

**Schedule 2 – Insurance Programme****PROGRAMME FOR THE INSURANCE OF  
EXPORTERS' WORKING CAPITAL LOAN PORTFOLIO  
PO-OP-01/20**

Programme for the Insurance of Exporters' Working Capital Loan Portfolio (hereinafter: Insurance Programme) is implemented by the Croatian Bank for Reconstruction and Development (hereinafter: Insurer) within the framework of its export credit insurance activities performed for and on behalf of the Republic of Croatia.

**The Insurance Programme is intended for banks<sup>1</sup> (hereinafter: Insured) that have an operating license in the Republic of Croatia and fulfil the following criteria:**

1. Performance indicators:
  - Supervisory measures in respect of the Insured are not being undertaken, i.e. there are no imposed supervisory measures by regulators that could operate towards capital adequacy exhaustion,
  - The Insured has not, in the period of the last three years, at unconsolidated level, operated with a loss for two consecutive years,
  - Capital ratios and capital buffers of the Insured, on unconsolidated basis in each of the last three years, meet the conditions set out by the capital adequacy regulatory requirements;
2. Availability of information on quality of portfolio of working capital loans or comparable loans on the basis of which the Insurer may set conditions for the minimum acceptable credit rating of the borrower and determine the premium rates based on the rating scale of the Insured.

The Insurance Programme enables the insurance of working capital loans in the amount of up to HRK 1 million with the Repayment period of up to 1 year (as an exception of up to, and including, 2 years if the Exporter's trade cycle is longer than 1 year). The loans are approved by the Insured to small and medium-sized companies in the Republic of Croatia having generated the operating income of up to HRK 50 million in the last business year (this category includes start-up entrepreneurs also) and that, at the time of the Loan disbursement, have unrealised or unpaid Export Contracts in the Loan amount or have generated at least 30% of their operating income from export revenues<sup>2</sup> in the past financial year, for which official annual financial statements are available (hereinafter: 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 provides insurance against non-payment for the Loans that the Insured has included in the Portfolio with 80% coverage for the principal and contracted interest (regular interest, interest during disbursement period, and interest during grace period).

Integral parts of the Portfolio Insurance Agreement are, among others, the General Terms and Conditions of Insurance of Exporters' Working Capital Loan Portfolio (hereinafter: General Terms and Conditions) that contain the rights and obligations of the Insured and the Insurer. In the case of discrepancy between any provisions of the General Terms and Conditions with those of the Insurance Programme, the provisions of the General Terms and Conditions shall apply.

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<sup>1</sup> The Croatian Bank for Reconstruction and Development will prove the fulfilment of criteria for eligibility of banks in an appropriate way.

<sup>2</sup> The complete Eligibility criteria for the inclusion of loan 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 Insurer shall charge the Premium for the Loan insurance from the Insured. **The annual premium rates adjusted** for 80% coverage by the insurance, based on the rating scales of the most prestigious rating agencies, are listed in the following table. By the Portfolio Insurance Agreement concluded with an individual Insured, the mentioned premium rates will be mapped on the rating scale of the Insured:

Credit quality	Standard&Poor's	Fitch	Moody's	Annual premium rate
Highest quality	AAA	AAA	Aaa	0.32%
Very high creditworthiness	AA+	AA+	Aa1	
	AA	AA	Aa2	
	AA-	AA-	Aa3	
High creditworthiness	A+	A+	A1	0.44%
	A	A	A2	
	A-	A-	A3	
Sufficient creditworthiness	BBB+	BBB+	Baa1	0.64%
	BBB	BBB	Baa2	
	BBB-	BBB-	Baa3	
Creditworthiness sensitive to unfavourable circumstances	BB+	BB+	Ba1	1.6%
	BB	BB	Ba2	3.04%
	BB-	BB-	Ba3	
Creditworthiness will probably be reduced in unfavourable circumstances	B+	B+	B1	5.04%
	B	B	B2	
	B-	B-	B3	

For small and medium-sized enterprises with no credit history or the assessment based on the balance sheet approach, the safe harbour premium is set at 3.04%, but can never be lower than the premium that would apply to a parent company or subsidiaries.

For an individual Loan, the Premium is calculated as multiplication of the Loan principal amount, the Loan duration in years<sup>3</sup> and the Annual premium rate. The Premium is stated and charged in Kuna, and the selling rate of the Croatian National Bank at the date of issue of the invoice by the Insurer is applied for calculation.

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 **eligibility criteria related to the Exporter's rating in accordance with the Insured's methodology** as well as the Highest portfolio volume 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.

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 shall enclose the documentation defined by

<sup>3</sup> When calculating the Loan duration in years and the Extension of the loan repayment period in years, the number of days in February is always taken to be 28 irrespective of whether the year is a leap year or not.

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 80% 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 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 80% of the collected amount.

The Insurer shall compensate the Insured for 80% of incurred Enforced Collection Costs, provided that the Insured has obtained a prior or subsequent written consent for the mentioned Costs from the Insurer.

