
GENERAL INSURANCE CONDITIONS „E“

for Insurance of a Confirmed Letter of Credit or Purchase of Receivables from a Letter of Credit

These General Insurance Conditions are effective from 1 January 2024.

Article I. – Basic Provisions

- 1.1. These General Insurance Conditions “E” (the “Insurance Conditions”) regulate the terms and conditions of Insurance of a confirmed Letter of Credit or Purchase of a Receivable from a Letter of Credit against the risk of non-payment resulting from territorial or non-marketable commercial risks (the “**Insurance**” or “**Insurance of the Letter of Credit**”). The Insurance Conditions form an integral part of the framework contract for Insurance of a confirmed Letter of Credit or Purchase of Receivables from a Letter of Credit and/or Insurance Contract.
- 1.2. The Insurance is provided by Exportní garanční a pojišťovací společnost, a.s. (the Export Guarantee and Insurance Corporation) under Act No. 58/1995 Coll. (Sb.), on Insuring and Financing Export with State Support, as amended, and Act No. 89/2012 Coll., the Civil Code, as amended (the “**Civil Code**”).
- 1.3. The Insurance under these Insurance Conditions is arranged as insurance against loss and damage.
- 1.4. Provisions of sections 2791, 2792 and 2805 of the Civil Code will not be applied to the Insurance provided under these Insurance Conditions.

Article II. – Definition of Terms

For the purpose of these Insurance Conditions, the framework contract for providing Insurance of a confirmed Letter of Credit or Purchase of Receivables from the Letter of Credit and the Insurance Contract, the following terms have the following meanings:

- a) **Letter of Credit** means an irrevocable documentary Letter of Credit issued upon the Importer's request for the benefit of the Exporter with a clause stating that it is subject to the UCP;
- b) **Letter of Credit with a Long Grace Period** means a Letter of Credit with the due date being two (2) or more years from the occurrence of the Receivable of the Insured from the Letter of Credit;
- c) **Bank** means a bank, a branch of a bank or a financial institution under the directly applicable EU regulation regardless of its seat or place of registration, subject to the permission regimen of the home country and supervision of the home supervision body having the authority to provide banking activities under the laws of the country where its seat is located or where it is registered;
- d) **Borrower** means an Issuing Bank, a bank other than the Insured in the position of a confirming bank, as defined in the UCP, or a bank which issued an irrevocable reimbursement undertaking (IRU) for the benefit of the Insured, subject to the Uniform Rules for Bank-to-Bank Reimbursements under Documentary Credits published by the International Chamber of Commerce in Paris (URR);
- e) **Due Date** means a date determined in the Letter of Credit or defined under the conditions of the Letter of Credit on which the Issuing Bank and another Borrower, if any, must repay the Insured's Receivable from the Letter of Credit;
- f) **Importer** means a foreign entity importing from the Czech Republic under the Export Contract, on request of which a Letter of Credit was opened for the benefit of the Exporter;
- g) **Entitlement to Reimbursement** means the entitlement of the Insured to request reimbursement from the Borrower for the sums that were or should be paid by the Insured for the benefit of the Exporter;
- h) **Purchase of Receivables from the Letter of Credit** means assignment of Receivables from the Letter of Credit without recourse as payment by the Exporter as the assignor to the Insured as the assignee under section 1879 and the following provisions of the Civil Code;
- i) **Beneficiary** means a person for whom the right for indemnification is created as a result of an insurance loss;
- j) **Receivable from the Letter of Credit** means the Exporter's receivable from the Issuing Bank or another Borrower arising from the Letter of Credit;
- k) **Insurer** means Exportní garanční a pojišťovací společnost, a.s. (Export Guarantee and Insurance Corporation);
- l) **Policyholder** means a person concluding the Insurance Contract with the Insurer;

- m) **Insurance** means insurance of Receivables from the Letter of Credit from the Borrower assigned to the Insured under the contract for the Purchase of Receivables from the Letter of Credit or receivables from the Borrower arising from the Entitlement to Reimbursement against the risk of non-payment resulting from territorial risks or combined territorial risks and commercial risks that cannot be secured by the market, or non-payment resulting from commercial risks that the market cannot secure;
- n) **the Insured** means the bank confirming a Letter of Credit or concluding a contract for the Purchase of Receivables from the Letter of Credit issued by the Issuing Bank with the Exporter and for the benefit of the Exporter and which is the Policyholder or for the benefit of which the Policyholder has concluded an Insurance Contract;
- o) **Confirmed Letter of Credit** means an obligation of the Insured, which is a bank appointed in compliance with the UCP, to honour or negotiate documents submitted by the Exporter under the conditions of the Letter of Credit on condition that the Insured has been expressly empowered to add this obligation by the Letter of Credit or has been requested to do so to the extent of the confirmation defined by the UCP; for the purpose of these Insurance Conditions, the Confirmed Letter of Credit also means the obligation of the Insured to honour or negotiate in the identical extent, which it would have within the confirmation, as defined in the UCP, which the Insured chooses to assume without being expressly empowered to do so by the Letter of Credit based on its written statement or written agreement with the Exporter;
- p) **Export Contract** means a contract concluded by and between the Exporter and the Importer on the Export of goods or services, or on the Export of goods and services;
- q) **Self-Retention** means a share of the Beneficiary in losses covered by Insurance expressed in percentage points;
- r) **Issuing Bank** means the bank of the Importer (usually a foreign bank), which has issued a Letter of Credit for the benefit of the Exporter;
- s) **Exporter** means a person realizing the export, which is either a natural person having permanent residence in the Czech Republic or a legal person having a registered office in the Czech Republic and which is an entrepreneur under the Civil Code or a Foreign Company;
- t) **Export** means the delivery of goods or provision of services, or the delivery of goods and provision of services to the Importer under the Export Contract for the purpose of their use outside the Czech Republic;
- u) **UCP** means a version of the Uniform Customs and Practice for Documentary Credits published by the International Chamber of Commerce in Paris, which governs the Letter of Credit;
- v) **Occurrence of a Receivable from the Letter of Credit** means the moment when the Insured has received a notice from the Issuing Bank or another authorised Borrower that it will pay the respective Receivable from the Letter of Credit to the Insured on the due date (the “**Approval of Reimbursement upon Maturity**”), and if the documents submitted by the Beneficiary are not in compliance with the Letter of Credit’s conditions and the provisions of clause 6.5 of the Insurance Conditions have not been breached at the same time;

