

ANNEX 8: LOAN AND SECURITY CONTRACT

COMMERCIAL BANK OF ETHIOPIA

i. CONTRACT OF TERM LOAN

This contract is made and entered into this _____ day of _____ the year _____ Between Ato/Woy/MS _____ (together with his/her spouse named Ato/Woy _____) whose address is in _____ City/Town/, Woreda/kifeleketema, _____ Kebele _____ House No. _____ Tel. _____ P.O.Box _____ Fax _____ Email----- --Commercial Registration No. ----- Business License No. _____ Taxpayer Identification No. ----- (hereafter referred to as the "Borrower")

And

The Commercial Bank of Ethiopia Established by Council of Minister Regulation No. 202/1994 as amended by Regulation No. 397/2009 Address of the Head office Addis Abeba; Kirkos Sub-City; Woreda-----; P.O. Box 255; Tel.-----; Fax-----; Email-----; Banking Business License No. LBB/001/63 (hereafter referred to as "the Bank")

Whereas

- i. the Bank provides a term loan facility;
- ii. the Borrower requested the Bank to provide loan;
- iii. the Borrower have fulfilled all pre-requisite for the loan;
- iv. the Borrower has the capacity and authority to borrow the loan;
- v. the Bank has agreed to provide loan to the Borrower

Now therefore; the two parties have agreed as per the following Terms and Conditions.

PART I

TERMS AND CONDITIONS OF THE CONTRACT

ART. 1 AMOUNT OF LOAN

The Bank grants and the Borrower accept a loan of Birr _____ (_____ Birr), which shall be referred to as the "Loan Amount"

ART. 2 DISBURSEMENT OF THE LOAN AMOUNT

THE BANK SHALL DISBURSE THE LOAN AMOUNT TO THE BORROWER'S A/C NO.
_____ AT _____ BRANCH.

ART. 3 PURPOSE OF THE LOAN AMOUNT

The Borrower shall use the Loan Amount solely and exclusively for the purpose of _____.

ART. 4 PROHIBITION OF DIVERSION OF FUNDS

Where the Bank is convinced that the Borrower has diverted or is planning to divert the Loan Amount or a portion of it to businesses unspecified in Art.3 above or in the Borrower's loan application, the Bank may immediately stop disbursing the Loan, foreclose the collateral, call back the Loan, or increase the interest rate to mitigate further damages to the Bank.

ART. 5 INTEREST RATE

5.1 Interest at the rate of _____ percent (_____ %) per annum shall be calculated on daily loan balances of each month of the Gregorian calendar.

5.2 The interest rate may vary from time to time as determined by the Bank or the National Bank of Ethiopia without the need to conclude a separate agreement to this effect and such rate shall be applicable from the 6th date the increase/decrease has been notified to the Borrower through alternate means (like Letter, Posting on Bank's Website, through Mass Media, fixing on Bank's Notice Board, or Newspaper).

ART. 6 COSTS AND EXPENSES

6.1 The Borrower shall pay all fees, costs and expenses needed for or arising out of the execution of this contract and collection of the Loan Amount. It is also hereby agreed that the Bank may deduct from the borrower's account available with the Bank to cover such costs and expenses.

6.2 If such fees, costs and expenses are paid by the Bank the amount shall be added to the Loan Amount and shall bear interest at the rate applicable.

ART. 7 REPAYMENT SCHEDULE

The Loan Amount with its interest and other costs shall be totally repaid on/or before _____ (Date/Month/Year) with Monthly/Quarterly/Semi-annual/Annual repayment of Birr _____ (_____ Birr) by the borrower or to be repaid from his/her/its account _____ maintained in _____ Branch beginning from the day of _____.

ART. 8 PENALTY

8.1 There shall be a default penalty interest at the rate of _____ percent (_____ %) per annum when the Borrower fails to pay as per Article 7 above.

8.3 The default penalty interest rate may vary from time to time as determined by the Bank without the need to conclude a separate agreement to this effect.

8.4 At its discretion, the Bank may relieve the Borrower from the obligation of paying default penalty interest where the latter settles the total past due instalments.

ART. 9 COLLATERAL

9.1 The Borrower shall present acceptable collateral to the Bank at the request of the Bank to secure the performance of his/her obligations under this contract.

- The Borrower shall take out the type of insurance cover requested by the Bank from insurance companies for the full value of the collaterals and renew such insurance 30 days before its expiry date.

9.3 The Bank at its option may take the type of insurance cover for the full value of the collateral and renew such insurance 30 days before its expiry date if the borrower fails to perform its obligations under Art. 9(2) and capitalize same on the borrower's outstanding balance.

9.4 The bank may request and the Borrower shall present additional collateral in the event that the bank believes the business of the borrower is deteriorating from its status at approval.

9.5 The existence of these collaterals shall not affect the right of the bank to institute a case against the Borrower in the event of default and to request attachment and sale of any other properties of the Borrower.

9.6 The two contracting parties have agreed that any compensation paid due to loss of the collateral shall be used for the repayment of the loan.

