

Schedule 12 – Subsidy Programme

THE PROGRAMME OF SUBSIDISING THE INSURANCE PREMIUM – MEASURE TO SUPPORT THE ECONOMY OF THE REPUBLIC OF CROATIA FOLLOWING THE RUSSIAN AGGRESSION AGAINST UKRAINE PSP-UKR-02/22

Description and Goal of the Subsidy Programme

Programme of Subsidising the Insurance Premium – Measure to Support the Economy of the Republic of Croatia Following the Russian Aggression Against Ukraine (hereinafter: the Subsidy 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 to support the economy due to the difficulties caused by the disruption in the economy following the Russian aggression against Ukraine, pursuant to chapter 2.1. of the Temporary Crisis Framework¹ of the European Commission. The Insurance Programme was introduced on 28 July 2022 and amended on 13 September 2022.

Subsidising the premium at the expense of the Exporter will enable Exporters, as beneficiaries of liquidity loans insured through the below stated insurance programmes implemented by the Insurer, not to have or to reduce the cost of insurance premium if they meet the conditions for subsidising the Premium. The aim is to make the insurance of loans granted to Exporters as favourable as possible in order to avoid an increase in the financial costs of Exporters and further disruption of their liquidity.

Nature and form of the Subsidy Programme

Subsidies may be granted for Premiums under the following insurance programmes:

- Programme for the Insurance of Exporters' Liquidity Loan Portfolio – measure to support the economy of the Republic of Croatia following the Russian aggression against Ukraine (hereinafter: Programme for the Insurance of Loan Portfolio),
- Programme for Individual Insurance of Exporters' Liquidity Loans – measure to support the economy of the Republic of Croatia following the Russian aggression against Ukraine (hereinafter: Programme for Individual Insurance of Loans).

The measure will be implemented in such a way that that the Insurer waives the collection of the Premium if the Exporter meets the conditions for subsidising the Premium.

For loans for which the Insured has already collected the Premium from the Exporter, the Insurer will also enable subsidising of the Premium in the manner that, upon interest expressed by the Exporter for subsidising the Premium and, after having established that the Exporter has met the conditions for subsidising of the Premium, the Insurer will make a refund to the Exporter of the Premium already paid.

In cases where, due to the previous use of the state aid referred to in chapter 2.1. of the Temporary Crisis Framework or a higher amount of the Premium per Borrower than the amount allowed by this Subsidy Programme, it is not possible to subsidise the entire Premium amount, it is possible to subsidise part of the Premium amount.

The measure can be used once for an individual loan. The measure cannot be used for the Premium for the change of the loan repayment period.

Beneficiaries of the Subsidy Programme

¹ COMMUNICATION FROM THE COMMISSION - Temporary Crisis Framework for State Aid measures to support the economy following the aggression against Ukraine by Russia; OJ C 1311, 24. 3. 2022, with all subsequent changes and amendments

Eligible beneficiaries of the Subsidy Programme are those entrepreneurs that are eligible as Borrowers under the Programme for the Insurance of Loan Portfolio or Programme for Individual Insurance of Loans.

Banks as Insureds cannot be beneficiaries of the Subsidy Programme.

Conditions for Subsidising the Premium

The Exporter will have to prove the cumulative fulfilment of the following conditions for subsidising of the Premium:

- a) That he/she can receive aid, partially or fully, in accordance with the total maximum allowed amount of aid that can be granted to the Exporter according to 2.1. of the Temporary Crisis Framework and
- b) That on the date of submission of the application for subsidy (or on another date on which data is available, and not more than 30 days from the date of submission of the application for subsidy), there are no outstanding obligations due on the basis of public contributions for which official records are kept by the Tax Administration or, in the case of overdue obligations, that they have been regulated (e.g. by an administrative agreement concluded with the Tax Administration).

The Insurer will establish the fulfilment of the condition specified under item a) on the basis of the Statement on Aid filled out by the Exporter, and the condition specified under item b) on the basis of the Certificate of the Balance of Debt Based on Public Contributions, about which official records are kept by the Tax Administration (hereinafter: Tax Administration Certificate).

In the event that the Insurer establishes that at the time of submitting an application for the Premium subsidy, the Exporter does not meet one or several conditions for subsidising of the Premium, the Exporter may submit again an application for subsidy after these conditions have been met, whereby he/she submits again the necessary documentation to establish the fulfilment of conditions for the subsidising of the Premium (in accordance with the procedures for using the Subsidy Programme listed below).