- w) **Occurrence of the Entitlement to Reimbursement** means the moment when the Exporter has met the Letter of Credit's terms and conditions, and the Insured honoured or negotiated in compliance with the terms and conditions of the Letter of Credit; if the Exporter has submitted Letter of Credit documentation, which did not comply with the Letter of Credit's terms and conditions, the Entitlement to Reimbursement occurs first after the Insured has received the consent from the Issuing Bank or another authorised Borrower to honour or negotiate, and the Insured honoured or negotiated at the same time, and the provisions of clause 6.5 of the Insurance Conditions were not breached;
- x) **Foreign Entity** means a natural person not having permanent residence in the Czech Republic or a legal person not having a registered office in the Czech Republic;
- y) **Foreign Company** means a legal person having its registered office abroad, which is controlled by a legal person having its registered office in the Czech Republic and which is an entrepreneur under the Civil Code, and which participates – directly or indirectly – in the registered capital of the company by more than 50%, or which controls an overall majority of voting rights related to the participation in the registered capital of the company, or which can appoint a majority of members of the board of directors, supervisory board or managing board or another similar managing body of the company.

Article III. – Subject Matter of Insurance

3.1. Insured Receivables

- 3.1.1. The subject matter of Insurance is either a Receivable from the Letter of Credit from the Borrower assigned to the Insured under a contract for the Purchase of Receivables from the Letter of Credit or a receivable from the Borrower arising from the Entitlement to Reimbursement (in this case, regardless of whether the Insured performs its monetary debt to the Exporter upon the due date or earlier) (the “**Insured Receivables**”). If, according to the Letter of Credit, the Borrower shall pay its obligations from the Letter of Credit in instalments, each instalment is considered a stand-alone Insured Receivable for the purposes of Insurance.
- 3.1.2. It is impossible to take out multiple Insurance for the subject matter of Insurance at the Insurer; therefore, the effectiveness of previous Insurance ceases to exist and is superseded by newer Insurance.
- 3.1.3. Under the conditions and to the extent set out by the Insurance Contract, the Insurer also provides, as part of its insurance activities, the refinancing costs as compensation for the lost no-risk yield.
- 3.1.4. Unless otherwise specified in the Insurance Contract, the Insurance does not cover the compensation for lost profit of the Insured, receivables for the settlement of the late payment interest, contractual fines, claims for damages and other receivables and claims of the Insured arising from the provided performance from the Letter of Credit having a penalty character.

3.2. Insurance risks

- 3.2.1. The insurance risk is the risk of loss resulting from a particular or complete non-payment of an Insured Receivable on the Due Date or during the waiting period, if determined, as a result of one or several causes given in clause 3.3 (commercial risk) of the Insurance Conditions or clause 3.4 (territorial risk) of the Insurance Conditions.
- 3.2.2. In the Insurance Contract, it is possible to agree on Insurance limitations to the insurance risk given in clause 3.4 of the Insurance Conditions.

3.3. Commercial risk

The causes representing the commercial risk mean:

- a) the Borrower’s insolvency, including, without limitation, the decision on insolvency or dismissal of the insolvency petition due to the lack of the Borrower’s assets or another fact, under which the laws in the country of the Borrower award the same or similar legal consequences of insolvency (insolvency), or
- b) Borrower’s refusal to pay the Insured Receivable without legal grounds (lacking will to payment).

3.4. Territorial risk

The causes representing the territorial risk mean any of the following circumstances:

- a) administrative decision or legislative measure or intervention of authorities of a country other than the Czech Republic, which, with no fault of the Borrower or without the Borrower's initiative, makes it impossible to make performance from the Letter of Credit;
- b) any measure or decision of the government of the Insurer's or Policyholder's country, or the country of the Insured, including measures and decisions of EU bodies, if the country of the Policyholder or the Insured, is an EU Member State, concerning the trade between the Member State and third countries if its effects are not covered by the respective government in another way;
- c) impossibility, delay or restriction of the transfer or conversion of payments as a result of political events, legislative or administrative measures or serious economic difficulties in the Borrower's country or in the country through which the payments are to be executed (including, without limitation, the declaration of insolvency of the country, declaration of the payments moratorium or introduction of a foreign exchange regime disallowing conversion of the domestic currency or limiting in any other way the transfer of payments abroad or currency conversion);
- d) other political events in the Borrower's country, including, without limitation, war, revolution, uprising, civil war, civil riots, general strike;
- e) natural disaster in the Borrower's country.

3.5. Inception of Insurance

- 3.5.1. Insurance is taken out for the period given in the Insurance Contract with regard to the validity period and Due Date of the Receivable from the Letter of Credit.
- 3.5.2. Insurance begins on the date given in the Insurance Contract.

3.6. Fight against corruption in international trade and compliance with international sanctions

- 3.6.1. When providing Insurance, the Insurer evaluates the performance of the conditions related to the fight against corruption in international trade and compliance with international sanctions in specific Export cases in accordance with the Czech Republic's commitments.
- 3.6.2. If, when negotiating the Export Contract, the Importer, Exporter or person acting for or on behalf of the Importer or Exporter has breached the provisions of standards and established international law practices binding the Czech Republic (e.g., Convention on Combating Bribery of Foreign Public Officials in International Business Transactions (Communication of the Ministry of Foreign Affairs No. 25/2000 of the Collection of International Treaties)), or provisions of section 331 to section 334 of Act No. 40/2009 Coll., the Criminal Code of the Czech Republic, as amended, or provisions of Act No. 69/2006 Coll., on Performing International Sanctions, as amended, Act No. 1/2023 Coll., on Limiting Measures against Some Serious Actions Applied in International Relations (Sanction Act) and/or directly applicable regulations of the European Union relating to international sanctions applicable to individual states (the "**International Sanctions**"), the Insurer has the right to refuse to insure the risk of the non-payment of the issued Letter of Credit under these Insurance Conditions.

