by wire transfer of the money to the Borrower’s account in a commercial bank on the basis of the Microcredit Agreement.
- 9.6. Repayment of microcredit shall be made only in the national currency of RK – tenge, by payments according to the repayment schedule attached to the Microcredit Agreement to the cash desk of «MCO “ACF” LLC or to the company’s bank accounts
- 9.7. «MCO “ACF” LLC shall be entitled to control target use of the microcredit using various methods, including property examination, auditing of confirmation documents, information requests, business location visiting, and the Borrower shall provide «MCO “ACF” LLC with the possibility to exercise such control.

10. CONCLUSIVE PROVISIONS

- 10.1. These Regulations shall not be treated as the confidential information or the data representing commercial secret.
- 10.2. The copy of these Regulations in the State and Russian languages shall be kept in «MCO “ACF” LLC offices in the places accessible for review and acquaintance by the interested parties.

Draft Repayment Schedules

Credit Amount – 306,000 tenge.

Commission Fee – 6,000 tenge.

AEIR – 55,90%

Draft Repayment Schedule №1 Annuity (Interest is Accrued on the Outstanding Principal Amount)

Number of Payments	Principal Debt Balance	%	Principal Debt	Monthly Payment
1	306 000	13 398	19 927	33 325
2	286 073	12 525	20 799	33 325
3	265 274	11 615	21 710	33 325
4	243 563	10 664	22 661	33 325
5	220 903	9 672	23 653	33 325
6	197 250	8 636	24 688	33 325
7	172 561	7 555	25 769	33 325
8	146 792	6 427	26 898	33 325
9	119 894	5 249	28 075	33 325
10	91 819	4 020	29 305	33 325
11	62 514	2 737	30 588	33 325
12	31 927	1 398	31 927	33 325
		93 896	306 000	399 896

Draft Repayment Schedule №2 Graduated (Interest is Accrued on the Outstanding Principal Amount)

Number of Payments	Principal Debt Balance	%	Principal Debt	Monthly Payment
1	306 000	13 311	25 500	38 811
2	280 500	12 225	25 500	37 725
3	255 000	11 114	25 500	36 614
4	229 500	10 002	25 500	35 502
5	204 000	8 891	25 500	34 391
6	178 500	7 780	25 500	33 280
7	153 000	6 668	25 500	32 168
8	127 500	5 557	25 500	31 057
9	102 000	4 446	25 500	29 946
10	76 500	3 334	25 500	28 834
11	51 000	2 223	25 500	27 723
12	25 500	1 111	25 500	26 611
	0	86 662	306 000	392 662

Draft Repayment Schedule №3: Annuity (Interest is Accrued on the Initial Loan Amount Disbursed)

Number of Payments	Principal Debt Balance	%	Principal Debt	Monthly Payment
1	306 000	7 222	25 500	32 722
2	280 500	7 222	25 500	32 722
3	255 000	7 222	25 500	32 722
4	229 500	7 222	25 500	32 722
5	204 000	7 222	25 500	32 722
6	178 500	7 222	25 500	32 722
7	153 000	7 222	25 500	32 722
8	127 500	7 222	25 500	32 722
9	102 000	7 222	25 500	32 722
10	76 500	7 222	25 500	32 722
11	51 000	7 222	25 500	32 722
12	25 500	7 222	25 500	32 722
		86 659	306 000	392 659