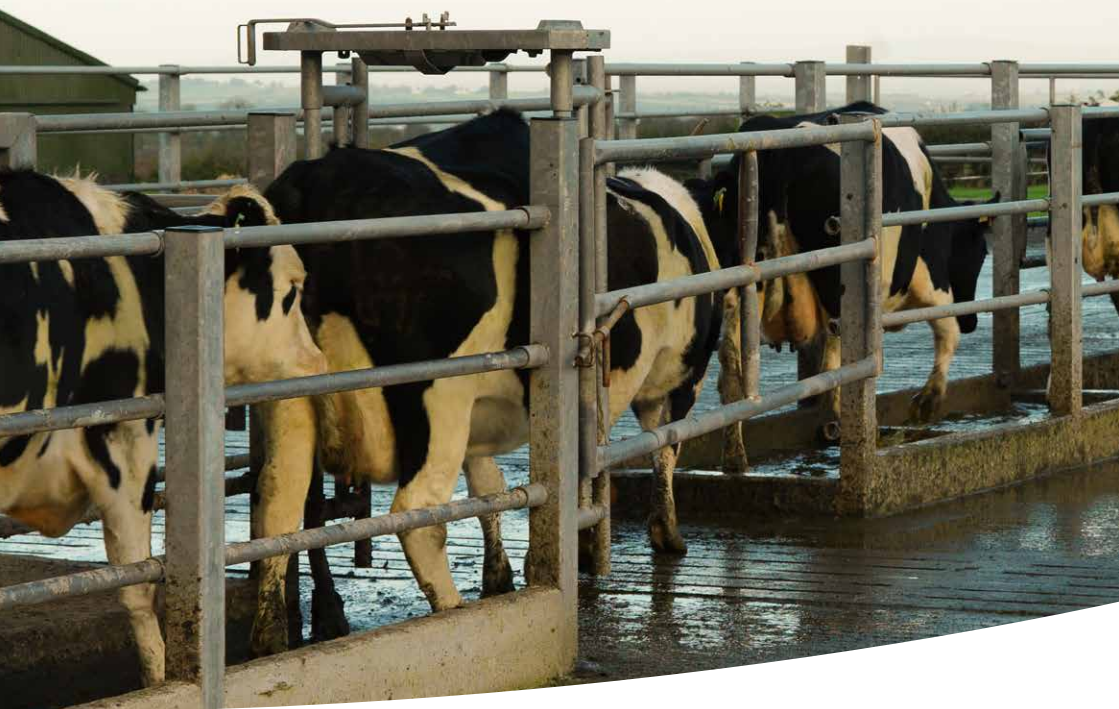




Loan Information Booklet



Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

Ciste Inbheistíochta Strailéisí d'Éirinn
Ireland Strategic Investment Fund



FINANCE
IRELAND



Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

Ciste Infheistíochta Straitéisí d'Éirinn
Ireland Strategic Investment Fund



Rabobank

FINANCE
IRELAND

Finance Ireland Credit Solutions Limited trading as Finance Ireland Leasing, Finance Ireland Commercial Mortgages and Finance Ireland Agri is regulated by the Central Bank of Ireland

Fund Stakeholders

Glanbia Co-operative Society Limited is the largest individual shareholder in Glanbia plc, with approximately 36.5% of the issued share capital of the Company. The Society is Ireland's largest and most valuable Co-operative, with over 16,000 members and a current value of €1.9 billion.

The **Ireland Strategic Investment Fund (ISIF)** was established in December 2014 with a statutory mandate to invest on a commercial basis in a manner designed to support economic activity and employment in the Irish State. It is controlled and managed by the National Treasury Management Agency (NTMA). The assets of the National Pensions Reserve Fund (NPRF) became assets of the ISIF on its establishment. The dual mandate of the ISIF is market based return on investments and stimulate the Irish economy.

Rabobank is the leading global food and agri bank. A cooperative bank based in the Netherlands, it has 8.8 million clients in 40 countries and €670 billion in total assets.

Finance Ireland is Ireland's largest non-bank lender, specialising in Motor Finance, SME Leasing, Agri Finance and Commercial Mortgages. The Group employs over 100 staff in offices in Dublin and Galway. In October 2015, the Group raised €51m senior debt facility from Strategic Banking Corporation of Ireland, the first non-bank to receive such a facility.

