

**PROGRAMME FOR INDIVIDUAL INSURANCE OF LIQUIDITY LOANS FOR EXPORTERS –
COVID-19 MEASURE OF THE REPUBLIC OF CROATIA TO SUPPORT THE ECONOMY
PO-PPO-COVID/01-21**

Programme for Individual Insurance of Liquidity Loans for Exporters – Covid-19 Measure of the Republic of Croatia to Support the Economy (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 on the basis of chapter 3.2 of the Communication from the Commission¹. The Insurance Programme was launched on 13 November 2020 and amended on 28 May 2021.

Nature and form of the measure

The measure is implemented in the form of individual insurance of new liquidity loans for exporters through the execution of individual insurance contracts under the Insurance Programme among the Insurer, the Insured and the Exporter by the signing of Insurance Policy that shall cover up to 90% of the exporter's liquidity loan principal amount. Where the coverage is below 90% (10%, 20%, 30%, 40%, 50%, 60%, 70% or 80%), the insurance may also cover the Contracted interest (regular interest, interest during disbursement and grace periods), however the total amount of Indemnity shall in no event exceed 90% of the due principal of the Loan.

The measure is open to all credit institutions in the Republic of Croatia established in the Republic of Croatia (headquarters or subsidiary) that operate in accordance with the Credit Institutions Act (have the licence for conducting operations in the Republic of Croatia) and to HBOR (hereinafter: the Insured). The measure relates only to new liquidity loans and not to already existing ones and, consequently, it does not represent aid to credit institutions.

As financial intermediary, the Insured is obliged to provide an exporter with more favourable loan terms and conditions, e.g. in the form of a higher volume of finance (approval of a higher exposure to exporter), by assuming riskier portfolios (approval of a loan in spite of a riskier rating of exporter), in the form of lower requirements for other collateral, lower interest rates etc, about which the Insured shall inform the Insurer in the Loan insurance application.

Exporters will be able to use the liquidity loan Premium subsidy, which will be approved in accordance with the Insurance Premium Subsidy Programme – Covid-19 measure of the Republic of Croatia to support the economy PSP/01-2021 with all amendments thereto (hereinafter: Premium Subsidy Programme) on the basis of chapter 3.1 of the Communication from the Commission.

Duration of the measure

The Insurance Programme will be implemented until 31 December 2021. Consequently, the Insurance Contracts must be executed by 31 December 2021.

Beneficiaries of the measure

Final beneficiaries of this measure are exporters in the Republic of Croatia in accordance with the Eligibility Criteria 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 were not in

¹ COMMUNICATION FROM THE COMMISSION - Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (OJ C 911, 20. 3. 2020) and Amendments to the Temporary Framework for State aid measures to support the economy in the current COVID-19 outbreak (OJ C 1121, 4. 4. 2020; OJ C 164, 13. 5. 2020; OJ C 218, 2. 7. 2020; OJ C 3401, 13. 10. 2020 and OJ C 34, 1. 2. 2021)

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).

Under the 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 aid illegal and incompatible with the internal market.²

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 that the Insured approve to entrepreneurs having, in the last business year that is relevant for their operations in accordance with the entrepreneur's statement (not earlier than 2019) and for that official annual financial statements are available, generated: a) at least 10% of their operating income from exports, or b) more than 50% of their operating income from accommodation revenues where in that year the share of realised overnight stays of non-residents of the Republic of Croatia in the total number of overnight stays is at least 30%, or c) at least 10% of their income from revenues in cooperation with one or more exporters (hereinafter the Exporters)³. The Loan duration shall be 6 years at the longest and it is calculated from the Loan Contract execution date until the last loan repayment period date. The Loan duration includes the loan disbursement period and the loan repayment period (including up to one-year grace period and up to five-year repayment period).

On the basis of the decision on the eligibility of the Loan insurance application, the Insurer shall, with an individual Insured and Exporter, execute an Insurance Contract covering an individual Loan in accordance with the Insurance Programme, which provides cover against non-payment under the Loan approved by the Insured to the Exporter in accordance with the agreed Coverage rate.