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 working capital 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>Legal form</b>	Borrower may be any entity that performs an economic activity regardless of its legal form and that has its registered headquarters in the Republic of Croatia (companies, crafts businesses, other legal entities and sole traders).
<b>Size</b>	Borrower is an entity with less than 250 employees that, in the last business year, generated an annual operating income of up to HRK 50 million (this category includes also start-up entrepreneurs).  Start-up entrepreneurs with no annual reports approved must submit their business plans, i.e. the evaluation of operating income for the entire business year.
<b>Exporter criterion</b>	Borrower is an entity that has unrealised or unpaid Export Contracts in the Loan amount at the moment of Loan disbursement or  Borrower is an entity that has generated at least 30% of its operating income from export revenues in the past financial year, for which official annual financial statements are available.

<b>Credit rating</b>	Borrower's credit rating has been assessed as acceptable for inclusion in the Portfolio in accordance with the eligibility criteria in respect of the Exporter's rating established in the Portfolio Insurance Agreement.
<b>Activity</b>	Any business activity is deemed eligible.
<b>Others</b>	Borrower is not an undertaking in difficulties <sup>4</sup> . Creditworthiness of 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 working capital 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 the Loan approval:

<b>Type</b>	Individual, framework or revolving loans
<b>Purpose</b>	For working capital exclusively
<b>Amount</b>	In accordance with the planned amount of unrealised or unpaid Export Contracts at the moment of loan disbursement, Or In accordance with the planned amount of necessary working capital at the moment of loan approval But not more than up to HRK 1,000,000.00 or, in case of loans in foreign currency, the equivalent amount of HRK 1,000,000.00 at the middle exchange rate of the Croatian National Bank for EUR or USD applied on the day of conclusion of the Portfolio Insurance Agreement.
<b>Currency</b>	In HRK, EUR, USD and indexed to EUR and USD
<b>Loan repayment period</b>	Not longer than 1 year In case when, according to the Insured's assessment, the trade cycle (from production to payment) of the Exporter, in relation to the total Exporter's operations, is longer than 1 year, the loan repayment period may be up to, and including, 2 years.
<b>Others</b>	Loans must be new loans and must not be approved as loans for refunding. The Insured's exposure to one Exporter under the Insurance Programme must not exceed the amount of HRK 1,000,000.00 on the day of approval (or, in case

<sup>4</sup> Pursuant to the *Guidelines on state aid for rescuing and restructuring non-financial undertakings in difficulty* (OJ C 249, 31.7.2014), an undertaking is not an undertaking in difficulty if it does not meet any of the following criteria:

- In the case of a joint stock company and a limited liability company (except for a small and medium-sized enterprise operating less than three years) where more than half of its subscribed share capital has disappeared as a result of accumulated losses;
- In the case of a company where at least some members have unlimited liability for the debt of the company (except for a small and medium-sized enterprise operating less than three years) where more than half of its capital as shown in the financial statements of the company has disappeared as a result of accumulated losses, and more than a quarter of this capital has been lost in the previous twelve months;
- In the case of any form of company if in accordance with the national legislation it fulfils the conditions for initiation of bankruptcy (and/or pre-bankruptcy) proceedings.

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of loans in foreign currency, the equivalent amount of HRK 1,000,000.00 at the middle exchange rate of the Croatian National Bank for EUR or USD applied on the day of conclusion of the Portfolio Insurance Agreement).

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1.2.2. The following criteria must be fulfilled before Loan disbursement in case of Exporter to whom Loan is approved in accordance with the planned amount of unrealised or unpaid Export Contracts:

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<b>Export contract</b>	Before Loan disbursement, the Exporter is obliged to submit to the Insured unrealised or unpaid Export Contracts in the manner that, for the Loan duration, the amount of the Loan in disbursement must be lower than or equal to the total amount of Export contracts that the Exporter has submitted to the Insured
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The following text contains 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:

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<b>Type</b>	Individual, framework or revolving loans
<b>Purpose</b>	For working capital exclusively
<b>Amount</b>	In accordance with the amount of concluded and unrealised or unpaid Export Contracts Or In accordance with the planned amount of necessary working capital At the moment of approval of the Change of the loan repayment period due to business reasons but not more than up to HRK 1,000,000.00 or, in case of loans in foreign currency, the equivalent amount of HRK 1,000,000.00 at the middle exchange rate of the Croatian National Bank for EUR or USD applied on the day of conclusion of the Portfolio Insurance Agreement.
<b>Export contract / planned amount of necessary working capital</b>	Before the approval of the Change of the loan repayment period due to business reasons, the Exporter is obliged to submit to the Insured: Unrealised or unpaid Export Contracts in the manner that, for the Loan duration, the amount of the Loan in disbursement must be lower than or equal to the total amount of Export contracts Or

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	The planned amount of necessary working capital submitted by the Exporter to the Insured.
<b>Currency</b>	In HRK, EUR, USD and indexed to EUR and USD
<b>Extension of the Loan repayment period</b>	The last day of the prolonged Loan repayment period may not be longer than 2 years after the last day of the initially contracted Loan repayment period