Article IV. – Letter of Credit with a Long Grace Period

4.1. Conditions for Letters of Credit with a long grace period

The conditions of an issued Letter of Credit with a long grace period must comply with these Insurance Conditions, Insurance Contract and Regulation (EU) No. 1233/2011 of the European Parliament and of the Council dated 16 November 2011, on the application of certain guidelines in the field of officially supported export credits and repealing Council Decisions 2001/76/EC and 2001/77/EC, as amended, which transposes the “Arrangement on Officially Supported Export Credits” (OECD Consensus), including, without limitation, with the financial conditions set out by the OECD Consensus for Export Credits. The Letter of Credit must be subject to the UCP.

4.2. Export’s impact on the environment and Export’s impact on the social area

- 4.2.1. With Export cases having a potential impact on the environment and social area, including human rights, the Insurer reserves the right to request from the Exporter an opinion on the Export’s impact on the environment and the social area, including human rights, in the country of the Export’s final destination (the “**Environmental Impact Opinion**”). The content, elements and conditions for preparing the Environmental Impact Opinion are set out by the Insurer in accordance with international rules and provided on the Insurer’s website www.egap.cz. If the Opinion’s results come up with a negative impact, the Insurer has the right not to insure the receivable, i.e., the Insurer has the right to refuse to conclude an Insurance Contract, also if a framework contract for Insurance of a Confirmed Letter of Credit or Purchase of Receivables from the Letter of Credit has been concluded.
- 4.2.2. The Insured or the Exporter must submit the Environmental Impact Opinion no later than before concluding the Insurance Contract. The Insurer will not conclude the Insurance Contract until it receives the Environmental Impact Opinion if it had requested this Opinion in accordance with the previous paragraph.
- 4.2.3. The Environmental Impact Opinion setting out, besides other things, the binding limits to be observed by the Exporter, means:
- a) an opinion submitted in the Czech or English language and prepared by a person authorised under the laws and regulations valid in the country of the Export’s final destination on condition that the Export case’s impact on the environment and the social area, including human rights, complies with international rules; a certificate of this person’s authorisation must be attached to the opinion;
 - b) an opinion submitted in the English language, recognised by an international financial institution if the Export case is financed by this institution;
 - c) an opinion submitted in the English language, recognised by a foreign credit insurance company if the Export case is part of a project in whose insurance the foreign credit insurance company is involved or
 - d) an opinion submitted in the Czech language, prepared by a person included in the list of opinion authors recognised by the Insurer.

- 4.2.4. If the Environmental Impact Opinion proves a negative impact of the Export project or a part thereof on the environment and/or the social area, including human rights, the Insurer has the right to refuse to conclude the Insurance Contract, also if a framework contract for Insurance of a Confirmed Letter of Credit or Purchase of Receivables from the Letter of Credit has been concluded.
- 4.2.5. The Insurer has the right to request that the Insured or Exporter submit monitoring reports on the compliance with the conclusions of the Environmental Impact Opinion; details will be regulated by the Insurance Contract.
- 4.2.6. The Exporter has the following obligations:
- a) To complete the questionnaire on the Export's impact on the environment and social area, including human rights, duly, completely and truthfully in accordance with instructions, in the extent and form specified by the Insurer and provided on the Insurer's website www.egap.cz (the "**Export Impact Questionnaire**");
 - b) To ensure the preparation of the Environmental Impact Opinion;
 - c) To comply with the limits set out in the Environmental Impact Opinion when implementing the Export project;
 - d) To complete the Export Impact Questionnaire once again in the case of significant changes in the Export's impact on the environment and the social area, including human rights;
 - e) To request an evaluation of the impact of changes on the environment and the social area, including human rights, from the author of the Environmental Impact Opinion if there were or should be significant changes in the Export project, and consider significant changes in accordance with the (new/modified) Environmental Impact Opinion in the Export Contract, and inform the Insurer without undue delay;
 - f) To submit monitoring reports on compliance with the Environmental Impact Opinion to the Insurer if it is set out by the Insurance Contract;
 - g) In case the Export case and the related project part is included in Category A as per the procedure determined by the Insurer and provided on the Insurer's website www.egap.cz, to publish the Environmental Impact Report or its summary, so the document is accessible to the public at least thirty (30) days before the inception of Insurance;
 - h) To give consent to the publication of the Environmental Impact Opinion regarding the environment and social area, including human rights, for projects included in Category A or B on the EGAP website (www.egap.cz) for a minimum of two (2) years.
- 4.2.7. The Insurer has the right to compensation for damage to property if the insurance loss occurs due to the failure to comply with the conditions in the Environmental Impact Opinion.

Article V. – Insurance Contract, Insurance Premium and Self-Retention of the Insured

5.1. Concluding Insurance Contract and its content

The Insurance Contract, or the Insurance decision, define, besides the usual essentials, primarily the inception and expiration of Insurance in relation to the conditions of the Letter of Credit and reimbursement, identification of the Exporter, identification of the Importer, identification of the Issuing Bank and any other Borrower, number of the Letters of Credit, subject matter of the Export, the amount for which the Letter of Credit was issued, the Insurance value, the premium rate and the Insurance premium.

5.2. The Insured must provide the Insurer with any and all information necessary to conclude the Insurance Contract, including submitting a request for Insurance and other necessary assistance for concluding the Insurance Contract.

5.3. Insurance premium

5.3.1. Unless otherwise stated in the Insurance Contract, the Policyholder shall pay the agreed insurance premium in one lump sum and in the time specified in the Insurance Contract.

5.3.2. The insurance premium amount will be negotiated depending on the scope of the insurance risk (amount of the Letter of Credit), negotiated terms and conditions of the Letter of Credit, way of securing the payments, evaluation of the character and risk degree of the Borrower, assessment of the risk level of the country or territory connected with the fulfilment of the conditions of the Letter of Credit and/or the payment of Insured Receivables and amount of Self-Retention.

5.3.3. The negotiated premium amount already contains a possible increase or decrease of the insurance risk and remains unchanged during the whole period of Insurance.

5.4. Self-Retention of the Insured

5.4.1. The Self-Retention amounts to 5% unless the Insurance Contract specifies otherwise.

5.4.2. Other Insurance may not be arranged to cover the risk resulting from the specified Self-Retention, and the Beneficiary shall share the negotiated Self-Retention by at least one-half.

