



HRVATSKA BANKA ZA OBNOVU I RAZVITAK

## Schedule 2 – Insurance Programme

### **PROGRAMME FOR THE INSURANCE OF EXPORTERS' LIQUIDITY LOAN PORTFOLIO - COVID-19 MEASURE OF THE GOVERNMENT OF THE REPUBLIC OF CROATIA TO SUPPORT THE ECONOMY**

Programme for the Insurance of Exporters' Liquidity Loan Portfolio – Covid - 19 measure (hereinafter: the Insurance Programme) is implemented by the Croatian Bank for Reconstruction and Development (hereinafter: the Insurer) within the framework of its export credit insurance business for and on behalf of the Republic of Croatia as one of the Government's measures to support the Croatian economy in view of the difficulties caused by the COVID-19 pandemic.

#### **Nature and form of the measure**

The measure will be implemented in such a way that the Insurer will offer to banks to conclude agreements on cooperation under the Insurance Programme, which will cover up to 50% of the principal amount and the regular contracted interest, interest during the disbursement period and interest during the grace period under new liquidity loans to exporters.

The measure is open to all banks in the Republic of Croatia operating in accordance with the Act on Credit Institutions and to HBOR (hereinafter: the Insured). In order to avoid providing of support to credit institutions, the measure relates only to new liquidity loans, and not to the already existing ones.

#### **Duration of the measure**

The Insurance Programme will be implemented until 31 December 2020.

#### **Beneficiaries of the measure**

Final beneficiaries of this measure are exporters in the Republic of Croatia in accordance with the Eligibility Criteria for the inclusion of loans in the portfolio with regard to the Borrower that require liquidity for their activities, because they face difficulties as a result of the pandemic caused by the COVID-19 virus (entrepreneurs that are not in difficulties and/or entrepreneurs that were not in difficulties on 31 December 2019, but that have experienced difficulties in their operations as a result of the pandemic caused by the COVID-19 virus, according to the press release of the Croatian National Bank).

Under this Insurance Programme, aid cannot be granted to entrepreneurs that are subject to an outstanding recovery order on the basis of a previous decision of the European Commission declaring the aid illegal and incompatible with the internal market.

#### **Sectoral and regional scope of the measure**

The measure is open to exporters from all sectors and will be applied in the entire territory of the Republic of Croatia.

The Insurance Programme enables the insurance of liquidity loans with a grace period of up to 1 year and the Repayment period of up to 5 years. The loans are approved by the Insured to entrepreneurs having generated at least 20% of their operating income<sup>1</sup> from exports in the last business year for which official financial statements are available (hereinafter: the Exporters).

The Insurer will conclude the Portfolio Insurance Agreement with an individual Insured, and by this Agreement, their business cooperation on the implementation of this Insurance Programme is established. By this Agreement, the Insurer insures from non-payment the Loans that the Insured has included in the Portfolio with up to 50% coverage for the principal and Contracted interest (regular interest, interest during the disbursement period, and interest during the grace period). The Insured will not submit individual applications for insurance, but will include loans in the insured portfolio independently and report to the Insurer on such loans on a quarterly basis.

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<sup>1</sup> The complete Eligibility criteria for the inclusion of loans in the portfolio and the Eligibility criteria for the change of the loan repayment period due to business reasons can be found on pages 3 to 5 of this Insurance programme.

The loan insured under this Insurance programme may also be covered by another guarantee instrument, provided that it is not from the national funds of the Republic of Croatia. In such cases, the Insurer will be able to negotiate a lower percentage (%) of insurance coverage with each Insured.

In the recovery, inflows from all collaterals contracted for a loan, including other guarantee instruments that are not from the national funds of the Republic of Croatia, if contracted, will be shared between the Insurer and the Insured in proportion to the amount of contracted insurance coverage.

An integral part of the Portfolio Insurance Agreement are, among others, the General Terms and Conditions of Insurance of Exporters' Liquidity Loan Portfolio - Measure Covid -19 (hereinafter: General Terms and Conditions) that include the rights and obligations of the Insured and the Insurer. In case of discrepancy between any of the provisions of the General Terms and Conditions and the provisions of the Insurance Programme, the provisions of the General Terms and Conditions shall apply.