ART. 10 CONTROL AND INSPECTION

10.1 The Bank shall have the right to assign its personnel to inspect the business and/or the project site, books and records of accounts of the Borrower, and look into relevant documents to see to it that the Loan Amount is being used for the purpose stated under Art.3 above and is performing as agreed under this contract.

3.3. The bank may also assign controlling staff to supervise the repayment of the loan amount. Salary and related expenses of the controlling staff shall be borne by the Borrower.

3.4. The Borrower shall cooperate with the Bank and facilitate the implementation of the provision under this Article.

ART. 11 CONFIDENTIALITY

11.1 The Bank shall keep the information that it may have knowledge about the Borrower's credit, business, or financial conditions confidential and may not pass it to any third party.

11.2 The provision under Art. 11.1 above may not be binding in cases where there is the consent of the Borrower or their agent, the law of the land so provides, there is an instruction from the courts of law, or the interest of the Bank becomes eminent such as when the information is required by other banks on the basis of inter-bank agreements.

ART. 12 FINANCIAL STATEMENTS

The Borrower shall submit to the Bank financial statements, which shall include income statement, balance sheet and cash flow statement, audited by an accredited audit firm for the duration of this contract at any time when the Bank demands thereto.

ART. 13 COVENANTS

13.1. Borrower shall not directly or indirectly discontinue any of its existing lines of business known to the Bank or substantially alter its method of doing business.

- a. Borrower shall not create, incur, permit, or offer to create any Mortgage/Pledge upon any of its property or assets, now owned or hereafter acquired except with the knowledge and consent of the Bank.
- b. Borrower shall not permit the ratio of Consolidated Current/Quick Assets to be less than Consolidated Current Liabilities, as of any date.
- c. The Borrower shall notify the Bank before establishing credit relationship with other bank.
- d. The Borrower has agreed to provide information to the National Bank of Ethiopia and Movable Property Security Registration Office when requested.
- e. All correspondences including loan application form between the Bank and Borrower shall be part and parcel of this contract.
- f. The Bank shall provide a copy of this contract to the Borrower free of charge.

ART. 14 CHANGES AND NOTIFICATION OF CHANGES

The Bank shall notify the Borrower any changes due to promulgation of new laws or on this terms and conditions of this contract 30 days prior to the implementation of the same through various means like letters, Banks official web-site, mass media, Banks notice board or through newspaper.

ART. 15 APPLICABLE LAWS

15.1 This contract shall be interpreted and executed as per Ethiopian laws.

15.2 In addition to what is provided under Sub-Article 15.1 above, the Borrower has agreed that the Banks credit policy and procedure and other relevant work directives and procedures shall be part and parcel of this loan contract.

15.3 All correspondences between the Bank and Borrower shall be part and parcel of this contract.

ARTICLE 16- GRIEVANCE SUBMISSION PROCEDURE

16.1 Any complaint by the Borrower in relation to this loan contract shall be submitted to the Banks Grievance hearing department and shall get a reply in 10 calendar days. However this complaint procedure shall not be applied to matters relating to re-payment of the loan.

16.2 The Borrower may submit its grievance to the National Bank of Ethiopia, if the Borrower does not get a reply in time or is dissatisfied with the reply given.

PART II

TERMINATION OF THE CONTRACT

ART. 17 GROUNDS FOR TERMINATION

This contract may be terminated:

- a. Upon the full settlement of the loan
- b. Unilaterally when the borrower fails to perform its obligations under the Contract.

17.3 Non-performing of other loans on time (Inclusion in NPL)

17.4 Upon bankruptcy of either of the parties.

17.5 Measures taken by the government or courts decision which terminate execution of the contract.

ART. 18 EFFECTS OF TERMINATION

Where the contract is terminated for any reason:

- The unpaid balance of the Loan Amount shall become immediately due and payable with its interest and other costs.
- The Bank shall have the right to set-off the unpaid Loan Amount, interest and costs against any accounts of the Borrower kept with any branch of the Bank, cheques payable to the Borrower or money transfers made to the Borrower through the Bank.
- The bank shall have the right to sale the collateral and to credit the proceeds to the debt of the borrower.

ART. 19 SET OFF

The Bank shall have the right to set off any outstanding Loan Amount, plus interest, costs, and expenses against any accounts of the Borrower kept with any Branch of the Bank, cheques

COMMERCIAL BANK OF ETHIOPIA
ii. SECURITY CONTRACT

This contract of mortgage is made on _____ day of _____ the year _____ by and between the **Commercial Bank of Ethiopia Established by Council of Minister Regulation No. 202/1994 as amended by Regulation No. 397/2009** Address of the Head office **Addis Abeba; Kirkos** Sub-City; Woreda-----; P.O. Box 255; Tel.-----; Fax-----; Email-----; Banking Business License No. **LBB/001/63** (hereafter referred to as the "Bank")

AND

Ato/Woy/MS _____ (with his/her spouse named Ato/Woy _____) whose address is in _____ Town/City _____ Subcity Woreda/Kebele _____ House No. _____ Tel. _____ Fax _____ Email-----Commercial Registration No. ----- Business License No. _____ Taxpayer Identification No. --- ----- (hereafter referred to as the "Mortgager/pledger")