Procedure for using the Subsidy Programme for the Programme for the Insurance of Loan Portfolio

- 1) For subsidising the Premium for loans for which the Loan Contract has not yet been concluded and for which the Insured has not yet collected the Premium from the Exporter:
 - The Insured informs the Exporter about the possibility of using the Subsidy Programme.
 - In the case of expressed interest of the Exporter, the Insured calculates the Premium and provides the Insurer by e-mail information about the Loan (PIN and name of the Borrower, amount and maturity of the Loan, e-mail address and phone number of the contact person of the Insured and the Borrower), preliminary calculation of the Premium, together with a copy of the Statement on Client's (Exporter's) Eligibility and a copy of the Exporter's Statement on Aid, while the Exporter submits the Tax Administration Certificate to the Insurer. When all the above-mentioned documents have been delivered, it is considered that the Exporter has submitted an application for the Premium subsidy, and the Insurer, on the basis of these documents, establishes whether the Exporter has met the conditions for the Premium subsidy and what is the amount of the Premium that can be subsidised (partially or in full).
 - If the Insurer establishes that the Exporter has met the conditions for subsidising of the Premium, the Insurer will notify the Insured and the Exporter in writing of the subsidy amount to which the Exporter is entitled and the amount of the Premium part that the Insured is obliged to pay, if the subsidy cannot cover the entire amount of the Premium.
 - In the Loan Contract, the Insured shall include a provision that adequately conveys that the Exporter has received support in the form of insurance premium subsidy in accordance with chapter 2.1. of the Temporary Crisis Framework in the amount of the Premium part that will be subsidised.

- If the Insurer’s favourable decision on subsidising of the Premium was made on the basis of the Premium calculation according to preliminary data (e.g. expected maturity of the loan, loan amount etc.) and it is subsequently established that the amount of the Premium to be calculated based on the actual data that will be specified in the Loan Contract is:
 - 1) higher than the approved subsidy amount, the Insured:
 - must pay the difference in the Premium to the Insurer or obtain a new decision of the Insurer on subsidising a higher amount of the Premium²;
 - states in the Loan Contract the amount of subsidised Premium in accordance with the valid Insurer’s Decision on Subsidising.
 - 2) less than the approved subsidy amount, the Insured:
 - does not have to obtain a new decision from the Insurer on subsidising a lower amount of the Premium;
 - states in the Loan Contract either the amount of the subsidised Premium calculated according to the actual data from the Loan Contract or the amount of subsidised Premium in accordance with the Insurer’s Decision on Subsidising.
 - In the Notification on Inclusion of the loan in the insurance portfolio, the Insured states the amount of the subsidised amount of the Premium stated in the Loan Contract, whereby it will be deemed that the stated amount has been settled in respect of the Insured’s obligations, and states any remaining amount of the Premium that the Insured owes to the Insurer.
 - If the Insurer establishes that the Exporter has not met the conditions for subsidising of the Premium, the Insurer will inform the Insured and the Exporter that the Exporter has not met the conditions for subsidising of the Premium and that the Insured will be obliged to pay the entire amount of the calculated Premium.
- 2) For subsidising the Premium for Loans for which the Loan Contract has already been concluded and for which the Insured has already collected the Premium from the Exporter:
- The Insured informs the Exporter about the possibility of using the Subsidy Programme.
 - In the case of expressed interest of the Exporter, the Insured provides the Insurer by e-mail information about the Loan (PIN and name of the Borrower, amount and maturity of the Loan, e-mail address and phone number of the contact person of the Insured and the Borrower), data on the Premium paid by the Exporter, a copy of the Statement on Client’s (Exporter’s) Eligibility and a copy of the new Statement on Aid of the Exporter, while the Exporter submits the Tax Administration Certificate to the Insurer. When all the above-mentioned documents have been delivered, it is considered that the Exporter has submitted an application for the Premium subsidy, and on the basis of these documents, the Insurer establishes whether the Exporter has met the conditions for the Premium subsidy and what is the amount of the Premium that can be subsidised. In any case, the subsidised amount of the Premium cannot be higher than the amount of the Premium in Kuna that the Insured has collected from the Exporter, i.e., it cannot be higher than the amount of the Premium in Kuna that the Insurer has collected from the Insured.
 - If the Insurer establishes that the Exporter has met the conditions for subsidising of the Premium, the Insurer prepares and signs the Agreement on Aid Award in the form of a subsidised Premium and submits two copies of the Agreement to the Exporter for signature. The Exporter is obliged to return one signed copy of the Agreement to the Insurer immediately after signing.
 - Upon receipt of the signed copy of the Agreement on Aid Award in the form of a subsidised Premium, the Insurer will refund the paid Premium to the Exporter, provided that the Insurer has previously collected the Premium from the Insured.