### Insurance premium

The Insurer shall charge the Premium for insurance from the Insured.

The Insured undertakes to pay to the Insurer the Premium for each Loan included in the Portfolio. The Insured calculates the Premium once for each Loan on the occasion of its inclusion in the Portfolio and displays the calculated amount in the Notification on inclusion.

The Premium is stated and charged in HRK, and for conversion, the selling rate of the Croatian National Bank on the day of invoicing by the Insurer is applied. The Insurer shall issue to the Insured an invoice for the Premium based on the Premium calculation set forth in the Notification on Inclusion.

The loan duration in years is calculated as  $(\text{Loan duration in days} / 365)$  and is rounded to two decimals. The Premium for an individual year of the Loan duration is calculated as follows: *Approved Loan principal x Annual premium rate for an individual year of the Loan duration (in Table 1)*

The Premium for each Loan is calculated as the sum of Premiums for each year of the Loan duration.

In case the Loan duration is not a whole number of years, the Premium for the last year of the Loan duration will be reduced in proportion to the duration of that year of Loan duration, expressed in two decimals.

Table 1: annual premium rates (p.r.) with Coverage rate of 50% for each year of the Loan duration expressed with regard to the Exporter's size

Size of entrepreneur	Premium rate for 1 <sup>st</sup> year	Premium rate for 2 <sup>nd</sup> year	Premium rate for 3 <sup>rd</sup> year	Premium rate for 4 <sup>th</sup> year	Premium rate for 5 <sup>th</sup> year	Premium rate for 6 <sup>th</sup> year
SME	0.15%	0.25%	0.25%	0.5%	0.5%	0.5%
Large	0.25%	0.50%	0.50%	1.25%	1.25%	1.25%

*Example: loan with the Loan duration of 1278 days, i.e. 3.50 years, for SME = premium for the 1<sup>st</sup> year of the Loan duration (loan principal x 0.15%) + premium for the 2<sup>nd</sup> year of the Loan duration (loan principal x 0.25%) + premium for the 3<sup>rd</sup> year of the Loan duration (loan principal x 0.25%) + premium for 0.50 year of the 4<sup>th</sup> year of the Loan duration (loan principal x (0.50 x 0.5%))*

If the Insurer and the Insured by the Portfolio Insurance Agreement for cases in which the Loan is secured by another guarantee instrument that is not from the national funds of the Republic of Croatia, agree a lower Coverage rate, then the corresponding premium rate from Table 1 will be reduced to the lower contracted Coverage rate, in the manner that the premium rate from the table be multiplied by  $(2 \times \text{contracted Coverage rate (in \%)})$ .

### Loan approval

Loan approval is performed independently by the Insured in accordance with its own assessment of the Exporter's creditworthiness and in accordance with its own procedures. In this respect, the Loan that the

Insured wishes to include in the Portfolio must fulfil the **Eligibility Criteria for the inclusion of loan in the portfolio defined by this Insurance Programme** and the Portfolio Insurance Agreement. Within the framework of the Portfolio Insurance Agreement, the Highest portfolio volume and other specific terms and conditions of insurance will be determined.

The Insured includes Loans in the Portfolio in the manner that upon the expiry of each Calendar quarter, it submits to the Insurer the Notification on Inclusion that will contain the data on all loans that it wishes to include in the Portfolio and for which the Loan Contract has been concluded in that Calendar quarter. Pursuant to the mentioned Notification, the Insurer shall submit to the Insured invoice for the Premium. The Insured is obliged to report quarterly to the Insurer on the Loan balance, on repaid Loans, on the change of the Loan repayment term, and once a year on recovery of the Loans for which the Indemnity was paid.

### **Indemnity**

In the case of non-payment under the Loan, the Insured shall submit to the Insurer a Claim upon the expiry of 30 calendar days from the Day of calculation and the attached documentation defined by the General Terms and Conditions. The Insurer will give its response regarding the submitted Claim within 35 calendar days. In case the Claim has been accepted, the Insurer will pay the Indemnity in the amount of up to 50% of the Loss to the Insurer within 10 calendar days.