Whereas

- the Bank has granted Ato /Woy / Ms _____ (herein after referred to as "the Borrower") a term loan of Birr _____ (_____), a merchandise loan of Birr _____ (_____) and an overdraft facility to the limit of Birr _____ (_____) by Loan Contracts signed on the _____ day of _____ the year _____, the _____ day of _____ the year _____ and the _____ day of _____ the year respectively,
- the Mortgager/pledger has agreed to secure the repayment of the Loan Amount with its interest and different costs;

Now therefore, the parties have agreed to perform as per the following terms and conditions: -

ART. 1 SCOPE OF THE CONTRACT

1.1 The Mortgager/pledger hereby undertakes to mortgage/pledge the property/ies, which are indicated in detail on the list/s below (herein after referred to as the mortgaged/pledged property/ies) as security for the repayment of the Loan Amount with its interest and different costs incurred thereto.

D. DESCRIPTION OF SPECIAL MOVABLES

I. SHIPS

OWNERS NAME	NAME OF SHIP	REGISTRATION NO.	DESIGNATION (PURPOSE)	ESTIMATED VALUE

II. AIRPLANES

OWNERS NAME	NAME OF AIRPLANE	REGISTRATION NO.	DESIGNATION (PURPOSE)	ESTIMATED VALUE

E. DESCRIPTION OF MERCHANDISE

No.	OWNER'S NAME	TYPE AND DESCRIPTION OF PROPERTY	QUANTITY/NO.	ADDRESS OF THE PLACE WHERE THE PROPERTY IS TO BE KEPT	ESTIMATED VALUE

ART. 2 THE AMOUNT OF THE DEBT SECURED

2.1 This contract shall secure the repayment of Birr _____ (_____) term loan, Birr _____ (_____) merchandise loan and Birr _____ (_____) overdraft loan along with their interest at the rate of _____ % (_____ percent) per annum, expenses and other charges as per the terms and conditions of the Loan Contract/open credit.

2.2 The Mortgager/pledger hereby agrees that the rate of interest mentioned under 2.1 above and the penalty interest mentioned in the loan contract may vary as per the agreement between the Borrower and the Bank under the Loan Contract without the need to conclude an agreement to this effect between the Bank and the Mortgager/pledger.

ART. 3 PRESERVATION OF THE MORTGAGED/ PLEDGED PROPERTY/IES

- 3.1. The Mortgager/pledger shall keep and maintain the mortgaged/pledged properties in a state of good condition and repair.
- 3.2. The mortgager /pledger shall reimburse the Bank for any expenses it may incur in maintaining and preserving the mortgaged/pledged property/ies.
 - The Bank and the mortgager/ pledger may dispose of the mortgaged/pledged property/ies where such disposal is necessary for its/their preservation.
- 3.4. The mortgager/pledger shall request the consent of the Bank when he/she/it wants to repair/modify the mortgaged/pledged property/ies.

ART. 4 OBLIGATIONS OF THE MORTGAGOR

- 4.1. The mortgagor shall submit to the Bank title certificates/documents of title to goods/site plans/approved construction design/ownership booklet/registration certificates of the mortgaged property/ies at the request of the bank.
 - a. The Bank may at any reasonable time enter upon and inspect any or all mortgaged properties /pledged under this contract. The Borrower shall facilitate the implementation.
 - b. The mortgagor/pledgor represents and warrants to the Bank he/she is the lawful and absolute owner of the mortgaged/pledged property/ties and free from any encumbrances and claims. He/she shall be jointly and severally liable to the loan in case a claim arises on the mortgaged/pledged property/ties.
 - c. The Borrower shall take out the type of insurance cover requested by the Bank for the full value of the collateral from insurance service providers and renew such insurance 30 days before its expiry date.
- 4.5. The Bank at its option may take the type of insurance cover for the full value of the collateral and renew such insurance 30 days before its expiry date if the borrower fails to perform its obligations under Art. 4(4) and capitalize same on the borrower's outstanding balance.
- 4.6. The mortgagor/pledgor hereby agrees that this mortgage/pledge contract will have effect on new repayment modality signed between the Bank and the Borrower without the need for additional contract to be signed between the Bank and The mortgagor/pledgor.

ART. 5 SALE OF THE MORTGAGED PROPERTY/IES

If the Borrower fails to repay the Loan Amount in accordance with the Loan Contract the Bank has the right to sell the mortgaged property/ies to third parties by auction upon giving a prior notice to the Mortgagor.

ART. 6 AGREEMENT

We, the undersigned, the Mortgagor/pledger and the Bank, having read and fully understood the Terms and Conditions of the Contract, hereby oblige ourselves to wholly comply with the Terms and Conditions of the Contract and to be bound by the consequences in case of default.

In witness whereof, the parties have signed this contract on the day and year mentioned above.

**The Bank
Mortgager/pledger**

the Mortgager/pledger

the Spouse of

Witnesses

<u>Name</u>	<u>Address</u>	<u>Signature</u>
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____