² When issuing a new decision of the Insurer on subsidies, if less than 3 months have passed from the issuance of the first Decision to the change, it is not necessary to submit new documentation (with the exception of a new repayment schedule), but for a new adoption of the Decision on subsidising, the Insurer will use evidence of fulfilment of the conditions for the Premium subsidy that were previously delivered to him.

- If the Insurer establishes that the Exporter has not met the conditions for subsidising the Premium, the Insurer will inform the Exporter that he/she is not entitled to a refund of the Premium.

Procedure for using the Subsidy Programme for the Programme for Individual Insurance of Loans

In the case of using the Programme for Individual Insurance of Loans, the following procedure is applied:

- Before submitting an application for credit insurance, the Insured informs the Exporter about the possibility of using the Subsidy Programme and in case of expressed interest of the Exporter, the Insured indicates in the application that the Exporter wants to use the Subsidy Programme.
- Upon receipt of the application for insurance, based on the Statement on Aid and the Tax Administration Certificate, which are integral parts of the application for insurance, the Insurer determines whether the Exporter has the right to the Premium subsidy, calculates the amount of the Premium and determines how much of the Premium can be subsidised, as well as the amount that the Insured will be obliged to pay to the Insurer if the subsidy cannot cover the entire amount of the Premium.
- If the Insurer establishes that the Exporter has met the conditions for subsidising of the Premium, the Insurer prepares and signs the Agreement on Aid Award in the form of a subsidised Premium and submits two copies of the Agreement to the Exporter together with the insurance policy. The Insured is obliged to give the Agreement to the Exporter for signing and return one signed copy of the Agreement to the Insurer. Signing of the Agreement on Aid Award in the form of a subsidised Premium will be a condition for the insurance policy to take effect.
- If the Insurer establishes that the Exporter establishes that the Exporter has not met the conditions for subsidising of the Premium, the Insurer informs the Insured that he is obliged to pay the Premium.
- In the event that the Insurer establishes that at the time of submitting the application for credit insurance the Exporter does not meet one or several conditions for subsidising of the Premium or if the Exporter does not request subsidy when submitting the application for credit insurance, the Exporter may submit a request for subsidy subsequently, i.e. after the conditions for subsidising have been met, whereby the same procedure for using the Subsidy Programme will be applied to determine the possibility of subsidising the Premium as for the Programme for the Insurance of Loan Portfolio for subsidising the Premium for Loans for which the Loan Contract has already been concluded and for which the Insured has already collected the Premium from the Exporter.

Obligations of the Insured

In any case, the Insured is obliged to inform the Exporter about the Subsidy Programme and, in case of interest in using the subsidy, instruct him to submit all the documents necessary to determine the right to the Premium subsidy.

In case of the Programme for the Insurance of Loan Portfolio, the Insured is involved in the process of approving Premium subsidies as follows:

- 1) For loans for which the Insured has not yet collected the Premium from the Exporter, the Insured has the following obligations:
 - To submit the Premium calculation to the Insurer together with a copy of the Exporter's Statement on Aid.
 - In the event that the Insurer establishes that the Exporter meets the conditions and has the right to subsidised Premium, to state a provision in the Loan Contract that adequately conveys that the Exporter has received aid in the form of the insurance premium subsidy in accordance with chapter 2.1. of the Temporary Crisis Framework.
 - In the Inclusion Notice, state the amount of subsidised part of the Premium, as well as any remaining amount of the Premium that the Insured is obliged to pay to the Insurer if the subsidy cannot cover the entire amount of the Premium.

- 2) For loans for which the Insured has already collected the Premium from the Exporter, the Insured, in the case of expressed interest of the Exporter, is obliged to provide the Insurer with information on the Premium paid by the Exporter and a copy of the new Exporter's Statement on Aid.

In case of the Programme for Individual Insurance of Exporters' Liquidity Loans, if the Insurer establishes that the Exporter meets the conditions for subsidising of the Premium, the Insured has the obligation to give to the Exporter for signing the Agreement on Aid Award in the form of subsidised Premium and return one signed copy of the Agreement to the Insurer.