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>	a) Day of the decision on initiation of the bankruptcy proceedings against the Exporter or b) Day after the maturity of the last instalment/annuity of the Loan under the Loan Contract or c) Day after the maturity of all obligations under the Loan Contract on the basis of cancellation/termination of the Loan Contract. <i>For the avoidance of doubt, the initiation of pre-bankruptcy proceedings does not affect the determination of the Day of calculation as stated under a) or b) or c);</i>
<b>Foreign buyer</b>	<i>Foreign legal entity or natural person that has concluded Export Contract with the Exporter;</i>
<b>Change of the loan repayment period due to business reasons</b>	<i>Change of the loan repayment period for more than 6 months that has not been caused by financial difficulties of the Exporter, but by further need for working capital;</i>
<b>Report on recovery</b>	<i>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;</i>
<b>Report on loan balance</b>	<i>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;</i>
<b>Export Contract</b>	<i>Any form of written communication between the Exporter and the Foreign buyer that gives rise to the obligation of the Exporter to produce and/or deliver goods and/or carry out works and/or render services to the Foreign buyer, and the obligation of the Foreign buyer to pay the price to the Exporter (for example, a written contract concluded, order acceptance, etc.);</i>
<b>Exporter</b>	<i>Local legal entity or natural person that has concluded a Loan Contract as borrower with the Insured;</i>
<b>Calendar quarter</b>	<i>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;</i>
<b>Loan</b>	<i>Loan under the Loan Contract included in the Portfolio;</i>
<b>Eligibility criteria for the inclusion of loan in the portfolio</b>	<i>The criteria established in the Portfolio Insurance Agreement and the Insurance Programme that must be fulfilled so that the Loan may be insured;</i>
<b>Eligibility criteria for the change of the loan repayment period due to business reasons</b>	<i>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 period on its own in case of the Change of the loan repayment period 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;</i>
<b>Maximum portfolio volume</b>	<i>The maximum amount of the Portfolio volume per an individual Insured that will be established by the Portfolio Insurance Agreement;</i>

<b>Notification on the change of the loan repayment period</b>	<i>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;</i>
<b>Notification on repaid loans</b>	<i>Written notification set forth in Article 6 of the General Terms and Conditions 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;</i>
<b>Notification on inclusion</b>	<i>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;</i>
<b>Approved loan principal</b>	<i>Loan principal initially contracted by the Loan Contract;</i>
<b>Indemnity</b>	<i>Cash amount paid to the Insured by the Insurer as compensation for the Loss incurred after the occurrence of the Insured risk;</i>
<b>Claim</b>	<i>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 in the Portfolio Insurance Agreement;</i>
<b>General Terms and Conditions</b>	<i>General Terms and Conditions on Insurance of Exporters' Working Capital Loan Portfolio OU-OP-01/20;</i>
<b>Insured risk</b>	<i>Non-payment of receivables that are the Subject matter of insurance on the Day of calculation, in accordance with Article 3 of the General Terms and Conditions;</i>
<b>Insured</b>	<i>The bank with which the Exporter has concluded the Loan Contract, and the Insurer the Portfolio Insurance Agreement;</i>
<b>Insurer</b>	<i>HBOR – Hrvatska banka za obnovu i razvitak, Croatian Bank for Reconstruction and Development, with headquarters in Zagreb, for and on behalf of the Republic of Croatia;</i>
<b>Extension of the loan repayment period</b>	<i>Time period from the last day of the Repayment period of the initially contracted Loan until the last day of the Repayment period of the prolonged loan, which starts on the next day following the expiry of the Repayment period of the initially contracted Loan;</i>
<b>Portfolio</b>	<i>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;</i>
<b>Subject matter of insurance</b>	<i>The Insured's receivables in respect of principal and Contracted interest on the Loan pursuant to Article 3 of the General Terms and Conditions;</i>
<b>Premium</b>	<i>Cash amount collected from the Insured by the Insurer for the Loan insurance;</i>
<b>Premium for the change of the loan repayment period</b>	<i>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;</i>
<b>Insurance Programme</b>	<i>The Insurer's programme named "Programme for the Insurance of Exporters' Working Capital Loan Portfolio" adopted on 30 April 2020 and published on web pages of the Insurer together with all changes and amendments. The Insurance Programme together with all changes and amendments is a schedule to the Portfolio Insurance Agreement;</i>
<b>Waiting period</b>	<i>Period, upon the expiry of which the Insured has the right to submit the Claim, is 30 calendar days from the Day of calculation;</i>
<b>Loan repayment period</b>	<i>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;</i>
<b>Retention</b>	<i>Share of the Insured in the Loss amounting to 20%;</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 schedules that also include the General Terms and Conditions and the Insurance</i>

	<i>Programme;</i>
<b>Loss</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 Loss 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 under 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>Enforced 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 either the costs of employees' salaries of the Insured or 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 receivables 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 as contracted in the Portfolio Insurance Agreement;</i>
<b>Contracted interest</b>	<i>Regular interest, interest in 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>