

**In the Name of God
Annex # 1**

**Manual of Terms & Conditions for Granting Loans
Enacted on September 11, 2011, by the National Development Fund Board of Directors**

**Subject: Conferring Authorities – Meeting Held on August 4, 2011 - National Development
Fund's Board of Trustees**

Part one: Definitions and Interpretations:

Line	Word	Definition
A.	Act	The Fifth Economic Development Act of the Islamic Republic of Iran
B.	Fund	National Development Fund
C.	Board of Trustees	Board of Trustees of Fund - subject of paragraph C of the article 84 of the Act
D.	Bank	Central Bank of the Islamic Republic of Iran
E.	Operating Bank	Any private or governmental banks
F.	Board of Directors	Board of Directors of the National Development Fund – subject of paragraph D of the article 84 of the Act
G.	Manual	Manual of terms and conditions of granting loans
H.	Operating Contract	It is a contract made between the Board of Directors and operating bank in accordance with the provisions of the Fifth Economic Development Act of the Islamic Republic of Iran and the Manual. Pursuant to the provisions of the alleged contract, the funds become available to the operating bank for distribution among loan applicants.

Part Two – General Conditions

- A- Per request of the Board of Directors, within one week from the time the manual is approved, Bank must take necessary measures to open accounts required by the fund.
- B- The resources, subject of paragraphs one through (H) of article 84 of the Fifth Economic Development Act of the Islamic Republic of Iran, must be deposited into the Fund by the Bank, as prescribed by the Act.
 - Note 1: Principle and interest of the loans must be re- deposited by the operating bank into the Fund account for the purpose of re using them for the same purpose.
 - Note 2: The Bank is required to pay interest- on the daily basis – on respective currency deposits – the interest rate is determined on basis of median interest rate

paid on deposits by foreign banks – the interest will be added to accounts every three months.

- C- Pursuant to contract that the Board of Directors will sign with the operating banks, with due regard to the manual provisions, the funds will become available to those applicants who are willing to make investment in the private sector, cooperatives, and enterprises that are owned either by the public or private institutions, as described in detail in the 5th part of this manual.
- D- Public and private banks, approved by the Bank or sponsored by the Investment Development Plan in Agricultural Sector, within the framework of this manual, may grant loans to applicant for water and agricultural plans only.
- E- Bank will take necessary measures to issue Certificate of Blockage of Currency for those group of enacted or approved plans in the operating banks
- F- Acceptance of plans by operating banks, in provinces, after confirmation of Province Investment and Entrepreneurship and in the center by confirmation of concerned highest level technical and executive body, or authorized officer will take place.

Part Three – Currency Type- Calculation Units

- A- Currency used is U.S. Dollar
- B- The funds will be paid out in accordance with the project's need in U.S.D or any other currency that will be announced by the Bank.

Note 1: The loan must be repaid in the same currency that was paid out.

Note 2: If it becomes necessary, exchange rate will be in accordance with the current international exchange rate announced by the Bank.

Part Four – Acceptable Activities in Divisions and Sub – Divisions

- A- Investment in the following plans is acceptable:
Investment in production plans - Investment in industrial production plans - Investment in mine exploration, oil, gas, petrochemical, water, electricity, energy, housing, agricultural, natural resources, environmental protection, transportation, communication and information technology, export of goods or services, export of technical services, engineering, plans relying on technology, tourism, hotel management, health and treatment training programs.
- B- Investment for enhancing existing capacities (for example: purchase of machinery and equipment) – cost of their installation, cost of training associated with those new machinery and equipment, commissioning, purchase of technology in conjunction with production and investment plans.
- C- Investment in projects that lead into renovation and energy optimization
- D- Investment in plans that within the framework of the forementioned paragraphs, economically and technically is justified (regardless of whether it is export or non export oriented).

- E- Granting loan for export of engineering and technical services (such as bank guarantee bonds) to the Iranian companies that won international tenders – after receiving appropriate guarantees –
- F- Foreign Investment Plans (by observing article 40 of the Constitution) – and joint foreign investment with private sector within the framework of the Incentive for Foreign Investment Act, enacted on March 10, 2002, by the Islamic Consultative Assembly and its later amendments.
- G- Granting loan to those people who are interested in buying Iranian products and services in targeted export markets.
- H- Granting loan to those who intend to invest in international capital and financial markets – subject to confirmation by the Fund's Board of Trustee

Note: with respect to the above mentioned plans, priority will be given to those who intend to invest in plans that involves energy optimization, development and renovation of existing capacities (such as purchase of new machinery and equipment), agricultural conversion and supplementary industry, public rail transportation, joint investments with foreign partners carried out under provisions of Incentive for Foreign Investment Act, enacted on March 10, 2002, by the Islamic Consultative Assembly. Plans for export of Iranian goods to foreign markets with in the framework of loan for purchase of goods- plans for export of engineering and technical services within the framework of credit for sale.