Introduction

On the 9 March 2016 Glanbia Co-operative Society, Rabobank, Finance Ireland and the Ireland Strategic Investment Fund (ISIF) announced the creation of the €100m MilkFlex Fund. The purpose of the MilkFlex Fund is to provide Glanbia Ingredients Ireland (GII) milk suppliers in the Republic of Ireland with competitively priced and appropriately structured dairy farm funding that is administered in a responsible manner and helps protect farm incomes from the impact of dairy market volatility.

GII's supplier strategy is focused on developing methodologies for its farmer base which reduce risk, increase competitiveness and provide opportunities for milk suppliers to plan and secure the margin earned from the production of milk.

The MilkFlex Fund stakeholders have selected Finance Ireland to manage all interfaces with loan applicants from communicating the scheme, assessing loan applicants and approving draw down of funds. Glanbia will not be involved in lending decisions.

Check out the key features of a MilkFlex loan on the back of this information booklet.



Meet the Finance Ireland Agri Team

The Finance Ireland Agri (FIA) team comprises of three functions: loan administration and regulatory compliance, credit assessment and a farmer facing team. The farm team comprises of eight regionally based Senior Relationship Managers (SRMs) available to carry out farm visits.

At the farm visit the SRM will review all aspects of the farm enterprise and discuss the details provided by the farmer in his / her application. This will assist the SRM form a view as to the suitability of the applicant for a MilkFlex loan when preparing the credit application.

All Senior Relationship Managers of FIA are successful career bankers. Their banking experience is extensive in terms of years of service gained in banks such as Danske, ACC/Rabobank, Ulster Bank, AIB and Bank of Ireland. The SRMs have held senior positions in these banks, particularly in the agri area.

In addition, all of the SRMs

- Have at least 10 years agri banking experience and have conducted farm visits over many years;
- Are graduates, with most possessing an agri qualification;
- Hold the Qualified Financial Advisor (QFA) designation or equivalent;
- Are from farming backgrounds.

The SRM team is supported by the Finance Ireland Agri Credit team consisting of experienced agri specialists who have held senior agri credit positions with Irish based banks over many years.

The Agri teams are supported by Agri Administration consisting of credit, IT and admin staff. In addition, FIA is supported by the infrastructure of the wider Finance Ireland Group.

The Loan Application Process



The Information Workshop

It is important for all MilkFlex loan applicants to attend the Information Workshop. Attendance is recommended so that you fully understand the innovative MilkFlex loan product, its features and benefits plus:

- How the Milkflex loan works;
- The application process;
- The approval process;
- Information requirements of each applicant.

The Information Workshops are expected to last for an hour and a half approximately and there will be plenty of opportunity for questions and answers. If you have not already done so and wish to attend a workshop please contact your Glanbia Ingredients Ireland Farm Development Manager.

If a farmer is unable to attend an Information Workshop it will be necessary for an Accountant to confirm as part of the MilkFlex application that he / she has explained the product and the commitments that the farmer has agreed to meet as part of applying / being approved for a loan.



Complete Loan Application Form & Farm Worksheet

The MilkFlex Loan Application Form and Farm Worksheet will be available at the Information Workshops where they will be discussed and clarified. The following information must be provided with the Application Form and Farm Worksheet:

- Evidence of insurances including public liability, employers (if applicable) and farm and building insurances;
- Bank statements for the previous twelve months;
- Accounts for the previous three years (at least one of these must be signed by the farmer's accountant);
- A current tax clearance certificate or confirmation from accountant that the applicant's tax affairs are up to date;
- A copy of the applicant's existing Milk Supply Agreement with Glanbia Ingredients Ireland.

Note: A new entrant to dairying will be required to hold a Green Certificate or equivalent qualification.

All applications will be acknowledged by FIA by return post. By completing the Application Form and Farm Worksheet in full the Applicant authorises FIA to carry out credit checks and to obtain from Glanbia Ingredients Ireland their milk supply records and credit history for the prior three years.

When all of the information outlined above has been received and reviewed by FIA it will decide whether the application qualifies for the next step – Step 3 The farm visit. FIA will accept MilkFlex applications from the end of May 2016.

