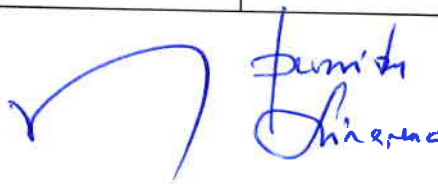


**Regulation**  
**on Services provided to customers**  
**within O.C.N „Microinvest” SRL**  
(version 1.4)

**March 2024**

Endorsement					
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## Introduction

Regulation on Services provided to customers within O.C.N "Microinvest" SRL sets out the basic framework for loan-granting activity of the Company, aiming to achieve the business goals of the Company while ensuring thorough loan assessment and high loan portfolio quality. This Regulation describes credit process for business and non-business customers, including the criteria and conditions for providing services, the disclosure of the total costs components of services provided, penalty and interest rate calculation method and the guaranties required from the client to secure loan repayment at maturity, sets out the approach for proper credit risk management within the company.

The Regulation is designed in accordance with internal policies, the current legislation/normative acts under the law and is approved by the Administrative Board of the Company. This document will be reviewed and updated as necessary.

## Criteria and conditions for providing services

### Target Groups for Lending activity

The Company's core client group are Moldavian entrepreneurs, who can operate in the form of legal entity as well as physical person, in certain situations (LLC, PE, GT, II, COOP, etc.). Special attention of the Company is devoted to the agricultural producers' segment this represent one of the most important sectors of Moldavian economy.

Depending on the destination and the type of income, the Company offers loans for professional or entrepreneurial purposes and for personal needs.

### Client's categories and loan products

Approach to clients can be differentiated by types of income, clients category, types of products and analysis technology.

Clients' financial potential within the company can be determined based on the financial analysis and the credit limit.

By type of income, clients are grouped in:

- Business clients:
  1. Business-Small – clients with a credit limit of more than 1 000 000 MDL, the main source of income from the business;
  2. Business - Upper Micro – clients with credit limit between MDL 300 001 MDL– 1 000 000 MDL, the main source of income - business;
  3. Business – Micro – clients with credit limit less than MDL 300 000 MDL, business income has to be > 20% from all types of income of the client;
- Non-business clients - business income is less than 20% from all types of income of the client.

Business client's category consists of enterprises and individuals which develop entrepreneurial or professional activity and contract loans for purposes related to the activity of entrepreneur and / or professional.

Repayment plans for installment loans may consist of equal or unequal installments. Depending on the customer segment, the project to be financed and the cash flow of the customer, grace periods may be offered (interest only) or may be granted graphically with seasonal payments (interest and principal payments may be transferred for the following installments). By non-business clients category, the Company distinguishes private individual clients with

non-business income, as salary, remittances or pensions and client with business income less than 20% from total income.

Non-business clients can apply for Retail Partners Loans, Cash Loans, Consumer Installment Loans, Housing improvement loans, Credit lines, Provisional Credit limit, Car Loans, Mortgage loans.

<b>Loan Category</b>	<b>Exposure to single entity/group of affiliated parties</b>	<b>Maximum Maturity</b>
Credit limit	Maximum amount up to 0.2% of the amount of the loan portfolio (but not less than 5 000 000 MDL)	36 months
Business Installment Loans	Maximum amount up to 0.2% of the amount of the loan portfolio (but not less than 5 000 000 MDL)	120 months
Flexible Business Investment loans	Maximum amount up to MDL 1 000 000	84 months
Credit lines	MDL 30 000 – 4 000 000	12-36 months
Consumer Installment Loans for non-business clients	Up to MDL 400 000	48 months
Consumer Installment Loans for business clients	Up to MDL 2 100 000	48 months
Housing improvement Loans for non-business clients	Up to MDL 400 000	84 months
Housing improvement Loans for business clients	Up to MDL 2 100 000 MDL	84 months
Retail Partners Loans	Up to MDL 300 000	60 months
Cash loans	Up to MDL 50 000	48 months
Car Loans	Up to MDL 1 000 000 or EUR 50 000 or equivalent in other currency	84 months
Mortgage loans	Up to MDL 1 000 000 or EUR 50 000 or equivalent in other currency	120 months

Decisions for credit exposures exceeding than 0.2% of the amount of the credit portfolio will be taken by the Majority of Board members.