The Indemnity is stated and paid in the Loan currency or upon request of the Insured in HRK equivalent amount at the selling rate of the Croatian National Bank on the payment date.

Before the Indemnity payment, the Insured shall conclude the Recovery Contract with the Insurer by which, among others, their rights and obligations in respect of receivables collection under the Loan after the Indemnity payment are regulated.

### **Recovery**

Recovery from the Exporter after the paid Indemnity is made by the Insured independently, for its own and for the Insurer's claim. In case of recovery, the Insured shall be obliged to forward to the Insurer up to 50% of the collected amount, or in accordance with the contracted Coverage rate if it is lower than 50%, respectively.

The Insurer shall compensate the Insured for up to 50% of incurred Costs of Enforced Collection, or in accordance with the contracted Coverage rate if it is lower than 50%, respectively, provided that the Insured has obtained a prior or subsequent written consent for the mentioned Costs from the Insurer.

### **Change of the Loan repayment period**

For Loans included in the Portfolio, for which no Indemnity has been paid, the Insured is authorised to modify the Loan repayment term on its own if the Extension of the Loan repayment period is shorter than 6 months or equals 6 months; in this case, the Insured is not obliged to pay an additional Premium. If the Extension of the Loan repayment period is longer than 6 months, then the Insured is authorised to modify it on its own, provided that such Change of the Loan repayment period is made due to business reasons, i.e. further need of the Exporter for liquidity funds and provided that on the day of the change approval, the **Eligibility criteria for the change of the loan repayment period due to business reasons** have been met. In the mentioned case, the Insured is obliged to pay additional Premium to the Insurer.

Below are the **Eligibility criteria for inclusion of loans in the portfolio** that must be met so that the Loans may be insured:

## **1. ELIGIBILITY CRITERIA FOR THE INCLUSION OF LOANS IN THE PORTFOLIO**

### **1.1. WITH RESPECT TO THE EXPORTER (BORROWER)**

1.1.1. The following criteria must be fulfilled on the day of the Loan approval:

<b>Exporter</b>	<p>The Borrower may be any entity that performs economic activity regardless of its legal form and has its registered headquarters in the Republic of Croatia (companies, crafts businesses, other legal entities and natural persons - sole traders) and</p> <ul style="list-style-type: none"> <li>○ is not in difficulties and/or was not in difficulties on 31 December 2019, but experienced difficulties in its operations as a result of the pandemic caused by the COVID-19 virus (pursuant to the press release of the Croatian National Bank, the Exporter was in the risk group A on 31 December 2019) and</li> <li>○ having generated at least 20% of its operating income from exports in the last business year for which official financial statements of the company are available and</li> <li>○ is not majority state-owned (50% and more).</li> </ul>
<b>Size</b>	<p>The Borrower is by its size (pursuant to the EU definition):</p> <ul style="list-style-type: none"> <li>○ small and medium-sized entrepreneur in need of a liquidity loan in an amount higher than HRK 15,000,000.00</li> <li>○ small and medium-sized entrepreneur in need of a liquidity loan in an amount of 15,000,000.00 or less, if, for justified reasons, it cannot obtain a guarantee from HAMAG-BICRO, for example, for reasons of non-eligible activity, already realised maximum de minimis aid etc.</li> <li>○ large entrepreneurs, regardless of the loan amount</li> </ul>
<b>Activity</b>	Each activity of the Exporter is considered eligible.
<b>Others</b>	The creditworthiness of the Exporter has been assessed favourably by the Insured in accordance with the regulations, its standard internal documents, rules and procedures, as the Insured otherwise treats the liquidity loans approved to Exporters of the same or similar risk category.