5.5. Framework contract and Insurance Contracts

The Insurer and the Policyholder conclude a framework contract for the insurance of a Confirmed Letter of Credit or Purchase of Receivables from the Letter of Credit in an agreed period of time. Under this framework contract, the Insurer and the Policyholder conclude an Insurance Contract for the Confirmed Letters of Credit or Purchase of Receivables from the Letter of Credit either as a single Insurance Contract or a limited Insurance Contract. Based on a request for Insurance, the Insurer issues Insurance decisions as annexes to the limited Insurance Contract. Both the framework contract, the Insurance Contract and the Insurance decisions are published through the Register of Contracts.

5.6. In case of a different provision in the framework contract, the wording of the framework contract will always prevail over the wording of the Insurance Conditions. In case of a different provision in the Insurance Contract, the wording of the Insurance Contract will always prevail over the wording of the framework contract and Insurance Conditions. In case of a different provision in the Insurance decision, the wording of the Insurance decision will always prevail over the wording of the limited Insurance Contract, framework contract and Insurance Conditions.

Article VI. – Obligations of the Insured

6.1. General obligations

- 6.1.1. The Insured agrees to perform its obligations under and in accordance with the Insurance Contract and these Insurance Conditions.
- 6.1.2. In the process of confirming the Letter of Credit, asserting its Entitlement to Reimbursement or when purchasing Receivables from the Letter of Credit and performing the obligations arising therefrom, the Insured agrees to proceed with due care and diligence while taking into account international business practices.
- 6.1.3. The Insured must oblige the Exporter to abide by the Convention on Combating Bribery of Foreign Public Officials in International Business Transactions – Communication of the Ministry of Foreign Affairs No. 25/2000 of the Collection of International Treaties.

6.2. Information and documentation obligation

- 6.2.1. The Insured shall:
 - a) inform the Insurer about any subsequent material events and facts relating to the confirmed Letter of Credit or Purchase of Receivables from the Letter of Credit:
 - i. Effectiveness of the confirmed Letter of Credit or contract for the Purchase of Receivables from the Letter of Credit;
 - ii. Occurrence and payment of the Insured Receivable;
 - iii. Performance or non-performance of the obligations under the Insurance Contract;
 - b) prove to the Insurer, upon the Insurer's request, occurrence of the confirmed Letter of Credit or conclusion of the contract for the Purchase of Receivables from the Letter of Credit, submit the Export Contract and other necessary documents relating to the issued Letter of Credit, including all modifications and amendments available to the Insured; for the avoidance of doubt, the Policyholder and the Insured acknowledge that the Insurer is not liable for the content of these documents in any way;

- c) inform the Insurer about any parallel insurance against the same or similar risk in relation to the issued Letter of Credit; the provisions of clause 5.4.2 of the Insurance Conditions remain unaffected thereby;
- d) inform the Insurer about any denial or questioning of any obligation (or a part thereof) of the Issuing Bank or another Borrower relating to the issued Letter of Credit;
- e) inform the Insurer about all circumstances known to the Insured or of which the Insured becomes knowledgeable which might lead to the occurrence of an insurance loss or an increase in its scope, including, without limitation:
 - i. failure to perform the obligations set out in the contract for the Purchase of Receivables from the Letter of Credit; or
 - ii. material worsening of the Borrower's financial position;
 - iii. change in the categorisation of receivables from the Letter of Credit, and
 - iv. any legal, regulatory and political measures;
- f) inform the Insurer about any and all measures taken to avert, prevent or reduce the extent of the consequences of an insurance loss.

6.2.2. The Insured must perform the information and documentation obligations under clause 6.2.1 of the Insurance Conditions without undue delay, yet no later than within the time limits set out in the Insurance Contract.

6.3. Inspection and monitoring obligations

6.3.1. If the framework contract, Insurance Contract or Insurance decision set out so, the Insured must carry out the monitoring of the Insured Receivable in the case of Letters of Credit with a long grace period during the entire period of insurance and continuously, yet at least within the interval set out by the Insurance Contract or Insurance decision, and in the period before the occurrence of the Insured Receivable, also of the performance of the Export Contract by the parties to these contracts.

6.3.2. If the framework contract, Insurance Contract or Insurance decision set out so, the Insured must also provide the Insurer, in the case of Letters of Credit with a long grace period, with a written evaluation report within the interval set out by the Insurance Contract. This report will contain at least:

- a) description and overview of the course of the business case over the past period;
- b) description and overview of material information regarding the Borrower's economic position known to the Insured, which could impact the payment of Insured Receivables, and description and overview of other conditions or facts being fulfilled and given in the Insurance Contract.

6.4. Prevention obligations

The Insured shall:

- a) take any and all effective steps to avert, prevent or reduce the extent of the insured loss consequences, including, without limitation, the following steps:
 - i. when confirming the Letter of Credit and/or purchasing Receivables from the Letter of Credit, proceed with professional care and due diligence, at least in the way it does when confirming a letter of credit or purchasing receivables from a letter of credit without insurance;
 - ii. choose specific solutions to the current problems of the insured Letter of Credit in accordance with the interests of the Insured and Insurer so the Receivables from the Letter of Credit are paid to the maximum possible extent, and prepare an evaluation report if it is appropriate or requested by the Insurer;
 - iii. not confirm other Letters of Credit issued or secured by the same Borrower or not conclude new contracts for purchasing Receivables from the Letters of Credit (or for financing them in another manner) issued or secured by the same Borrower in the case of any failure to pay the Insured Receivable on the Due Date or in the case of information about filing a petition for commencing insolvency or similar proceedings or entry into liquidation or information about the Borrower's adverse economic position or insolvency;
 - iv. assert its claims in a due and timely manner and enforce the payment of the due Insured Receivable consistently in accordance with the solution to the current problems chosen as per the previous point in this paragraph;
 - v. enforce all of its rights necessary to avert or mitigate the imminent damage, in accordance with the provisions above, in the case of any failure to pay the Insured Receivable on the Due Date or in the case of information about filing a petition for commencing insolvency or similar proceedings or entry into liquidation or information about the Borrower's adverse economic position or insolvency;
 - vi. oblige the Exporter that if the Exporter receives a payment from the Importer, which is identified as a payment under the Export Contract, the Exporter will not return the said payment without the prior consent of the Insured and the Insurer, and that the Exporter will coordinate the next steps with the Insured and the Insurer;
- b) take any and all steps described under letter (a) with respect to the Borrower or a third party independently, except for the cases when it is instructed by the Insurer or if the Insurer determines that the prior consent or prior instruction of the Insurer is needed to implement a specific measure. The provisions of clause 6.5 and 9.1.1(d) of the Insurance Conditions remain unaffected thereby.