## Eligibility Criteria

### Eligibility Criteria for Business Clients

Business clients must carry out the activity of entrepreneur / professional on the territory of the Republic of Moldova and comply with the provisions of national legislation, as appropriate must have the approvals, permits, authorizations and other documents necessary to carry out its activity, good business reputation, a financially viable activity (according to the Company's criteria), verifiable, with broad development prospects, with qualified owners and managers, which is not subject to short-term competition, market, and consumption shifts, regulatory, financial, and other risks.

The Company will exercise high diligence and should normally not finance businesses, which or whose owners, key managers or related parties, have negative credit history, criminal record or recent or ongoing lawsuits if it may impact the sustainability of the business or its ability to serve its debts and will refuse to provide credit to affiliated parties that meet these criteria.

### Eligibility criteria for non-business clients

The non-business borrowers should be Moldovan citizens or residents with permanent employment or/and stable and reliable source of income possible to be confirmed (remittances, pensions, self-employed). The applicant will normally meet the following conditions: minimum age- 18 years, have no negative credit history, criminal record, engaged in current or recent lawsuits if it may undermine their ability to serve and repay their debts.

### The assessment of the beneficiary's creditworthiness

The Company thoroughly analyzes and assesses the degree of indebtedness of clients. The standards and indicators for payment capacity assessment are reflected in Company's internal policies and procedures.

In process of analysing the clients, the company relies on qualitative and quantitative indicators. Approach to credit assessment vary based on the client category - business or non-business.

### Analysis of creditworthiness of a business client

The client's creditworthiness shall be assessed by conducting:

- Qualitative assessment, according to internal procedures and regulations
- Financial assessment, according to internal procedures and regulations
- Collateral/guarantor assessment (if/when required)

#### *Qualitative assessment of the client*

During the interview with the client at his/her place of business, the Company's employee also forms an opinion about the personality and the character of the client and other family members, to the extent possible, whether the person is reliable and responsible and has the willingness to enter into the envisaged credit relationship and repay the credit exposure. This factor will play an important role in the decision on whether the credit exposure should be granted. The applications of clients, who do not project mature, open and responsible attitude shall not be accepted.

Additionally, Company's employee will assess the history of the business, whether the developments were stable and reliable, whether the business operates in a stable market, whether there are any threats to the borrower operations in the foreseeable future.

The Company's employee will also visually check the business and ascertain that it corresponds to the business history and performance as described by the client.

The Company's employee will assess the client project, and assure that it is feasible, as proposed, to invest, carry out and be managed by the client, that the client will have available financial means and necessary basic documents to complete the project, and that the project will contribute positively to the profitability of the business.

**Credit History** - The client's payment discipline shall be properly checked and analyzed. The client with long, frequent and unmotivated delays in payments typically can be rejected. However, depending on the on the reasons for the arrears, these clients can be eligible to receive loans, but credit decisions must be based on clear, sound and strong reasons. The quality of credit history can also affect the collateral requirements and pricing of loan.

#### ***Financial assessment of the business***

The client's payment capacity shall be calculated based on the client's financial strength and hence on his/her capacity to meet his/her payment obligations towards the Company.

In order to access financial situation of the client, Company's employee shall compile the balance sheet and the profit report and loss statement of the business.

The main sources of information to sketch financial statements are client's internal records, verbal information and/or visual check. This information has to be cross-checked through asking different questions, verifying the information from credit bureaus and other available sources of information.

After the compilation of the financial statements, the Company's employee shall analyse them in order to establish the payment capacity of the client to obtain financing for the related purposes, personal necessities, entrepreneur activity purposes, professional and/or entrepreneurial purposes. The assessment of payment capacity is based on understanding the financial strength of business in terms of level of liquidity, profitability and solvency, and on analysing the risks to the business client's financial strength that he/she may face and how he/she could manage them.

#### ***Assessment of collateral and guarantors***

Guarantors should hold assets or income, respectively, to be able to cover all or a substantial part of the exposure in case the business will be unable to repay it or their relationship to the client is such that they could affect the business decisions and the willingness of the client to repay the credit exposure.

#### **Analysis of creditworthiness of non-business clients**

The client's payment capacity shall be calculated according to internal procedures and regulations based on the disposable confirmed income of the customer and family members/other persons related as co-debtors, if appropriate, and taking into account the existing and known by the Company financial obligations and the level of payment commitments. The main source of income are wages, pensions, dividends, interest income, rent income, sales commissions, remittances and other.