## 1.2. WITH RESPECT TO THE LOAN

1.2.1. The following criteria must be fulfilled on the day of Loan approval:

<b>Type</b>	Individual, framework or revolving loans
<b>Purpose</b>	Loans must be new liquidity loans
<b>Amount</b>	<p>The loan amount per individual borrower can be up to a maximum amount of:</p> <ul style="list-style-type: none"> <li>○ double cost of the Borrower's salary in 2019 or</li> <li>○ the Borrower's need for liquidity in the next 12 months for large entrepreneurs, i.e. 18 months for small and medium entrepreneurs, as estimated by the Borrower or the Insured</li> </ul> <p>If the Exporter uses several loans that are insured by the Insurance programme or uses several loans secured by other guarantee schemes based on the EC Communication<sup>2</sup>, total loans must not exceed the maximum amount of the loan from the above stated items.</p>
<b>Currency</b>	In HRK, and with the currency clause tied to EUR

<sup>2</sup> COMMUNICATION FROM THE COMMISSION - Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, of 19. 3. 2020.

<b>Loan repayment period</b>	Grace period of up to 1 year and repayment period of up to 5 years (repayment of interest can be monthly, three-monthly or annually)
<b>Others</b>	The Insured may include in the Portfolio only those loans for which Loan Contracts were concluded during the lifetime of the Portfolio Insurance Agreement, where the Loans must be included in the Portfolio in the entire amount of the principal. Exceptionally, the Insured may include in the Portfolio the loans for which Loan Contracts had been concluded even earlier than on the day of conclusion of the Portfolio Insurance Agreement, but not earlier than 18 March 2020.

The following are the **Eligibility criteria for the change of the loan repayment period due to business reasons** that must be fulfilled in order for the Insured to be able to modify on its own the Loan repayment period in the event of Change of the loan repayment period due to business reasons and in order to insure the Loan:

## 2. ELIGIBILITY CRITERIA FOR THE CHANGE OF THE LOAN REPAYMENT PERIOD DUE TO BUSINESS REASONS

### 2.1. WITH RESPECT TO THE EXPORTER (BORROWER)

All under 1.1.1. stated Eligibility criteria for the inclusion of loans in the portfolio with respect to the Exporter (Borrower) must be fulfilled on the day of approval of the Change of the loan repayment period due to business reasons.

### 2.2. WITH RESPECT TO THE LOAN

The following criteria with respect to the Loan must be fulfilled on the day of approval of the Change of the loan repayment period due to business reasons:

<b>Type</b>	Individual, framework or revolving loans
<b>Purpose</b>	Loans must be new liquidity loans
<b>Amount</b>	<p>The loan amount per individual borrower can be up to a maximum amount of:</p> <ul style="list-style-type: none"> <li>○ double cost of the Borrower's salary in 2019 or</li> <li>○ the Borrower's need for liquidity in the next 12 months for large entrepreneurs, i.e. 18 months for small and medium entrepreneurs, as estimated by the Borrower or the Insured</li> </ul> <p>If the Exporter uses several loans that are insured by the Insurance programme or uses several loans secured by other guarantee schemes based on the EC Communication<sup>3</sup>, total loans must not exceed the maximum amount of the loan from the above stated items.</p>
<b>Currency</b>	In HRK, and with the currency clause tied to EUR
<b>Extension of the Loan repayment period</b>	The last day of the prolonged Loan repayment period may not be longer than 6 years from the date of conclusion of the initial Loan Contract.

Premium for the Extension of the loan repayment period is calculated by summing up the Extension of the loan repayment period in years and the initial Loan duration in years, resulting in a new Loan duration

<sup>3</sup> COMMUNICATION FROM THE COMMISSION - Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak, of 19. 3. 2020.

in years and the calculation of the Premium for the new Loan duration. The Premium for the Extension of the loan repayment period is calculated as the difference of the Premium for the new Loan duration and the Premium for the initial Loan duration.

Extension of the loan repayment period in years is calculated as (*Extension of the loan repayment period in days / 365*) and is rounded to two decimals.