6.5. Other obligations of the Insured

The Insured may not, without the prior written consent of the Insurer:

- a) approve of any change in the conditions of the Letter of Credit or Entitlement to Reimbursement or buy out a Receivable from the Letter of Credit based on approval of disbursement when due, which

could impact the occurrence of an insurance loss, its course or increased scope of its consequences, or which can have a negative impact on any claims of the Insured arising from the Letter of Credit; the following steps always require the Insurer's prior written consent:

- i. Increasing the amount of the Letter of Credit or the Receivable from the Letter of Credit or extending their maturity and increasing or extending any particular payments and/or particular payments of the Entitlement to Reimbursement;
 - ii. Extending the period of the Letter of Credit's validity;
 - iii. Changing the currency of the Letter of Credit or Receivable from the Letter of Credit;
 - iv. Changing other conditions of the Letter of Credit or parameters of the Receivable from the Letter of Credit set out by the Insurance Contract;
- b) assign the Insured Receivables as a whole (or any of them individually) to a third party, create a security interest concerning the Insured Receivables, or encumber them in another way.

6.6. Obligations of the Policyholder

- 6.6.1. If the Insured becomes a person different from the Policyholder subsequently after concluding the Insurance Contract, the Policyholder must ensure, by contract, that each Insured is obliged by the Insurance Contract to perform obligations with respect to the Insurer set out for the Insured in the Insurance Contract.
- 6.6.2. If the conditions described in clause 6.6.1 of the Insurance Conditions are not met within three (3) months from the date on which the Insured became a person different from the Policyholder or if the Insurer does not give its prior consent to changing the Insured, the Insurance expires.

Article VII. – Expiration of Insurance and Insurance Loss

7.1. Expiration of Insurance

Insurance expires:

- a) in the cases provided by legislation;
- b) in the cases set out by the Insurance Contract;
- c) with full extinction of Insured Receivables, except for the cases when the Insured Receivables are extinct for causes given in clause 3.4 of the Insurance Conditions;
- d) by communicating the content of the Insurer's decision to the Insured and the Beneficiary about the indemnification for the Insured Receivable with the latest due date if the insurance loss occurs.

7.2. Insurance does not expire with the notice of refusal of the indemnification unless otherwise stipulated in the Insurance Contract.

7.3. Expiration of Insurance does not affect the provisions of these Insurance Conditions that are set to survive the expiration of Insurance due to the expressed will or with regard to their nature, including, without limitation, the provisions of Article 9 of the Insurance Conditions regarding the rights and obligations of the Insured and the Insurer in connection with enforcement, management and assignment of Receivables from the Letter of Credit, and the provisions of clause 10.4 of the Insurance Conditions relating to the restitution obligations of the Insured and the Beneficiary.

7.4. Definition of insurance loss

The insurance loss means a particular or complete non-payment of the Insured Receivable when due or during the waiting period if it is determined and if the non-payment occurs due to one or several causes given in clause 3.3 or clause 3.4 of the Insurance Conditions.

7.5. Date of insurance loss occurrence

An insurance loss occurs:

- a) in the case of insolvency [clause 3.3(a) of the Insurance Conditions] - on the date when the Insured notifies the Insurer of the existence of a cause representing the fulfilment of the respective insurance risk by the delivery of the completed notification of a threat of an insurance loss and documents that it has submitted Receivables from the Letter of Credit in a due and timely manner in the insolvency proceedings or proceedings under clause 3.3(a) of the Insurance Conditions. The Insured has the right to consult the steps necessary to duly submit Receivables from the Letter of Credit with the Insurer or person designated by the Insurer; and
- b) in the case of the lacking will to payment [clause 3.3(b) of the Insurance Conditions] and the territorial risk (clause 3.4 of the Insurance Conditions) with the expiration of the waiting period lasting six (6) months from the date on which the Insured notifies the Insurer of the existence of the cause representing the fulfilment of the respective insurance risks through the delivery of a completed notification of a threat of an insurance loss. The Insurer can reduce the waiting period given in this point with a unilateral statement, and the Insurer can also extend the waiting period if the Policyholder requests so.

Article VIII. – Indemnification

8.1. Borrower's delay and notification of a threat of an insurance loss

- 8.1.1. If the Borrower is delayed with paying the Insured Receivable, the Insured shall send the Borrower a written reminder no later than within ten (10) days from the Due Date and immediately notify the Insurer of the delay in the payment of the Insured Receivable.
- 8.1.2. The Insured shall deliver the completed notification of a threat of an insurance loss under clause 7.5, with reference to clause 3.1.1 of the Insurance Conditions, to the Insurer always with regard to individual Insured Receivables no later than within two (2) months after the delay for the reasons provided in clause 3.3 or 3.4 of the Insurance Conditions.

8.2. Obligation to provide indemnification and payment of rescue costs

- 8.2.1. The obligation of the Insurer to indemnify arises upon the occurrence of the insurance loss. The Insurer's rights set out in Article 10 of the Insurance Conditions remain unaffected thereby. During the waiting period, the Insurer has no obligation to provide indemnification.
- 8.2.2. The Insurer will not provide indemnification if the total amount of unpaid Insured Receivables as of the date of completed investigation of the insurance loss does not exceed the sum given in the Insurance Contract. The Insurer will notify the Insured and the Beneficiary thereof.
- 8.2.3. The obligation of the Insurer to indemnify does not arise if the Insured delivers to the Insurer the notification of a threat of an insurance loss later than two months after the Due Date of the Insured Receivable. In case the Insured extends the Due Date of the Insured Receivable to the Borrower with the prior written consent of the Insurer, the newly agreed Due Date is considered decisive for the purposes of submitting the notification of a threat of an insurance loss.
- 8.2.4. The Insurer will pay to the Insured the effectively, efficiently and purposefully incurred rescue costs to avert the occurrence of an imminent insurance loss or to mitigate the consequences of an insurance loss that has already occurred. The rescue costs will be paid by the Insurer up to the amount of 0.1% of the total sum of unpaid Insured Receivables, yet up to the maximum amount of CZK 300,000 unless the Insurance Contract specifies otherwise. The obligations of the Insured set out by clause 6.2.1(f) and 9.1.1 (d) of the Insurance Conditions remain unaffected thereby. The Insurer will pay the rescue costs beyond this amount only if approved by the Insurer in advance. The Insured must duly evidence the rescue costs incurred with an accounting document no later than two (2) months from the day of their payment; otherwise, the Insurer is not obligated to pay these costs to the Insured. The Insurer will pay the rescue costs to the Insured within thirty (30) days from their due statement and documentation by the Insured. The Insurer does not take a share in the costs associated with proving the reinsurance instruments or the validity of the receivable. The Insurer will pay the rescue costs to the Insured after deducting the Self-Retention of the Insured.

