

IDCOL's Lending Terms 2006

A. Foreign Currency Loans

- (a) Interest rate - the Investment Enterprise may choose between:
- (i) For senior loans, a variable rate equal to the prevailing six month United States dollar LIBOR plus 350 basis points;
 - (ii) For subordinated loans, a variable rate equal to the prevailing six month United States dollar LIBOR plus 400 basis points;
 - (iii) A fixed rate based on the maturity of the Sub-loan and the market swap rate between variable and fixed interest rates for United States dollar debt at the time the Sub-loan is fully drawn, plus (a) a spread of 350 basis points for senior loans; or (b) a spread of 400 basis points for subordinated loans;
 - (iv) For the purposes of subparagraph
 - a. "LIBOR" means the London Inter Bank Offered Rate for six-month deposits in United States dollars.
 - b. "Basis Point" means one hundredths of one percent; and
 - c. "Market Swap Rate" means at the time of last loan draw, the fixed rate quoted in the relevant swap market as the equivalent of the United States dollar six-month LIBOR considering the repayment schedule, notional amounts outstanding on each repayment date and the forward rates applicable to six-month LIBOR at such dates.
 - d. Senior loans are defined as those enjoying rights of payment and/or enforcement that are *pari passu* with other senior lenders;
 - e. Subordinated loans are defined as those where rights of enforcement and/or payment are subordinated under some, or all, circumstances to senior lenders
- (b) Final maturity in the case of a senior loan will be a maximum of fifteen (15) years including four (4) years grace. For subordinated loans, final maturity will be a maximum of twenty-three (23) years, including eight (8) years grace;
- (c) The principal amount of the loan repayable by the Investment Enterprise shall be the equivalent of the value of the currency or currencies withdrawn from the Credit Account expressed in terms of US dollars at the time of withdrawal;
- (d) Principal and interest payable by the Investment Enterprise shall be determined in United States dollars and the payments thereof shall be determine in United States dollars or the equivalent in Taka of the US dollar-Taka exchange rate on date payments are made; and
- (e) In case of syndicated lending, IDCOL's spread plus fees will not be higher or lower than that of other lenders offering similar loans.

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B. Local Currency Loans

(a) While lending to investment projects that earn revenue in local currency and cannot absorb foreign exchange rate risk without unduly endangering their operating gross margin or debt service cover ratios, IDCOL loan will be denominated in local currency.

The lending terms on such loans shall be determined as follows:

- (i) For medium and large infrastructure projects:
 - a. Interest rate - a fixed rate equivalent to the weighted average yield on the Treasury bills and bonds of GOB of all maturity for the past six months plus a spread of 400 basis points, provided however, that the interest rate shall not be less than the Bangladesh Bank Rate plus a margin of 250 basis points. For the purposes of this clause, the term "Bangladesh Bank Rate" means the Rate published by Bangladesh Bank in accordance with Article 21 of the Bangladesh Bank Order, 1972; and
 - b. Final maturity will be a maximum of twelve (12) years including maximum three (3) years grace; and
 - c. In case of syndicated lending, IDCOL's interest rate plus fees will not be higher or lower than that of other lenders offering similar loans.
- (ii) For projects implemented in rural areas that receive grants or subsidies from multi-lateral agencies and/or GOB:
 - a. Interest rate – up to 8% per annum; and
 - b. Final maturity will be a maximum of ten (10) years including a grace period of maximum two (2) years.

C. Money market loans:

(a) IDCOL will participate in the money market transactions with the amount approved by the Board.

(b) While investing in the call money market, yield should not be less than the actual cost or opportunity cost of funds.

D. Lending through secured overdraft (SOD) facilities against US Dollar FDR, or currency swap contract:

(a) While making local currency loans from the US Dollar fund, IDCOL will consider:

- (i) availing of secured overdraft (SOD) facilities against US Dollar FDR; or
- (ii) entering into a currency swap contract.

(b) Specific approval of the Board will be required in each such transaction.

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E. Fees and charges for off-balance sheet loans:

- (i) Fees at applicable rate will be payable;
- (ii) All fees payable by the Borrowers to IDCOL (except those are charged by all lenders) under the Lending Terms will be inclusive of the all-in-rate of IDCOL loans; and
- (iii) Interest costs during construction for Investment Projects shall be capitalized and would be eligible for financing out of the credit.

	Loan amount sought		
	Up to Tk. 60 crore (USD 10 M)	Between Tk. 61 to 180 crore (USD 11 - 30 M)	Above Tk. 180 crore (USD 30 M)
a) Non-refundable Application Fee	Tk. 25,000	Tk. 75,000	USD 5,000 equivalent BDT
b) Non-refundable Project Appraisal Fee (% of the loan amount sought)	0.1%	0.15%	0.25%
i) First part: payable on completion of preliminary review and prior to issue of Preliminary letter of support	Tk. 1 lakh	Tk. 5 lakh	USD 25,000 equivalent BDT
ii) Second part at the commencement of appraisal by IDCOL	0.1% - Tk. 1 lakh	0.15% - Tk. 5 lakh	0.25% - USD 25,000 equivalent BDT

- (iv) Documentation fee of 0.25% of the loan amount, payable at the time of execution of loan documents.
- (v) Commitment charges at the rate of 0.75% per annum payable quarterly, and calculated on unutilized loan amount effective 60 days from the date of Facility Agreement.
- (vi) Monitoring fee of 0.25% per annum payable quarterly, on the loan amount, disbursed and outstanding.
- (vii) Bangladeshi sponsors may deposit both non-refundable Application Fee and Project Appraisal Fee in equivalent BDT.
- (viii) All costs/fees and reasonable level of expenses for the Investment Advisor and Consultants appointed by IDCOL for appraisal, due diligence etc.
- (ix) Cost incurred in connection with IDCOL officials' visits in relation to negotiations, meetings, monitoring etc.

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- (x) All co-financiers' fees and charges as may be applicable (export credit agencies insurance premium, co-financiers fee etc.)

F. Fees and charges for loans made under IDCOL balance sheet:

- (i) Non-refundable application fee, as prescribed for off-balance sheet loans, will be payable. However, in case of syndicated loans, existing market practice will be followed.
- (ii) Commitment fees at the rate of 0.75% per annum payable quarterly, and calculated on unutilized loan amount effective 60 days from the date of Facility Agreement. In case of syndicated loan, the commitment fee will be similar to that agreed between the lenders and the borrowers of the syndicate.
- (iii) The Borrower will bear all the costs and expenses reasonably incurred by IDCOL for project appraisal and conducting due diligence etc.

G. Arranger's fee and Facility Agent's fee:

- (i) IDCOL's arranger's fees will be up to 1% of the total financing arranged depending on the amount raised and the complexity of the transaction.
- (ii) IDCOL's Facility Agent's fees will be up to 0.30% of the outstanding facility depending on the amount of the facility and the complexity of services.