Insurance Contract

It consists of Insurance Policy and enclosures. Loan insurance application, as an enclosure with the Insurance Policy, is a constituent part of the Insurance Contract.

Insurance Contract is signed by authorised persons of the Exporter, the Insured and HBOR as the Insurer.

In the event of a discrepancy between a particular provision of the Insurance Policy and the Insurance Programme, the provisions of the Insurance Policy shall prevail.

Insured amount

Insured amount is the amount of money stated in the Insurance Policy as the subject matter of insurance.

Premium

The Insurer shall charge the Premium for Loan insurance from the Insured as stated in the Insurance Policy.

The Premium is stated and charged in HRK, and for conversion, the middle exchange 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 together with the Insurance Policy.

For each Loan, the Premium is calculated as the sum of Premiums for each year of the Loan duration by applying the appropriate annual premium rate on the balance of debt based on the preliminary repayment schedule for the Loan principal (assuming that the Loan principal is repaid duly) for the Loan duration:

- In the Loan disbursement period (up to the beginning of the Loan repayment period), the

² Determined on the basis of Aid Statement signed by entrepreneur under criminal and material responsibility

³ The complete Eligibility Criteria for the insurance of loans can be found on pages 6 and 7 of this Insurance Programme.

Premium is calculated on the amount of the approved loan principal regardless of the disbursement status of the Loan.

- Loan duration is calculated in accordance with the calendar year and the overall Loan duration cannot last longer than six calendar years (e.g. if a Loan Contract is executed on 15 February 2021, the last Loan repayment date must be no later than 15 February 2027).
- Annual premium rates are determined in accordance with the size of the Borrower and the level of the coverage as follows:

Table 1 PROGRESSIVE* annual premium rates by years of Loan duration

Coverage	Type of Borrower	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
90%	SME	0.25%	0.50%	0.50%	1.00%	1.00%	1.00%
	Large entrepreneur	0.50%	1.00%	1.00%	2.00%	2.00%	2.00%
10%	SME	0.03%	0.06%	0.06%	0.11%	0.11%	0.11%
	Large entrepreneur	0.06%	0.11%	0.11%	0.22%	0.22%	0.22%
20%	SME	0.06%	0.11%	0.11%	0.22%	0.22%	0.22%
	Large entrepreneur	0.11%	0.22%	0.22%	0.44%	0.44%	0.44%
30%	SME	0.08%	0.17%	0.17%	0.33%	0.33%	0.33%
	Large entrepreneur	0.17%	0.33%	0.33%	0.67%	0.67%	0.67%
40%	SME	0.11%	0.22%	0.22%	0.44%	0.44%	0.44%
	Large entrepreneur	0.22%	0.44%	0.44%	0.89%	0.89%	0.89%

* For each individual year of Loan duration, the premium rate used is the rate determined for the respective year of Loan duration (e.g. for a Loan insured with 90% coverage and a duration of 4 years, 1 month and 2 days approved to a large entrepreneur, the premium rate is 0.50% for year 1 of Loan duration, 1.00% for year 2 of Loan duration, 1.00% for year 3 of Loan duration, 2.00% for year 4 of Loan duration and 2.00% for the respective number of days in year 5 of Loan duration).

Table 2 UNIQUE (FLAT)* annual premium rates for the calculation of Premium in accordance with the Loan duration

Coverage	Type of Borrower	1 year	2 years	3 years	4 years	5 years	6 years
50%	SME	0.15%	0.17%	0.17%	0.23%	0.25%	0.26%
60%		0.15%	0.17%	0.17%	0.26%	0.30%	0.33%
70%		0.15%	0.17%	0.17%	0.31%	0.38%	0.42%
80%		0.15%	0.26%	0.29%	0.50%	0.61%	0.68%
50%	Large entrepreneur	0.15%	0.23%	0.25%	0.62%	0.82%	0.95%
60%		0.15%	0.29%	0.33%	0.72%	0.92%	1.06%
70%		0.15%	0.37%	0.44%	0.86%	1.08%	1.22%
80%		0.30%	0.63%	0.73%	1.19%	1.40%	1.55%