Part Five – Eligible Applicants:

The following people are eligible to apply for loan

- A- Iranian natural entities who are engaged in activities enumerated in part four of this manual and posses all respective licenses from concerned authorities.
- B- Iranian legal entities in private sector- Iranian Cooperatives, and enterprises affiliated with non governmental institutions that in accordance with their article of association are engaged in activities enumerated in part four.

Note 1: If 20% of members of Board of Directors of a legal entity, or enterprise is chosen by the government, regardless of their type of ownership, that legal entity or enterprise won't be eligible to apply and receive loans from the Fund.

Note 2: An institution or a company is regarded as a non governmental entity, when at least 80% of its stocks or capital is provided directly by natural entities, or provided by natural entities via legal entities.

Note 3: With respect to those institutions and companies that their majority of shares is owned by public or non profit institutions, such as endowment organizations, insurance and retirement funds, and non profit organizations, they are regarded as institutions and companies that are associated with non governmental public entities.

- C- Iranian cooperative and private companies that won international tenders.
- D- Joint investment of Iranian and foreign companies in the framework of the Incentive for Foreign Investment Act, enacted on March 10, 2002, by the Islamic Consultative Assembly.
Note: With respect to joint ventures mentioned above, at least 30% of the joint venture capital must be provided by the foreign company.
- E- Foreign purchasers of Iranian goods and services in the targeted export markets
Note: The loan shall be provided solely for the purpose of purchasing Iranian goods and services.
- F- Foreign investors who carry out their business activities within the framework of the Incentive for Foreign Investment Act, enacted on March 10, 2002, by the Islamic Consultative Assembly, if 30% of the investment capital needed for the plan is provided by the foreign investor, subject to observing provisions of article 80 of the Iranian Constitution.

Part Six – Expected Rate of Return

- A- Expected rate of return on the fund will be equivalent to the average rate of return paid on deposits of the Bank in foreign banks. The official rate will be announced by the Central Bank of the Islamic Republic of Iran to the board of directors every year.
- B- With respect to rate of return for manufacturing and investment plans, subject of part four of this manual, pursuant to resolution passed by the Fund's Board of Trustee, with respect to water and agricultural plans, rate of return will be 5% and with respect to plans in other categories and sub categories, the rate of return will be at least 10%.

Part Seven – Interest, Guarantee Bonds

Interest rate applicable to loans granted for plans in private sector, cooperatives, enterprises affiliated with non governmental institutions, with due regard to the expected rate of return on the Fund's resources, and rate of return on manufacturing and investment plans, will be as follow:

- A- For general loans: 6% annually
- B- With respect to investment plans in the provinces of Lorestan, Kordestan, Ilam, Sistan & Baluchestan, Bushehr, Hormozgan, Koh kolouyeh, Bouyer Ahmad, North Khorasan, South Khorasan, and other under developed cities, as enumerated on the attached list, the interest rate will be 1% less than the rate of general loans.
- C- With respect to loans granted for water and agricultural plan: 1% less than the rate of general loan for all areas of the country
- D- Guarantee bond (late payment penalty) 4% annually over the interest rate.
Note 1: If partial payment is made on the loan, only the portion that is not paid is subject to late payment.

Note 2: the interest rates mentioned in this section are applicable to contracts made between applicants and operating bank in year 1390 (March 21, 2011 through March 20, 2012). New rates will be announced by the board of trustee or board of directors to operating bank annually. Until the time the new rates are announced, the current rates will be effective.

Part Eight – Requirements

A- Maximum amount foreign currency loan granted for a plan will be equivalent to foreign currency investment in the plan.

Note 1: Foreign currency investment in a plan, regardless of whether it is fixed capital or working capital, will be provided out of the Fund's resources – the loan will be provided to applicant via operating bank within the framework of foreign currency needed for the plan, over the period the plan is carried out.

Note 2: With respect to investment plans mentioned above, it will be prohibited to grant loan for working capital of the plans from the Fund's resources.

- B- In order to use Fund's resources, the loan applicant must notify the operating bank as how resources of the plan in Iranian currency are procured. This may include bank financings, or the capital brought in by shareholders.
- C- Total loan granted by operating banks, out of the Fund's resources, to enterprises that are affiliated to non governmental public institutions, should not exceed 20% of loans allocated to an operating bank.