All terms written in capital letters in this Insurance programme have the meanings as defined in the General Terms and Conditions:

<b>Day of calculation</b>	<p>a) Day of the Decision on initiation of the bankruptcy proceedings against the Exporter or</p> <p>b) Day after the maturity of the last instalment/annuity of the Loan under the Loan Contract or</p> <p>c) Day after the maturity of all obligations under the Loan Contract on the basis of cancellation/termination of the Loan Contract.</p> <p><i>For the avoidance of doubt, the initiation of bankruptcy proceedings does not affect the determination of the Day of calculation as stated under a) or b) or c).</i></p>
<b>Change of the loan repayment term due to business reasons</b>	Change of the loan repayment period for more than 6 months that has been caused by further need for liquidity funds;
<b>Report on recovery</b>	Written report set forth in Article 13 of the General Terms and Conditions containing the data on amounts paid through recovery and the actions undertaken for the purpose of collection under the Loan Contract and the Portfolio Insurance Agreement for Loans for which the Insured received the Indemnity that the Insured submits to the Insurer in the form agreed in the Portfolio Insurance Agreement;
<b>Report on loan balance</b>	Written report set forth in Article 6 of the General Terms and Conditions containing the data on the Loan balance on the last day of the Calendar quarter that the Insured submits to the Insurer in the form agreed in the Portfolio Insurance Agreement;
<b>Exporter</b>	Local legal entity or natural person that has concluded a Loan Contract as borrower with the Insured;
<b>Calendar quarter</b>	In any year any period from 1 January to 31 March, from 1 April to 30 June, from 1 July to 30 September or from 1 October to 31 December;
<b>Loan</b>	Loan under the Loan Contract included in the Portfolio;
<b>Eligibility criteria for the inclusion of loan in the portfolio</b>	The criteria established in the Portfolio Insurance Agreement that must be fulfilled so that the Loan may be insured;
<b>Eligibility criteria for the change of the loan repayment period due to business reasons</b>	The criteria established in the Portfolio Insurance Agreement and the Insurance Programme that must be fulfilled so as to enable the Insured to modify the Loan repayment term on its own in case of the Change of the loan repayment term due to business reasons, pursuant to Article 7 of the General Terms and Conditions that must be fulfilled so that the Loan may be insured;
<b>Maximum portfolio volume</b>	The maximum amount of the Portfolio volume per an individual Insured that will be established by the Portfolio Insurance Agreement;
<b>Notification on the change of the loan repayment period</b>	Written notification set forth in Article 7 of the General Terms and Conditions on the change of the Loan repayment period and, in case of Change of the Loan repayment period set forth in paragraph 5 Article 7 of the General Terms and Conditions, on the calculation of the Premium in the Loan currency that the Insured submits to the Insurer in the form agreed in the Portfolio Insurance Agreement;
<b>Notification on</b>	Written notification set forth in Article 6 of the General Terms and Conditions