* For each year of Loan duration, the unique annual premium rate is determined in accordance with the overall Loan duration (e.g. for a Loan insured with 80% coverage and a duration of 4 years, 1 month and 2 days approved to a large entrepreneur, the unique annual premium rate is 1.40% → column "5 years" is applied as the Loan duration enters into the fifth year).

Premium calculation example:

On 1 December 2020, the Insured executed a Loan Contract in the Loan amount of HRK 1.5 million with an SME that is to be repaid in five equal three-monthly instalments, of which the first one matures on 18 October 2021 and the last one on 18 October 2022. The Loan duration is 1 year, 10 months and 17 days. Repayment schedule:

	Date	Instalment	Debt under Loan principal (HRK)
Year 1 of Loan duration	1 December 2020	Initial balance	1,500,000.00
	18 October 2021	1	1,200,000.00
Year 2 of Loan duration	1 December 2021	/	1,200,000.00
	18 January 2022	2	900,000.00
	18 April 2022	3	600,000.00
	18 July 2022	4	300,000.00
	18 October 2022	5	0.00

a) For 70% coverage: for the entire Loan duration, the fixed annual premium rate of 0.17% is applied on the Loan principal balance based on the repayment schedule by taking into account the actual number of days of Loan principal balance in the calendar year. Calculation items:

Date	Principal balance	Principal for calculation	P.R.	Number of days	Premium	Note (description)
1 December 2020	1,500,000.00	1,500,000.00	0.17%	30/366 + 291/365	2,242.03	Loan Contract execution date; 30/366 number of Loan duration days in 2020 (leap year), 291/365 number of Loan duration days in 2021 until the start of the Loan repayment period
18 October 2021	1,200,000.00	1,200,000.00	0.17%	74/365 + 18/365	514.19	Loan repayment period start date; 74/365 number of Loan duration days in 2021, 18/365 number of Loan duration days in 2022 until new principal reduction
18 January 2022	900,000.00	900,000.00	0.17%	90/365	377.26	90/365 number of Loan duration days in 2022 until new principal reduction
18 April 2022	600,000.00	600,000.00	0.17%	91/365	254.30	91/365 number of Loan duration days in 2022 until new principal reduction
18 July 2022	300,000.00	300,000.00	0.17%	92/365	128.55	90/366 number of Loan duration days in 2022 until Loan repayment
18 October 2022	0.00					Loan repayment date
Total					3,516.33	

b) For 90% coverage: for year 1 of Loan duration, the annual premium rate of 0.25% is applied on the Loan principal balance based on the repayment schedule, whereas the rate of 0.50% is applied for year 2 by taking into account the actual number of days of Loan principal balance. Calculation items:

Date	Principal balance	Principal for calculation	P.R.	Number of days	Premium	Note (description)
1 December 2020	1,500,000.00	1,500,000.00	0.25%	30/366 + 291/365	3,297.10	Loan Contract execution date and start of year 1 of Loan duration; 30/366 number of Loan duration days in 2020, 291/365 number of Loan duration days in 2021 until the start of the Loan repayment period
18 October 2021	1,200,000.00	1,200,000.00	0.25%	44/365	361.64	Loan repayment period start date; 44/365 number of Loan duration days in 2021 during year 1 of Loan duration
1 December 2021	1,200,000.00	1,200,000.00	0.50%	30/365 + 18/365	789.04	Start of year 2 of Loan duration; 30/366 number of Loan duration days in 2021, 18/365 number of Loan duration days in 2022 until new principal reduction
18 January 2022	900,000.00	900,000.00	0.50%	90/365	1,109.59	90/365 number of Loan duration days in 2022 until new principal reduction
18 April 2022	600,000.00	600,000.00	0.50%	91/365	747.95	91/365 number of Loan duration days in 2022 until new principal reduction
18 July 2022	300,000.00	300,000.00	0.50%	92/365	378.08	90/366 number of Loan duration days in 2022 until Loan repayment
18 October 2022	0.00					Loan repayment date
Total					6,683.40	