Note: If applications sent by an operating bank, in conjunction with an enterprise that is affiliated to a non governmental public institution, exceeds 20% of the loans allocated to that operating bank, in order to comply with sub paragraph 4 of paragraph (Y) of the article 84 of the Act, the operating bank must coordinate its actions with the Fund and any action taken in that regard must be with the Fund's consent.

- D- Pursuant to note # 2 under paragraph (T) , the loans, subject of this manual , must be granted in foreign currency only. Applicants are not permitted to convert the foreign currency into Rial in the domestic market – this issue must be emphasized on the contracts made between applicants and operating banks. Proper enforcement guarantee must be obtained from the applicants in this regard.
- E- Loan limits for real and natural entities will be in accordance with the Bank regulations.
- F- It is imperative for applicants to observe provisions of the "Maximum Use of State's Technical, Engineering, Industrial Manufacturing and Executive Capabilities Act, enacted on March 2, 1997". Provision of the law must be stipulated clearly on the contract signed between applicant and operative bank.
- G- Pursuant to resolution adopted by the Fund's Board of Trustees, on August 4, 2011, the operating bank must mobilize and allocate 1.5 times of the money

allocated by the Fund, out of its Rial resources, for the purpose of providing loans in Rial for the submitted plans.

Note: If the feasibility plan, which is confirmed by operating bank, indicates the fact that Rial needed for a plan is less than what is mentioned in this paragraph, the operating bank must take appropriate steps to manage and allocate the excessive money to other productive economic plans.

H- Granting loan to authorized companies is subject to the fact that ratio of stock holders' equity to total company's asset, at any time is not less than 20%.

Part Nine – Brought in Capital

- A- Applicants' share, regardless of being natural or legal entity, in each plan must be equivalent of 25% of the total plan's cost in Rial and foreign currency (based on technical, financial and economical assessment of the operating bank).
- B- With respect to cooperative plans, the applicant's brought in share must be equivalent to 20% of the total Rial and foreign currency cost of the plan.
- C- With respect to plans that their financing is combination of loans from domestic banks, finance facilities, and the Fund, the brought in share of the applicant shall not be lower than 25% of the loans (in Rial) that is derived from the Fund.
- D- With respect to plan that will be carried out in under developed provinces of Iran, the applicant's brought in share should be at least 15% of the total cost of the plan in Rial and foreign currency.
- E- With respect to joint venture investments that take place between Iranian and foreign partners under provisions of the Incentive for Foreign Investment Act, enacted on March 10, 2002, by the Islamic Consultative Assembly, the brought in share of applicants must be equivalent to 30% of the total plan's cost (in Rial and foreign currency) which shall be in monetary and non monetary (such as machinery and equipment for the plan).
- F- With respect to export plans, including goods, engineering and technical services, the brought in share of applicants must be equivalent to 20% of the total plan's cost (in Rial and foreign currency).

Note: Priority will be given to those plans that create more jobs and have higher share of applicant's brought in money (except water and agricultural plans and those plans that will be carried out in under developed provinces).

Part Ten – Loan Duration

- A- Time required for investment up to trial operation of the plan will be maximum of 3 years- moratorium period will be maximum of 6 months – repayment period, including the investment, operation and moratorium periods, at the determination of the operative bank, will be maximum of 8 years.

Note 1: In special cases, when approved by the Board of Directors, the operative bank will be allowed to add maximum of 12 months to the cooperation period and decrease the repayment period accordingly.

Note 2: With respect to loans granted for projects to be carried out in under developed provinces of Iran, as enumerated on the attached list, the total repayment period will be 10 years.

Note 3: With respect to loans granted to those who are interested in purchasing Iranian goods or services, subject of part 3 of paragraph (T) of article 84 of the Fifth Economic Development Plan of the Islamic Republic of Iran, total financing period will be at most one year.

With respect to export of engineering and technical services, subject of part 2 of paragraph (T) of article 84 of the Fifth Economic Development Plan of the Islamic Republic of Iran, with due regard to the transaction's nature and type, total financing period will maximum of 8 years (at the expediency of the operating bank).

Note 4: Payment (out of the Fund's resources), for approved plans, by the operating bank, must take place within the pillar (regulations) of the operating bank. It must be paid out gradually, step by step, and in accordance with actual physical progress of the plan.

B- With respect to repayment of the loan, with due regard to the plan's conditions, the operating bank will have the option to determine the repayment method.

C- On loan's due date, the operating bank must return the principle and interest of the loan to the National Development Fund, in the same currency that it was paid out / letter of credit was opened for customer, within 10 business days. Otherwise, guarantee bond, subject of part seven of this manual, will be applicable to it.