8.3. Investigation of insurance loss

- 8.3.1. Immediately after obtaining the notification of a threat of an insurance loss, the Insurer shall initiate an investigation necessary to confirm the Insured's claim and determine the extent of the Insurer's obligation to indemnify. The Insurer completes the investigation, if possible or unless the parties agree otherwise, within one (1) month from the date of the insurance loss. The Insurer provides the results of the investigation in the decision on indemnification. If the Insurer cannot complete the investigation when due, the Insurer will notify the Insured and the Beneficiary of this fact and the reasons why no later than by the end of the given time limit; this time limit is extended by another one (1) month by the delivery of this notification to the above persons. The time limit, as per the previous sentence, can be extended three times at the maximum.
- 8.3.2. To investigate the insurance loss and determine the amount of the unpaid Insured Receivable, the Insured must submit to the Insurer the relevant documentation, instruments and other evidence requested by the Insurer for assessment, which is decisive for the origination and amount of the claim for the payment of indemnification, including, without limitation, the occurrence and the reason of the insurance loss, validity of the claim from the Issuing Bank and/or another Borrower, and the amount of the unpaid Insured Receivable. The Insured must also submit the Insurance Contract or Insurance decision with any and all other documents and data requested by the Insurer.
- 8.3.3. The Insurer reserves the right to verify the truthfulness and accuracy of the submitted documents and of all data and information provided by the Insured, which the Insurer considers significant or necessary for the investigation.

8.4. Indemnification amount and maturity

- 8.4.1. An unpaid Insured Receivable is expressed by the difference between the sum that should have been paid to the Insured by the Issuing Bank and/or another Borrower based on the submitted documents specified in the Letter of Credit and the amount actually received by the Insured.
- 8.4.2. The indemnification is determined in the amount of the unpaid Insured Receivable as of the date of issuing the decision on indemnification in the scope set out in the Insurance Contract reduced by:
- all payments received by the Insured to pay or cover damage arising from the unpaid Insured Receivable before the date of issuing the decision on indemnification;
 - the amount of receivables that can be set off in accordance with legislation against the Insured Receivables, whose validity the Insured acknowledged or which have been finally awarded in juridical or arbitration proceedings, unless otherwise stated by the Insurance Contract; and
 - the amount of the agreed Self-Retention.
- 8.4.3. The Insurer does not have an obligation to indemnify in case of a dispute between the Insured and the Issuing Bank concerning the performance of the Insured Receivables or validity of these receivables, up to the final decision in the dispute for the benefit of the

Insured; the Insurer decides on the payment of an advance on the indemnification or the payment of the indemnification within thirty (30) days of the request of the Insured if the dispute had been assessed as unjustified by the Insurer.

- 8.4.4. Indemnification is paid out in the currency set out in the Insurance Contract.
- 8.4.5. The indemnification is payable within fifteen (15) days from the date of the decision on indemnification.
- 8.4.6. If the Insurer pays out indemnification, the Exporter, and if the receivable from the Export Contract is assigned to the Insured, then the Insured, shall provide the Insurer with any and all payments, gains or performances from the receivable arising from the Export Contract up to the amount of the indemnification, and without entitlement to any consideration.

Article IX. – Transfer of Rights and Enforcement of Receivables

9.1. Obligations of the Insured when enforcing and managing Insured Receivables

- 9.1.1. The Insured shall:
 - a) proceed with professional care and due diligence when enforcing and managing Insured Receivables;
 - b) enforce Insured Receivables in a due and timely manner, duly participate in juridical and other proceedings that were or will be commenced to enforce the Insured Receivables, carry out any and all actions and other steps that the Insured, as the creditor, may do, and inform the Insurer without undue delay about any and all facts relating to the proceedings, Insured Receivables and the Issuing Bank or another Borrower;
 - c) submit Insured Receivables in a due and timely manner in the case of receivership of the Issuing Bank or another Borrower or in the proceedings in which the laws in the country of the Issuing Bank or another Borrower award similar legal consequences;
 - d) consult, upon the Insurer's request, any and all steps with the Insurer when enforcing Insured Receivables and follow the written instructions given by the Insurer;
 - e) enable the Insurer to assert its claims, including, without limitation, the claims for damages that belong to the Insured.
- 9.1.2. The Insured is liable for reduced recoverability or legal enforceability of Insured Receivables due to their late submission in court or another competent body.