Insurance application processing fee

Insurance application processing fee is calculated and charged on a processed Insurance application

and amounts to 0.10% of the Loan principal insured amount (without interest), minimum HRK 1,500.00 and maximum HRK 15,000.00. Insurance application processing fee is stated and charged in HRK, and the conversion is made at the middle exchange rate of the Croatian National Bank on the date the invoice is issued by the Insurer. The Insurer shall issue to the Insured an invoice for the Insurance application processing fee together with the Insurance Policy.

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, where the Loan for which the Insured wishes to conclude the Insurance Contract and for which it submits the Insurance application to the Insurer must meet the **Eligibility criteria for the insurance of loans defined in this Insurance Programme**.

Amendments to Loan Contract

The Insured and the Exporter must not make any material amendments to the Loan Contract without a consent of the Insurer. Material amendments to the Loan Contract include the following amendments to:

- Parties to the contract,
- Loan amount,
- Loan currency,
- Interest rate,
- Loan duration,
- Loan collateral,
- Loan repayment manner.

The Insurer retains the right to define the terms and conditions on which it shall give its consent to the material amendments to the Loan Contract.

In the case of a prolongation of the Loan duration, the Insured shall pay to the Insurer the Premium for the Loan duration prolongation.

The Premium for the Loan duration prolongation is calculated as the difference between the Premium for new Loan duration and the Premium for initial Loan duration. The Premium for new Loan duration is calculated in the same way as the Premium for the initial Loan duration (Loan duration start date is the Loan Contract execution date), where the repayment schedule taken into account for the calculation includes the initial Loan repayment from the Loan Contract execution date until the Loan rescheduling date and the new Loan repayment for the remaining Loan duration.

The Premium for the Loan duration prolongation cannot be subsidised under the Subsidy Programme.

In case of amendments to the terms and conditions of insurance under the executed Insurance Contract, the Insurer shall charge the application processing fee for amendments to the insurance terms and conditions of 0.05% on the insured Loan principal amount (without interest), minimum HRK 750.00, maximum HRK 3,000.00.

Claim

In the case of non-payment under the Loan, the Insured shall submit to the Insurer a Claim upon the expiry of 20 calendar days from the Day of calculation together with the attached documentation defined in the General Terms and Conditions. The Insurer will give its response regarding the submitted Claim within 60 calendar days from the date of receipt of the complete Claim. In case the Claim has been accepted, the Insurer will, within 10 calendar days, pay the Indemnity to the Insured up to the amount of contracted Coverage rate (up to 90%) of Loss.

The Indemnity is stated and paid in kunas, and the calculation for other currencies is made on the basis of the valid middle exchange rate of the Croatian National Bank on the payment date.

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

Recovery

Recovery from the Exporter after the paid Indemnity is made by the Insured independently for its own and for the Insurer's receivables. In case of recovery, the Insured shall forward to the Insurer 90% of the collected amount, or in accordance with the contracted Coverage rate if it is lower than 90%, respectively.

In recovery, the inflows from all collateral instruments contracted under the Loan, if any, shall be divided between the Insurer and the Insured pro rata in the amount of the contracted insurance Coverage rate. The Insurer shall compensate the Insured for 90% of incurred Costs of Enforced Collection, or in accordance with the contracted Coverage rate if it is lower than 90%, respectively, provided that the Insured has obtained a prior or subsequent written consent for the mentioned Costs from the Insurer.