**Completed and signed
Application Forms,
Farm Worksheet and
supporting documents
should be posted to:**

**MilkFlex Fund
Finance Ireland Agri
85 Pembroke Road
Ballsbridge
Dublin 4
D04 YN53.**

3

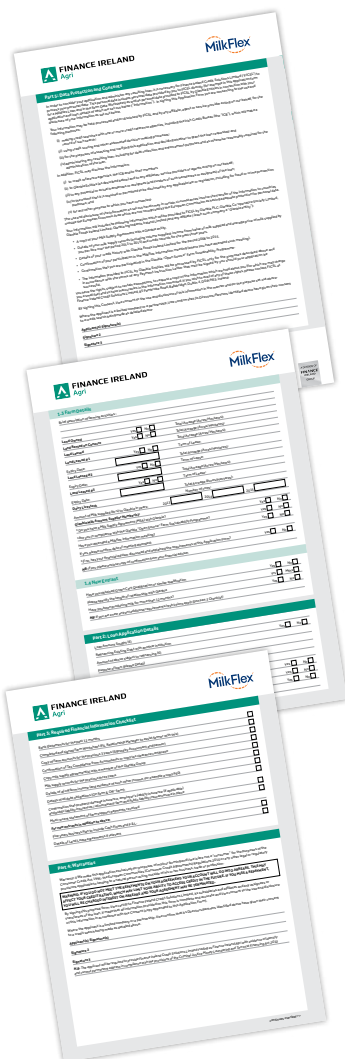
The Farm Visit

Within six business days of receipt of the completed and signed Application Form and Farm Worksheet plus all of the required supporting documentation, a Senior Relationship Manager (SRM) from FIA will make contact to arrange a farm visit. The SRM will remind the farmer of the requirement to have a copy of their regulatory documentation (passport or drivers licence plus recent utility bill) available for collection during the visit.

At the farm visit the SRM will review all aspects of the farm enterprise and discuss the details provided by the farmer in his / her application. This will assist the SRM form a view as to the suitability of the applicant for a MilkFlex loan.

A detailed credit application will be completed by the SRM immediately following the farm visit. A key part of the SRMs report will be the determination of the debt servicing capacity of the farmer, considering all of his / her debt (including the proposed Milkflex loan) and all of his / her income (including off farm income). Included in the SRMs report will be a recommendation to approve, decline or defer the application.

A formal decision will be made by Finance Ireland Credit within twelve business days of receipt of the credit application from the SRM. The SRM will then call the applicant as soon as possible to advise of the decision.





Accept Loan Offer and Drawdown Loan

Successful applicants will receive a formal MilkFlex letter of offer which FIA will issue within **two business days** following credit approval. Three weeks (from loan offer date) are allowed to the farmer to formally accept the offer.

In order to receive the MilkFlex loan the farmer must formally accept the offer letter and provide FIA with the following:

- A signed MilkFlex Milk Supply Agreement (MSA) between Glanbia Ingredients Ireland and the applicant for a term not less than the tenor of the loan;
- A signed Payment Instruction Letter authorising Glanbia Ingredients Ireland (GII) to deduct loan repayments from milk receipts;
- In the case of limited companies, completed letters of guarantee.

There are two MilkFlex loan issue dates per month, the 4th and the 18th, and FIA requires ten business days' notice from the farmer of his / her intention to drawdown the approved loan.

FIA will issue the loan directly to the applicant's bank account.

Documentation required for MilkFlex loan application

There are two documents to be completed by the Applicant for a MilkFlex loan, the Loan Application Form and the Farm Worksheet.

1. The Loan Application Form

This is a 4-page document capturing the following information of the MilkFlex applicant:

- Farm Business Details;
- Loan Application Details;
- Required Information Checklist;
- Warranties;
- Data Protection and Consents.

The Farm Business Details section captures contact information and farm ownership details.

Loan Application Details clarifies the purpose of the proposed borrowings.

Required Information Checklist is a checklist of all of the essential documentation required by Finance Ireland Agri (FIA) to assess the loan application.

Warranties are legal confirmations from the applicant that the information provided by them to FIA in respect of their MilkFlex loan application is complete and accurate.

The final section Data Protection and Consents gives permission to FIA to obtain, for every applicant, essential information on milk supply and credit history with Glanbia. Separately, it allows FIA to undertake Credit Bureau searches on every applicant.

2. The Farm Worksheet

This is a 4-page document seeking detailed information from the farmer including:

- Contact Details;
- Farm Production Information (including dairy, beef, arable);
- Support Income;
- Assets and Liabilities.

A declaration that the information provided is true and accurate must be signed by the applicant.

Responsible Lending

An applicant's decision to apply for a MilkFlex loan is purely their own and made in the context of their financial and personal circumstances. Finance Ireland Agri will not encourage applicants to either apply for or drawdown a MilkFlex loan following loan approval.

FIA is a responsible and prudent lender and will adhere to the applicable provisions of the SME Lending Regulations 2015.

A key motivation of the MilkFlex loan product is to promote responsible lending that is economically viable and structured appropriately in terms of responding to the operating environment faced by the dairy farmer.