9.2. Assignment and enforcement of Insured Receivables

- 9.2.1. Upon the Insurer's request, the Insured shall, without undue delay or on the date of indemnification payment at the latest if the Insurer's request precedes the date of indemnification payment, assign the Insured Receivable and the related claims against the Borrower, or claims against the Exporter relating to the Insured Receivable, by contract and gratuitously to the Insurer or part with it in another way. The Insured shall notify the obligated persons of the assignment and the fact that all performance regarding the assigned receivables, rights and claims must be asserted on the Insurer's account. If the Insured receives such performance, the Insured agrees to notify the Insurer thereof without undue delay and transfer it to the Insurer's account within ten (10) days. The assignment contract hereunder is concluded upon the Insurer's proposal.
- 9.2.2. Notwithstanding the assignment of claims, the Insured shall always enable the Insurer to enforce the performance from the Insured Receivable from the Issuing Bank or another Borrower. To this end, the Insured shall, without undue delay, provide the Insurer with any and all documents relating to the Insured Receivable and with the necessary assistance.
- 9.2.3. The performance provided to the Insured to pay for the Insured Receivable and the related claims (e.g., late payment interest, contractual penalties, claims for damages, and rescue costs paid by the Insurer) after the Insurer has provided indemnification and before the Insured assigned the Insured Receivable and other claims under clause 9.2.1 of the Insurance Conditions to the Insurer belongs to the Insurer after deducting a proportionate part falling to the Self-Retention and any proportionate part corresponding to the reduced indemnification or partial exclusion from Insurance in accordance with clause 10.1.1 and 10.3 of the Insurance Conditions. The Insured shall immediately notify the Insurer of these performances and provide these performances to the Insurer within five (5) working days of receiving them. If there are grounds for returning the performance, the Insured may return the performance only with the Insurer's consent, and the Insurer will not unreasonably delay granting this consent. If the Insurer does not grant the consent, the Insured is entitled to the compensation for payments from the Insurer that the Insured has made to the person making performance as per the first sentence in this clause in damages incurred by this person in connection with the Insurer's failure to grant the consent. The Insured shall notify the Insurer without undue delay of any occurrence or threat of a claim for damages of the performing person.
- 9.2.4. If the Insurer chooses to enforce an Insured Receivable via a third party or assign the Insured Receivable to a third party, the Insured shall, upon the Insurer's request, take, without undue delay, any and all actions requested by the Insurer, including, without limitation, issuing a power of attorney to the Insurer or third party to enforce and collect the Insured Receivable or assign the Insured Receivable to the Insurer or third person under clause 9.2.1 of the Insurance Conditions.

Article X. – Exclusions from Insurance, Refusal and Reduction of Indemnification, Restitution Obligation of the Insured

10.1. Exclusions from Insurance

10.1.1. The obligation of the Insurer to indemnify does not arise (exclusions from Insurance):

- a) In the case of formal or content-related deficiencies in the Letter of Credit (including the confirmed Letter of Credit or contract for the Purchase of a Receivable from the Letter of Credit), if such facts had a direct or indirect impact on the occurrence of the insurance loss;
- b) If the circumstances specified in clause 6.5 of the Insurance Conditions occur without the Insurer's prior written consent;
- c) If, during the term of insurance, the Insured and the Borrower become economically or personally connected persons when one person has direct or indirect participation in the management, control, or registered capital of the other person. Participation in the registered capital means holding the share(s) representing at least 10% of the respective person's registered capital;
- d) If the Insured Receivable was denied by the official receiver and if it was not subsequently approved by the official receiver, or if the denied Insured Receivable was not accepted by a court decision when the denial of the Insured Receivable had been made based on an evidently discriminatory decision of the official receiver or the court; in such case, the Insurer will proceed by analogy according to clause 3.4(a) of the Insurance Conditions.

10.1.2. The obligation of the Insurer to indemnify does not also arise (exclusions from Insurance) in the case of any of the following circumstances:

- a) The Letter of Credit was not issued by the Issuing Bank as a tool to cover the Exporter's payment obligations arising from the Export Contract, i.e., the Letter of Credit did not serve to finance the Export Contract;
- b) Issuance of the Letter of Credit resulted in the termination of the Importer's obligation arising from the Export Contract if it is set forth by the Insurance Contract or Insurance decision;
- c) The Insured Receivable did not occur;
- d) To the extent to which the Issuing Bank made payment for the Insured Receivable to the Insured.

10.1.3. The Insurer's rights under clauses 10.3 and 10.4 of the Insurance Conditions remain unaffected by the application of the exclusion. Considering the circumstances of the given Letter of Credit, the Insurer may, at its sole discretion, decide to pay or partially pay the indemnification in the event of any of the above exclusions.

10.2. Right to refuse indemnification

The Insurer has the right to refuse indemnification:

- a) in case the Insured or Beneficiary knowingly provides untruthful or grossly distorted information relating to the scope of the insurance loss or withholds essential data concerning this loss when asserting the right to the indemnification;
- b) if the cause of the insurance loss was a fact which came to its knowledge after the insurance loss occurred and which it could not have discovered when arranging the Insurance or changing it as a result of intentionally or negligently untruthful or incomplete answers to the Insurer's written questions to the Insured, and if it would not have concluded the Insurance Contract at the time of concluding the Insurance Contract if it had known this fact or concluded it under different conditions;
- c) in other cases stipulated by the Civil Code.

10.3. Right to reduce indemnification

10.3.1. The Insurer has the right to reduce the indemnification in the corresponding extent if the insurance loss has been caused, directly or indirectly:

- a) By the Insured or a person acting for or on behalf of the Insured, including, without limitation, by breaching the Letter of Credit terms and conditions or the laws and regulations valid in the Issuing Bank's or another Borrower's country or in the country through which the payment has been (or should have been) made;
- b) By the application of any provision of the Letter of Credit or the related documentation, which restricts the rights of the Insured or the possibility of their application and enforcement;
- c) By the subsequent agreement between the Insured and the Issuing Bank after the date of the Insured Receivable without the Insurer's prior written consent, which inhibits the payment or delays or limits the payment of the Insured Receivable;
- d) If the Insured has breached the obligations towards the Insurer as specified in the Insurance Contract, Insurance Conditions, and the applicable provisions of the generally binding laws and regulations related to Insurance, and this breach had a significant impact on the occurrence of an insurance loss, its course or an increase of its consequences, or on the ascertainment or determination of the amount of the indemnification;
- e) in other cases stipulated by the Civil Code.

10.3.2. The Insurer also has the right to reduce the indemnification in the corresponding extent:

- a) if the Insured has returned the performance specified in clause 9.2.3 of the Insurance Conditions without the Insurer's prior consent;

- b) if there would be a payment from the Letter of Credit to pay the advance purchase price (or any other advances) arising from the Export Contract;
- c) if there were any continuous payments (milestone payments) made within the performance of the Letter of Credit without the Insurer's prior consent.