Below are **Eligibility criteria for the insurance of loans** that must be met so that the Insurance Contracts may be executed:

ELIGIBILITY CRITERIA FOR THE INSURANCE OF LOANS

1.1. WITH RESPECT TO THE EXPORTER (BORROWER)

1.1.1. The following criteria must be fulfilled on the day of the insurance approval, which is established by the Insurer on the basis of documentation used when processing the Loan insurance application:

Exporter	<p>The Borrower may be any entity that performs economic activity regardless of its size and 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">○ was not in difficulties on 31 December 2019 (in terms of the General Block Exemption Regulation⁴), where the Insured is obliged, before submitting a Loan insurance application, to check and establish that the Borrower does not meet any of the following conditions (that will be mentioned in the Loan insurance application):<ul style="list-style-type: none">a) for limited liability companies (capital companies: joint stock companies, limited liability companies etc.) capital and reserves amount to less than 50% of subscribed equity capital, i.e. for unlimited liability companies, more than half of the total assets have been reduced due to transferred losses,b) pre-bankruptcy, bankruptcy or liquidation proceedings have been initiated against the company,c) for large enterprises, if during the last two years, both of the following conditions have been cumulatively met in both the years:<ul style="list-style-type: none">i. the ratio of long-term financial liabilities and capital and reserves of entrepreneur is higher than 7.5,ii. the ratio of EBITDA to interest expense on financial liabilities is lower than 1.0. <p>In the case of entrepreneurs who are part of a group, the criteria are generally considered at the level of the entrepreneur, but if the mutual relations of the companies in the group indicate interdependence in business (most often when the companies in the group operate in the same or neighbouring</p>
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⁴ Commission Regulation (EU) No. 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty. Text with EEA relevance (OJ L 187, 26 June 2014, pages 1-78), the consolidated text of 27 July 2020.

markets) and difficulties of the entire group, it is necessary to check the criteria at the level of the group as well.

In the case of entrepreneurs that have been operating for less than three years on 31 December 2019 with respect to the date of their incorporation (entrepreneurs incorporated after 31 December 2016), the Insured considers only the criterion under b).

- has encountered business difficulties as a result of the pandemic caused by the COVID-19 virus (in accordance with the FINA COVID score scale⁵, rated within the range of 0 - 700 points; for Borrowers for which FINA cannot calculate the COVID score, the Insured will determine that the business has been compromised by COVID); The COVID score must not be older than 30 calendar days from the date of receipt of the loan application
- has generated at least 10% of its operating income from exports⁶ in the financial year that is relevant for its operations in accordance with the entrepreneur's statement (not earlier than 2019) and for that company's official annual financial statements are available (exporter)

Or

has generated more than 50% of its operating income from accommodation revenues in the financial year that is relevant for its operations in accordance with the entrepreneur's statement (not earlier than 2019) and for that company's official annual financial statements are available, where in that year the share of realised overnight stays of non-residents of the Republic of Croatia in the total number of overnight stays⁷ is at least 30% (exporter)

Or

has generated at least 10% of its operating income from revenues in cooperation with one or more exporters referred to in the above paragraph in the financial year that is relevant for its operations in accordance with the entrepreneur's statement (not earlier than 2019) and for that company's official annual financial statements are available (exporter's supplier)⁸

Activity	Any activity of the Exporter is considered eligible.
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1.2. WITH RESPECT TO THE LOAN

1.2.1. The following criteria must be fulfilled on the day of the insurance approval, which is established by the Insurer on the basis of documentation used when processing the Loan insurance application:

Type	Individual, framework or revolving loans
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⁵ The FINA COVID score is taken into account, which includes two eliminating criteria (1 - the entrepreneur is on the list of salary non-payers according to the latest available data; 2 - the entrepreneur is on the list of tax non-payers according to the latest available data).

⁶ The term "export revenues" means any income earned with non-residents of the Republic of Croatia. The Insurer establishes export revenues on the basis of the Borrower's official financial statements or, if export revenues are not stated in the financial statements, on the basis of other documentation by which the Insured establishes the fulfilment of this criterion (e.g. written statement of the Borrower with documents signed by authorised representatives or legal representatives or proxies of the Borrower, which can be checked and confirmed, such as gross balance in accordance with the official financial statements, customer card accounts with turnover in that year, contracts with customers which were partially or fully realised in that year, BON1 with data on export revenues in that year, internal or external reports of the Borrower containing data on export revenues, etc.).