<b>repaid loans</b>	containing the data on Loans repaid in the previous Calendar quarter that the Insured submits to the Insurer in the form agreed in the Portfolio Insurance Agreement;
<b>Notification on Inclusion</b>	Written notification set forth in Article 5 of the General Terms and Conditions by which the Loan is included in the Portfolio and the Premium calculation in the Loan currency submitted, and which the Insured submits to the Insurer in the form agreed in the Portfolio Insurance Agreement;
<b>Approved loan principal</b>	Loan principal initially contracted by the Loan Contract;
<b>Indemnity</b>	Cash amount paid to the Insured by the Insurer as compensation for the Damage incurred after the occurrence of the Insured risk;
<b>Claim</b>	Written demand for the payment of Indemnity for an individual Loan submitted to the Insurer by the Insured in accordance with the provisions of Article 9 of the General Terms and Conditions in the form agreed by the Portfolio Insurance Agreement;
<b>General Terms and Conditions</b>	General Terms and Conditions of Insurance of Exporters' Liquidity Loan Portfolio Covid-19 measure;
<b>Insured risk</b>	Non-payment of claims that are the Subject matter of insurance on the Day of calculation, in accordance with Article 3 of the General Terms and Conditions;
<b>Insured</b>	The bank with which the Exporter has concluded a Loan Contract, and the Insurer the Portfolio Insurance Agreement;
<b>Insurer</b>	HBOR - Hrvatska banka za obnovu i razvitak, with headquarters in Zagreb, for and on behalf of the Republic of Croatia;
<b>Extension of the loan repayment period</b>	Time period from the last day of the Repayment period of the initially contracted Loan until the last day of the Repayment period of prolonged loan, which starts on the next day following the expiry of the Repayment period of the initially contracted Loan;
<b>Portfolio</b>	Loan portfolio consisting of all loans for which individual Loan Contracts have been concluded and which are included in the Portfolio pursuant to Article 5 of the General Terms and Conditions;
<b>Subject matter of insurance</b>	The Insured's claim in respect of principal and Contracted interest on the Loan pursuant to Article 3 of the General Terms and Conditions;
<b>Premium</b>	Cash amount collected from the Insured by the Insurer for the Loan insurance;
<b>Premium for the change of the loan repayment period</b>	Cash amount collected from the Insured by the Insurer for the Loan insurance in case of Change of the loan repayment period due to business reasons;
<b>Insurance programme</b>	The Insurer's programme named „Programme for the Insurance of Exporters' Liquidity Loan Portfolio – Covid-19 measure“ adopted on _____ and published on web pages of the Insurer with all changes and amendments. The Insurance Programme with all changes and amendments is an attachment to the Portfolio Insurance Agreement;
<b>Waiting period</b>	Period by the expiry of which the Insured has right to submit the Claim is 30 calendar days from the Day of calculation;
<b>Loan repayment period</b>	Period from the expiry of the loan availability period until the last day of the Loan repayment period; in case of revolving loans, the Loan repayment period will be deemed the period from the day of the first Loan disbursement until the last day of the Loan repayment period;
<b>Retention</b>	Share of the Insured in the Damage amounting up to 50%; except if in the Portfolio Insurance Agreement a higher percentage (%) of Retention has been contracted in cases when the Loan is secured through another collateral, other than from the national funds of the Republic of Croatia;
<b>Coverage rate</b>	Share of the Insurer in the Damage amounting up to 50%; except if in the Portfolio Insurance Agreement a lower percentage (%) of Coverage rate has been

	<i>contracted in cases when the Loan is secured through another guarantee instrument, other than from the national funds of the Republic of Croatia;</i>
<b>Portfolio Insurance Agreement</b>	<i>Agreement determining the business cooperation between the Insurer and the Insured in the implementation of the Insurance programme, by which the Insurer takes into insurance the loans included in the Portfolio. Constituent parts of the Portfolio Insurance Agreement are its attachments that also include the General Terms and Conditions and the Insurance programme;</i>
<b>Damage</b>	<i>The amount of overdue receivables of the Insured that are the Subject matter of insurance on the day of submission of the Claim; in case the pre-bankruptcy proceedings have been initiated against the Exporter, the Damage will be deemed the amount of uncollected receivables of the Insured that are the Subject matter of insurance on the day of submission of the Claim increased by possible write-off from the pre-bankruptcy proceedings;</i>
<b>Loan duration</b>	<i>Time period from the day of conclusion of the Loan Contract until the last day of the Loan repayment period;</i>
<b>Compulsory collection costs</b>	<i>Costs incurred by the Insured that are exclusively related to the actions taken for the purpose of the Loan collection, before or after the payment of the Indemnity; these do not include the costs of employees' salaries of the Insured, nor the usual administrative costs such as the costs of sending mail, making telephone calls, photocopying etc.;</i>
<b>Loan Contract</b>	<i>Loan contract concluded between the Insured and the Exporter in accordance with the Portfolio Insurance Agreement;</i>
<b>Recovery Contract</b>	<i>Contract between the Insured and the Insurer by which, among others, their rights and obligations are regulated in respect of the collection of all claims under the Loan Contract and the Portfolio Insurance Agreement after the payment of the Indemnity, in accordance with the provisions of Article 13 of the General Terms and Conditions, in the form and contents contracted in the Portfolio Insurance Agreement;</i>
<b>Contracted interest</b>	<i>Regular interest, interest during the disbursement period and interest in the grace period;</i>
<b>Portfolio volume</b>	<i>Total amount of the Approved loan principals that are not repaid on a certain day and stated in the latest Report on loan balance.</i>