Maximum Subsidy amount

The maximum amount of the Premium subsidy granted to the Exporter for one or several loans must not exceed HRK 1,000,000.00, i.e. the corresponding equivalent value in Kuna converted according to the middle exchange rate of the Croatian National Bank on the day of conclusion of the Portfolio Insurance Agreement.³

If the Exporter uses the aid pursuant to other measures implemented according to chapter 2.1. of the Temporary Crisis Framework, the total allowed maximum amount of aid per Exporter may not exceed EUR 500,000.00, i.e. the corresponding equivalent value in Kuna converted according to the middle exchange rate of the Croatian National Bank on the date of conclusion of the Portfolio Insurance Agreement. As an exception to the above, for Exporters from the fisheries and aquaculture sector the total amount of the Premium subsidy per Exporter must not exceed EUR 75,000.00, and for Exporters operating in the primary agricultural production sector, the total amount of the Premium subsidy per Exporter must not exceed EUR 62,000.00, i.e. the corresponding equivalent values in Kuna converted according to the middle exchange rate of the Croatian National Bank on the day of conclusion of the Portfolio Insurance Agreement.

Aid granted on the basis of chapter 2.1. of the Temporary Crisis Framework that was recovered before new aid was granted in accordance with that chapter, will not be taken into account when determining whether the relevant upper limit of the aid per Exporter has been exceeded.

Additionally, if the Exporter uses other supports granted on the basis of measures implemented according to chapter 2.4. of the Temporary Crisis Framework, the total allowed maximum amount of supports granted cumulatively by chapters 2.1. and 2.4. of the Temporary Crisis Framework may not exceed EUR 2,000,000.00 per Exporter, i.e. the equivalent value in Kuna converted according to the middle exchange rate of the Croatian National Bank on the day of conclusion of the Portfolio Insurance Agreement, or, if it is an additional support referred to in item 53 chapter 2.4. of the Temporary Crisis Framework, the total amount of the supports must not exceed 50% of eligible costs and amounts to a maximum of 80% of entrepreneur's operating losses, i.e. it may not at any time exceed EUR 25,000,000.00 per Exporter.

Aid granted under this Subsidy Programme may be aggregated with aid granted under de minimis aid regulations⁴ or aid granted under block exemption regulations⁵, provided that the provisions and rules on aggregation under the respective regulations are obeyed.

³ All amounts must be gross amounts, namely, amounts before deduction of taxes or other expenses.

⁴ Commission Regulation (EU) No 1407/2013 of 18. 12. 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid (OJ L 352, 24. 12. 2013, page 1); Commission Regulation (EU) No 1408/2013 of 18. 12. 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the agriculture sector (OJ L 352, 24. 12. 2013, page 9); Commission Regulation (EU) No 717/2014 of 27. 6. 2014 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid in the fishery and aquaculture sector (OJ L 190, 28. 6. 2014, page 45); and Commission Regulation (EU) No 360/2012 of 25. 4. 2012 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis aid granted to undertakings providing services of general economic interest (OJ L 114, 26. 4. 2012, page 8)

⁵ Commission Regulation (EU) No 651/2014 of 17. 6. 2014 on declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (Block Exemption Regulation); Commission Regulation (EU) No 702/2014 of 25. 6. 2014 on declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (OJ L 193, 1. 7. 2014, page 1); and Commission Regulation (EU) No 1388/2014 of 16. 12. 2014 on declaring certain categories of aid to

In addition, the aid granted under this Programme may be combined with the aid referred to in Article 107, paragraph 2, item (b) of the Treaty on the Functioning of the European Union (UFEU), provided that it does not result in excessive compensation.

Total budget amount for implementation of the Subsidy Programme

Subsidising of the Premium will be approved at the expense of the Guarantee Fund for export credit insurance business. The total budget amount for the subsidising of Premiums amounts to HRK 36,000,000.00.

Duration of the Subsidy Programme

The Subsidy Programme enters into force on the day when it is published on HBOR's website and is implemented until the total amount of the budget for the implementation of the Subsidy Programme has been exhausted. In addition, the Loan Contract, the Agreement on Aid Award in the form of subsidised Premium (in the case of subsequent subsidising of the insurance premium, or the premium refund, respectively, as well as in the case of subsidising the premium for loans insured under the Programme for Individual Insurance of Exporters' Liquidity Loans), and the loan insurance policy (in the case of subsidising the premium for loans insured under the Programme for Individual Insurance of Exporters' Liquidity Loans) must be concluded no later than 31 December 2022.

Other provisions

All terms written in capital letters in the Subsidy Programme have the same meanings as in the Programme for the Insurance of Loan Portfolio and the Programme for Individual Insurance of Loans.

undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (OJ L 369, 24. 12. 2014, page 37).