10.4. Obligation of the Insured and Beneficiary to return wrongfully paid indemnification

Upon the Insurer's written request, the Insured shall:

- a) return to the Insurer the paid indemnification if the Insured or Beneficiary have waived Insured Receivables or rights arising from the documentation or have not asserted these receivables or rights on time or have otherwise thwarted the transfer or passage of their claims to the Insurer if the consequences of these acts have emerged only after the indemnification payment, up to the amounts that the Insurer could have otherwise obtained;
- b) If the Insured Receivable or a part thereof were denied by a final and conclusive judicial or another decision or within receivership or similar proceedings regarding the Borrower's assets, the Insured agrees to return the indemnification to the Insurer proportionately corresponding to the denied part of the Insured Receivable; this provision will not apply if the Insured proves in the subsequent juridical proceedings the validity of the receivable or if this denial of the Insured Receivable occurred based on apparently discriminatory acts of the receiver or court, and
- c) return to the Insurer the already paid indemnification or a part thereof if it had been provided based on incomplete or untruthful information, or without the rightful title to the payment of the indemnification, or if such claim later ceased to exist or if it had emerged that circumstances mentioned in clauses 10.1 to 10.3 of the Insurance Conditions had occurred.

Článek XI. – Final Provisions

11.1. Payment methods

- 11.1.1 All payments under and in connection with Insurance and the Insurance Contract are made only by wire transfer based on an itemised financial statement (invoice), unless agreed otherwise, within the time limit set out by these Insurance Conditions, Insurance Contract or Insurance decision.
- 11.1.2. Mutual financial obligations between the Insurer and the Policyholder and/or the Insured are payable in the Czech currency unless the Insurance Contract sets out otherwise. For conversion from other currencies, the exchange rate specified in these Insurance Conditions or agreed in the Insurance Contract shall be used; otherwise, the exchange rate of the Czech National Bank valid on the date of making the respective payment is used.

11.2. Notice of termination of the Insurance Contract

- 11.2.1. The Insurer may terminate the Insurance Contract in writing if:
- the banking licence of the Insured has been withdrawn or if the Insured went into receivership;
 - it is so stated in the Insurance Contract;
 - it is stated in the Civil Code or other laws and regulations.
- 11.2.2. The term of notice starts to run on the day of delivery of the notice of termination to the other party and is six (6) weeks, unless otherwise stipulated by the law.

11.3. Delivery method

- 11.3.1. Documents are delivered in person or using postal services by registered mail to the mailing address provided in the Insurance Contract or notified in writing by the other party. If the Insurance Contract or notification of a threat of an insurance loss contains an email address or another communication channel for communication purposes, any request, communication, certificate or any other notice shall be deemed to be duly provided by the other party if it is sent to the respective email address or through the said communication channel.
- 11.3.2. If the other party receives an address of a person different from the direct addressee as the mailing address, that party is not liable for the consequences arising from any delay when delivering mail between that person and the direct addressee.
- 11.3.3. If the addressee refuses to accept the delivered document, the document is regarded as delivered on the day when its acceptance was refused by the addressee.
- 11.3.4. A document sent by a postal service is also regarded as delivered on the date the mail is returned as undeliverable for other reasons.

11.4. Provision and protection of information

- 11.4.1. Any and all information mutually provided by the parties to the Insurance Contract and the Insured in connection with executing and performing the Insurance Contract must be made in writing unless otherwise agreed and delivered in the way specified in clause 11.3 of the Insurance Conditions.
- 11.4.2. Any and all information provided by the parties to each other in any form and related to the conclusion of the Insurance Contract and performance of the obligations arising from it is confidential. The party, which has received such information, may not provide it to a third party without the consent of the other party, nor may use such information for a purpose different from the one for which it has been provided unless otherwise stipulated by the binding laws and regulations (e.g., the Act on Insurance). The parties may provide this information in the necessary extent to their professional advisers (including auditors, counsellors and tax advisers). The parties may also share this information and the necessary documents related to the facts arising from the Insurance Contract with their controlling entity.
- 11.4.3. The Insurer may also provide information and the necessary documents about the facts arising from the Insurance Contract to other third parties to the extent necessary to ensure the Insurer's stability and security, if required by the duties imposed by laws and regulations, including, without limitation, the duty to act with professional care and diligence when performing its activities. The Insurer is, in particular, entitled to provide information and the necessary documents to a reinsurance company to execute a reinsurance contract, to the extent necessary for negotiations about concluding a reinsurance contract. To the necessary extent, the Policyholder and the Insured may provide information to the Exporter about the facts arising from the Insurance Contract.
- 11.4.4. The Insurer must maintain the entrusted and provided documents with reasonable care under the Insurance Contract and may verify the truthfulness and accuracy of the submitted documents and all data provided by the Policyholder and the Insured while respecting the laws and regulations relating to the banking and trade secret.

11.5. Governing law

The Insurance Contract and these Insurance Conditions are governed by the laws of the Czech Republic.

11.6. Disputes

Any and all disputes arising from Insurance and the concluded Insurance Contract and in connection therewith will be resolved by the courts of the Czech Republic.

11.7. Joint provisions

- 11.7.1. The relations not regulated by the Insurance Contract, the Insurance Conditions or framework contract conditions are governed by the applicable provisions of the Civil Code.
- 11.7.2. The Czech wording of the Insurance Conditions and Insurance Contract is decisive and shall prevail.

- 11.7.3. If any provision of the Insurance Conditions or the Insurance Contract becomes, even partially invalid, non-existent, ineffective or non-applicable as a result of a change in laws and regulations, the remaining provisions remain valid, existent and effective.
- 11.7.4. Under the provisions of section 1801 of the Civil Code, the Insurer and the Policyholder, who is an entrepreneur, depart from the applicable provisions of sections 1799 and 1800 of the Civil Code on adhesion contracts. In this way, the potential invalidity of provisions of these Insurance Conditions or Insurance Contract for contradiction with the mentioned provisions on adhesion contracts is excluded, including, without limitation, the invalidity of:
- i. clauses referring to the conditions outside the wording of the Insurance Contract where the Policyholder was not familiarised with their meaning, and the knowledge of the Policyholder of their meaning will not be proven;
 - ii. clauses which can be read with extraordinary difficulties only, or clauses which are incomprehensible for a person of average intellect even in the case when it causes detriment to the Policyholder and its meaning has not been sufficiently explained to the Policyholder; and
 - iii. clauses that are particularly disadvantageous for the Policyholder without any reasonable ground, particularly, when the Insurance Contract or the Insurance Conditions differ substantially and without any particular reason from the usual conditions negotiated in similar cases.