In case the applicant requested that the loan to be repaid in a currency other than the currency that the loan was paid out, the current rate of exchange will be applicable. But, in any case, the operating bank must return the money to the Fund in the same currency that was paid out.

Note: In case the operating bank is late in returning the installments to the Fund, pursuant to provisions of contract signed between the Bank and Operating bank, and pursuant to paragraph D of the manual, the Central Bank of Iran will be authorized to withdraw money from the resources of the operating bank for principle, interest and guarantee bond.

D- With respect to repayment schedule, the operating bank will be authorized to let the applicant repay the loan in simple or adjustable installments, subject to signing a contract with the applicant. With respect to adjustable installments, the first installment may not be less than 30% of the last installment.

- E- In case the loan is combination of loans from (domestic banks and Fund's resources), the contents of this manual will govern the portion of the loan (principle, interest, brought in capital, repayment period, etc...) that is derived from the Fund. In this regard, the operating bank will be authorized to apply its own rules and regulations to the portion that is not derived from the Fund.

Part Eleven – Operating Bank's Undertakings

- A- The operating banks undertake to provide sufficient facilities in their branches in Tehran, and center of provinces, to accept application forms from investment applicants.
- B- The operating banks undertake to hire sufficient skilled employees to review submitted application forms from technical, financial and economic point of view.
- C- The operating banks undertake to evaluate worthiness of applicants and rank them with respect to their credit history.
- D- The operating banks undertake to evaluate rate of return of the plans. The rate of return must not be less than the rate of return stipulated in part 6.
- E- The operating banks undertake to evaluate feasibility study report of the plan with respect to technical, financial and economical aspects of the plan
- F- The operating banks undertake to forward a summary of credit report concerning approved feasibility study report, on respective forms sent by the Fund, to the Board of Directors.
- G- The operating banks undertake to sign contract with applicant concerning the financing of the plan.
- H- The operating banks undertake to ascertain that the needed capital (in Rial) is procured by the applicant, either through domestic resources of the operating bank or any other means.
- I- The operating banks undertake to schedule precisely the financing period and repayment schedule and period of the loan.
- J- The operating banks undertake to precisely supervise the physical and financial progress of the plans – in this regard the operating bank must submit a progress report to the Board of Directors, every three months.
- K- Generally speaking, the operating bank undertakes to be responsible for general risks associated with the loan.
The operating bank accepts to be responsible for receiving installments from applicants and to be responsible for repayment of the loan on its due date (principle and interest) to the Fund.
- L- The operating banks undertake to observe rules and regulations promulgated by the Board of Trustees, or Board of Directors of the Fund.
- M- In order to prevent wastes and optimize the Fund's resources, The operating banks undertake to consult with experts concerning validity of prices indicated on proformas – In this regard operating banks must envision a provision in their contract with applicant concerning reimbursement of damages sustained by the

operating bank if discrepancy is found and proven between the prices indicated on proforma and actual price of that product.

- N- The operating banks undertake to inform customers, at the time of signing contract with them, as to how fluctuation in exchange rate can affect their financing – and what measures they can take to cover those risks.

Part Twelve – Other Provisions

- A- With respect to purchase of technology and importation of new (stock) machinery & equipment, if information concerning those machinery and equipment conform to technical standards, and when such information is confirmed by concerned authorities - and when operating bank endorses such purchase – and when there is valid guarantee covering the machinery and equipment - it is OK to finance the transaction through the Fund.
- B- With respect to loans provided to exporters, the loan will be provided on basis of transaction needs – on basis of credit worthiness of applicant (preferably on basis of exports made by the respective division in the past three years).
Note: Exporters who enter into contract with their own branch or representative, or branch or representative of those purchasers, who indeed are affiliated with them, are not eligible to receive loans from the Fund.
- C- With respect to loans that are intended for export of Iranian goods, services, engineering and technical services, financing will be provided in foreign currency through letter of credit, transportation documents, or on basis of financing contracts, work status report, or transportation documents issued in the name of exporter, subject to confirmation by the operating bank.
- D- With respect to currency rate exchange fluctuation, loan applicants may cover themselves through article 72 of the Fifth Economic Development Act of the Islamic Republic of Iran. If applicant fails to take advantage of such protection, he / she will be responsible for consequences.
- E- In coordination with the Board of Directors, the operating bank will print necessary forms and instructions to given out to applicants.
- F- The Board of Directors, by observing regulations contained in this manual, will inform the public of availability of such loans through publicizing it in highly circulated newspapers.
- G- With respect to other issues not addressed in this manual, provisions of the Fund's articles of association, subject of article 84 of the Fifth Economic Development Act of the Islamic Republic of Iran, provisions of monetary and currency directives of the Bank, will be operative.