As a consequence of the design of the loan product and the rigorous underwriting criteria, FIA aims to ensure that those who apply for a MilkFlex loan, are well placed to repay their loans and build sustainable businesses. To ensure that the loan delivers an economic improvement at farm level, financing will be confined to productive dairy assets.

Annual Covenants

A covenant is a legally binding clause in the loan agreement (Facility Letter) between the borrower and Finance Ireland. It outlines certain actions required of the borrower within specific timelines in the future.

The purpose of a covenant is to assist FIA monitor the performance of a borrower based on information provided while the loan agreement remains outstanding.

Failure to comply with a covenant will be regarded as an Event of Default which may lead to the termination of the loan agreement and demand for immediate repayment of all monies outstanding to Finance Ireland including interest and other charges.

FIA will require an annual confirmation from a MilkFlex borrower that their tax affairs are up to date. In addition, FIA reserves the right to request the following information on an annual basis:

- Farm accounts for the previous twelve months;
- Copies of milk statements for the previous twelve months;
- Aged listing of outstanding creditors;
- Copies of farm insurance policy confirming Employers Liability cover and Public Liability cover;
- Any other financial information deemed reasonable and necessary.

Borrowers are required to notify FIA of any event or circumstances that would have an adverse effect on the business, such as an outbreak of disease; environmental or animal welfare issue.

Example of €100,000 MilkFlex loan (Without Flex Events)

Loan Amount	€100,000
Interest Rate	3.75% over monthly Euribor with Base Rate of 0%. Variable
Arrangement Fee	1.25% of the Advance €1,250.00
APR (Annual Percentage Rate)	4.18%
Term	8 Years
Annual Repayment	€14,488.51
Total Interest Payable	€15,908.09
Total Cost of Credit	€17,158.09
Total amount Payable	€117,158.09 (Inclusive of Arrangement Fee)
Repayment Profile	<p>High Season €2,173.28 (4 Payments per annum in the months of June, July, August, September)</p> <p>Low Season €1,448.85 (4 Payments per annum in the months of April, May, October, November)</p> <p>Off Season €0.00 (4 per annum in the months of December, January, February, March)</p>

Example of €100,000 MilkFlex loan (With Flex Events)

MilkFlex Scenario #1 – 100% reduction in year 1 (2 Flex Events)

Loan Amount	€100,000.00
Interest Rate	3.75% over monthly Euribor with Base Rate of 0%. Variable
Term Increase	12 months
Annual Repayment	€15,041.27
Total Interest Payable	€20,330.14
Total Cost of Credit	€21,580.14
Total amount Payable	€121,580.14 (Inclusive of Arrangement Fee)
Repayment Profile During Flex Event	No Repayment during the 12 month period
Repayment Profile After Flex Event	€2,256.19 (June, July, August, September) €1,504.13 (April, May, October, November)
Additional Cost associated with Flex Event	€4,422.05

MilkFlex Scenario #2 – 50% reduction in year 1 (2 Flex Events)

Loan Amount	€100,000.00
Interest Rate	3.75% over monthly Euribor with Base Rate of 0%. Variable
Term Increase	6 months
Annual Repayment	€14,752.79
Total Interest Payable	€18,022.32
Total Cost of Credit	€19,272.32
Total amount Payable	€119,272.32 (Inclusive of Arrangement Fee)
Repayment Profile During Flex Event	€1,106.46 (June, July, August, September) €737.64 (April, May, October, November)
Repayment Profile After Flex Event	€2,212.92 (June, July, August, September) €1,475.28 (April, May, October, November)
Additional Cost associated with Flex Event	€2,114.23

Rates Correct as at 29th April 2016.

Warning: The cost of your repayments may increase.

Warning: If you do not meet the repayments on your credit facility agreement, your account will go into arrears. This may affect your credit rating, which may limit your ability to access credit in the future.

Once you have drawn down the Facility, you will not have a right to withdraw from the Facility Letter.

You have the right to repay this Facility early in accordance with the terms and conditions.

You have the right to be supplied with on request and free of charge a copy of the credit facility letter.

As is standard practice for lending, your credit facility may be assigned or transferred to an independent regulated entity for the purposes of credit servicing.

Frequently asked questions

Q How will loan repayments be collected?

A On the irrevocable consent of the milk supplier, MilkFlex loan repayments will be made by GII during the key milk production months and passed directly to the Fund. The precise amount of the deduction from the supplier's milk payment will be advised monthly to GII by the loan administrator, Finance Ireland.

Q Can a MilkFlex loan be used to fund land purchase?