The Retail Loan Adviser/underwriting specialist also check the information (from employer, state organizations, all functionable credit bureaus and provided documentation). If the loan is intended to finance home improvements and/or the purchase/construction of an apartment/house, The Retail Loan Adviser may be required to visit the client's current or future residence in order to better understand and evaluate the investment plan.

For certain exposures/client's profile the Company can implement automated approval process, taking into account the internal procedures and regulations on analysis of creditworthiness.

The Retail Loan Adviser/ underwriting specialist will assess the willingness of the client to repay the credit exposure based on his/her character and the social situation of his/her family. Applications of the clients, who do not project a mature and responsible attitude shall not be processed.

If the client has a credit history with the Company and/or with other financial institutions, the retail loan adviser shall check the repayment behavior for past and current loan exposures.

Credit Analyst will access, if necessary, the portal [www.instante.justice.md](http://www.instante.justice.md) to check any disputes with civil and/or criminal case in which the client is involved

In case of Non-business clients portfolio, the analysis of creditworthiness and loan approval are merged in one step and performed by the employee of Credit Risk Department. Main aspects of considerations are stable and reliable source of income and credit history.

All credit risk decisions are subject to the approval of a Credit Committee.

Credit Committee is centralized, all credit risk decisions shall be taken with participation of specialists of Credit Risk Department who reviewed the credit proposal.

The Senior Management Team is responsible to define members of credit committees of different levels, impose limits on the authority of the individual members and of the credit committee.

### Disclosure of services total costs components

The Company discloses and declares transparently all cost components to its clients, while responsible lending is one of the decisive factors in establishing partnership relationship with clients.

Pricing per every product or service shall be determined by ALCO Committee, which is held on a quarterly base, or when it is necessary. The proposal for price setting/revision shall come from the Business department, paying attention to the following factors:

- Market development and competitors' behavior;
- Cost of attracted resources by the Company;
- Margin for the macro-economic risks; historical cost of risk for the specific product or customer group;
- Admin costs for the specific product – to the best estimate of the Business, Credit Risk and Finance departments;
- Profitability expectations of the Company;
- Requirements established by applicable law.

Within the approved interest rate ranges, Credit expert can propose certain adjustments of standard interest rates, taking into account individual factors, including:

- Applicant's credibility and his professional/personal reputation,
- Client risk level evaluation (market, credit risk, ownership, strategy, etc.),
- Credit history with the Company and relations with other creditors,
- Customer's loyalty,
- Collateral liquidity and quality (if applicable),

that have to be approved by the individual ALCO Committee.



For individual borrowers who contract loans for purposes not related to entrepreneurial/professional activity, the full amount of all costs related to the loan is regulated by the law and can be examined by EAIR (Effective Annual Interest Rate) as an annual percentage of the total amount of loan and is stipulated in the loan agreement.

In addition to the contractual interest, depending on the consideration offered by the creditor, other costs of the loan may occur in the client's charge such as: commission for the provision of Services, Commission for early or partially early closing of the loan, Commission for renegotiation/ extension of the loan ect.

### Interest rate and penalty calculation methods

Two methods of calculation of interest rate are distinguished within the company:

1. Interest rate is calculated daily, from the outstanding of the loan, starting from the next day of disbursement until the date of the full repayment of the loan, based on the following calculation basis – the 365/366 days year and number of the effective days of utilization of the outstanding part of the loan principle.
1. The interest rate, established by the contract is calculated starting from the date of signing of the contract, from the initial amount, based on 365/366 days year.

Interest rate changes depend on the risk factors and the cost of financial resources in time. The company takes into consideration external factors, as refinancing rate of the national bank of Moldova, inflation rate, the evolution of financial market.

The company applies customer incentive tools, for installments payment in due time, minimizing credit risk, by applying a penalty for each day in arrears applied to due instalment amount.

Depending on the type of products in the Company there are certain types of contractual clauses that are applied in regard to penalty calculation: fixed, percentage share of the amount of the disbursed loan or percentage share of the maturity loan rate.

### Loans guarantees

The company offers loans with guaranties/collateral, and unsecured loans. Loan's collateral coverage depends on disbursed amount, client exposure, loan products and client category.

### Eligibility of collateral

In principle, the Company accepts all types of collateral. Proposed collateral has to be permitted by law and deemed appropriate by the Credit Committee. The collateral serves as a guarantee that the Company, as creditor, can recover the credit exposure as well as means of motivating the borrower to repay the credit exposure.