⁷ The Insured determines the share of realised overnight stays of non-residents of the Republic of Croatia in the total number of overnight stays on the basis of the eVisitor report.

⁸ The Insured determines the fulfilment of the criterion that the Borrower is exporter's supplier on the basis of a written statement of the Borrower, along with documents verifying and confirming the statement (documents proving that the Borrower is a supplier to one or more companies and that these companies are exporters; for examples of documents see previous two footnotes).

Purpose

- Loans must be new liquidity loans.
- Loan funds must not be disbursed by the Insured and the Borrower must not use them to refinance existing loans with the Insured or other financial institutions, or to prematurely settle obligations for existing debts (leasing loans, etc.).
- Loan funds may be disbursed by the Insured and the Borrower may use them to settle liabilities that regularly become due during the period of Loan disbursement or have regularly become due before the period of Loan disbursement, to the Insured and other financial institutions in accordance with repayment schedules at the time of the Loan Contract execution, where the maximum amount of the Loan that can be disbursed and used to settle these liabilities is 35% of the total amount of the Loan.
- Loan funds may be disbursed by the Insured and the Borrower may also use them to reimburse the Borrower (reimbursement) for expenses previously paid by the Borrower, incurred no earlier than 1 March 2020 and assessed by the Insured as eligible in accordance with the eligible purpose of the Loan in accordance with the Insurance Programme, where in case of reimbursement of costs paid by the Exporter to financial institutions the amount of reimbursement for these costs may amount to a maximum of 35% of the total amount of the Loan.
- A maximum of 35% of the total amount of the Loan altogether may be used for the payment of liabilities to financial institutions referred to in the previous two paragraphs (settlement of regular maturities and reimbursements).
- If the Loan funds are disbursed in favour of the Borrower, and the Insured does not check the purpose of using these Loan funds according to regulations, its standard procedures and the Loan Contract, the Insured is released from the liability for further verification of the purpose.

Amount

- The loan amount per individual Borrower can be up to a maximum amount of:
- double annual cost of the Borrower's salaries (including social security contributions and the cost of staff employed at the location of the entrepreneur, but formally on the payroll of the sub-contractor) in 2019 or for the last available year. In the case of entrepreneurs established on or after 1 January 2019, the maximum loan amount must not exceed the estimated annual salary expenditure for the first two years of operations
or
 - 25% of total Borrower's income in 2019
or
 - 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, to be established on the basis of the Borrower's statement.

The loan principal can be increased by the cost of the Premium.

*For the same loan, the Borrower **must not receive support in the form of subsidised interest rate for the loan pursuant to chapter 3.3. of the Communication from the Commission** (in the case of a club loan, for the loan portion approved on commercial terms, i.e. without support in the form of subsidised interest rate based on chapter 3.3. of the Communication from the Commission, the Insurance Programme may be used).*

*If the Borrower uses several loans that are insured by the Insurance Programme or uses several loans secured by other guarantee schemes based on chapter 3.2. of the Communication from the Commission or uses subsidies in form of a subsidised interest rate based on chapter 3.3. of the Communication from the Commission, **the total amount of all loans must not exceed the maximum amount of loans referred to in the above stated items.***

Currency In HRK, or with the currency clause indexed to EUR

Loan duration Time period from the day of conclusion of the Loan Contract until the last day of the Loan repayment period that includes the loan disbursement period and the loan repayment period. The loan repayment period includes a grace period of up to 1 year and loan repayment of up to 5 years, where in no case the Loan duration can be longer than six years.
Interest payments can be on a monthly, three-monthly or annual basis.

All terms written in capital letters in this Insurance Programme have the meanings as defined in the General Provisions of the Insurance Policy.