A No, it cannot be used to fund land purchase. At eight years, the term of the MilkFlex Loan is not appropriate for financing land purchase in Ireland, given the prevailing price of €7,000 to €11,000 per acre.

Q Can a farmer switch dairy processor during the term of the MilkFlex loan?

A A valid Milk Supply Agreement (MSA) in a format approved by GII must remain in place for the duration of the MilkFlex loan term. If a supplier breaches his / her Milk Supply Agreement (MSA) or ceases to supply milk to GII during the term of the loan, he / she will be required to repay any outstanding balance due on the loan.

Q Can a supplier repay the loan early?

A Yes, a borrower can elect to repay – in part or in full – his / her MilkFlex loan on any monthly payment date during the term of the loan. They will not incur any penalty or cost if they elect to do so.

Q If the MilkFlex triggers are applied for an extended duration, can the term of the Loan be extended indefinitely?

A No, the changes to the repayments are designed to allow milk suppliers adjust to the market. The loan period can be extended by a maximum of two years in total. This consists of the following:

- When GII milk price is 28 cents per litre (cpl) including VAT or below for three consecutive months, both the interest and principle are deducted by 50% for the following six months. This can be activated four times over the duration of the loan.
- When the GII milk price is 26 cpl including VAT or below for three consecutive months, MilkFlex loan repayments (interest and principal) are reduced by 100% for the following six months. This can be activated twice over the period of the loan.
- In summary, all MilkFlex loans drawn down in 2016 will have to be repaid in full by 2026 at the latest.

Q Why are suppliers being charged 3.75% above Euribor?

A Some dairy farmers with low borrowings and large repayment capacity are reported to be in a position to avail of interest rates of below 4% in cases where they supply a large asset as security – eg land. The MilkFlex loan product does not require the farmer to lodge title deeds beyond providing permission for deductions at source from their milk payments. For a valid comparison, the MilkFlex loan rate should be compared to other unsecured lending products. Compared with mortgage debt, loans drawn from the MilkFlex Fund will be cheaper and more efficient to execute.

Q Is life assurance a requirement before drawing down a MilkFlex loan?

A No, the MilkFlex fund does not require the borrower to take out life assurance to qualify for loans from the MilkFlex Fund. However, we would encourage all applicants to seek independent advice from a Qualified Financial Adviser on whether they should have such a policy in place.

Q Are there any specific taxation implications of a MilkFlex loan?

A All borrowers are advised to seek independent tax advice from a suitably qualified adviser in relation to this loan scheme.

Q What happens if the Euribor rate increases?

A The MilkFlex is a variable rate product that will move in line with Euribor rate, set at a floor of zero.

Q Can a farmer opt out of the price triggers?

A The triggers are applied automatically. However, a farmer can – without penalty – choose to make additional payments to fully or partially clear the loan.

Q Is approval for a MilkFlex loan required before an investment project can commence?

A No. Qualifying investments / projects can commence before the loan approval process is complete, but loans will only be advanced if all of the eligibility criteria are met.

Q What diseases trigger a reduction in the MilkFlex repayment?

A Any disease officially listed by the Department of Agriculture as a notifiable disease. The current list is: Bovine Brucellosis, Bovine Tuberculosis, Bovine Leukosis, BSE, Cattle Plague (Rinderpest), Contagious Bovine Pleuropneumonia, Lumpy Skin Disease and Warble Fly.

Key features of a MilkFlex loan

- Competitively priced compared to comparable products available to an average milk supplier in Ireland;
- Benefits from a tailored repayment profile that is based on the milk production season;
- Facilitates the reduction of principal and interest repayments by 50% for a six month period if the Glanbia Ingredients Ireland (GII) manufacturing milk price is 28 cpl or below incl VAT for three consecutive months and by 100% for a six month period when milk price is 26 cpl or below incl VAT for three consecutive months;
- Adjusts repayments in the event that a notifiable disease outbreak reduces milk output by more than 30%;
- Features repayments that are accelerated when milk price is above 34 cpl for three consecutive months;
- Involves a loan application process that is assessed on the cash flow generation of the dairy enterprise;
- Does not require security over assets, as repayments are made by way of a priority deduction from the milk cheque payable by GII to a farmer in respect of milk supplied to GII.



For further information contact us today at:

Finance Ireland Agri, 85 Pembroke Road, Dublin 4, Ireland.

Email: milkflex@financeireland.ie

Telephone: +353 (1) 647 0255

Finance Ireland Credit Solutions Limited trading as Finance Ireland Leasing, Finance Ireland Commercial Mortgages and Finance Ireland Agri is regulated by the Central Bank of Ireland.