The Company will accept collateral with the following characteristics:

- Value – the collateral has to have a stable and provable market value.
- Sale ability – in order to be accepted as collateral, an item of property must be saleable, i.e. a real market for such property has to exist.
- Liquidity – the property can be easily realized, with the costs and formalities of the transaction being within reasonable limits; this also requires that collateral is accessible, can be inspected and can be seized.
- Lawfulness – the property offered as collateral has to have been acquired/created in a lawful manner (legally construed) and its lawful acquisition must be certified by the appropriate documentation. There shall be no

limits on the lender in regard to putting a lien on the collateral. The de facto status of the property and its legal status (status in terms of real rights) have to coincide; generally, there should not be any discrepancies between them.

- No encumbrances – in general, the collateral may not be encumbered in favor of third parties and creditors (mortgages, levies, statements of claim, use rights, rental agreements (demise) and other encumbrances on the property). The Credit Committee may decide on exceptions to this rule in specific cases if there has been an adequate analysis and assessment of the risks related to such an exception.
- Good condition – the collateral has to be in good condition and ready for use and must be well maintained so that its value and quality remain stable over time, notwithstanding normal wear and tear. The Company can also accept items in transition as collateral, which in this case would mean that a proper assessment of the risks that this collateral bears should be performed.
- Affection – it is important that the proposed collateral be an item which is of value to the borrower/owner of the collateral, ensuring a high degree of motivation to retain ownership of the property.

### Collateral valuation

The purpose of the valuation is to estimate the fair market value of an asset offered as collateral. The fair market value of the asset is the amount against which this asset could change ownership, being transferred by the seller to the buyer in a transaction in which both parties a) participate voluntarily without any pressure being exerted on them and b) are sufficiently well aware of the related circumstances.

Professional evaluation is required for all individual immovable items regardless of the value.

In the case of movable property, the assessment will be carried out by the credit expert or Credit Analyst responsible, with reference to a sufficient number of comparable properties.

The Company shall ensure that the validity of the collateral and its value are checked before disbursement.

All assessments of the fair market value of a collateral item need to be checked, in a second step, for their plausibility, which shall be performed by an employee of the Credit risk Department during the Credit Committee.

Collateral coverage for different products might vary depending on collateral type, overall structure of collateral and credit risk consideration. Detailed standards in collateral coverage are described by the internal regulations and by the applicable legislation.

### Registration of collateral

Immovable and movable items accepted as collateral must be properly registered according to legislation of the republic of Moldova.

Thereby, real estate must be registered in the real estate register according to all legal requirements.

Vehicles, equipment to be registered in register of movable collateral.

State securities to be registered in the register of holders of securities of the State.

### Personal guarantor

In some cases, the Company accepts personal guarantees as tangible guaranty, which can partly or fully cover the requested loan.

Personal guarantor is a physical person (owner, spouse, business partner, friend, etc.) or a legal entity that undertakes responsibility for the repayment of a credit exposure. These persons/entities may be required to serve as personal guarantors/guarantors because their relationship to the client is such that they could affect the business decisions and

the willingness of the client to repay the credit exposure. The minimum requirements for insurance of the loans are established in respective policies and procedures of the company.

The company has a series of internal procedures, in which besides the processes described in the text of the current regulation, are described Company's approach to restructuring loans, provisioning and writes off, in order to reduce and cover the risks in lending process.

### **Final provisions**

This Regulation, after Company's Administrative Board approval, will be communicated to all responsible employees by email by the Office Manager or the person replacing it.

If, after the date of this regulation coming into force, a statutory and/or statutory provision amends/supplements/ repeals its provisions, the statutory and/or legal provisions in force with the application of the subsequent amendment of the regulation(s) (with regard to "Complaints Management" inclusive) within 6 months, unless the legal provision provides otherwise, or the Company's senior management bodies do not set another term.

When providing the services indicated in this Regulation, the employees will keep the confidentiality of the information obtained from the customer and will process the personal data of the customers in accordance with the internal regulations and Law no. 133/2011 on the protection of personal data

Interested persons will be informed about the provisions of the regulation by displaying it on the Microinvest website [www.microinvest.md](http://www.microinvest.md) and on the panel in the headquarters and secondary offices of O. C. N. "Microinvest" S. R. L.

