

## Terms and Conditions of Guarantees

### Terms used

**The Bank** – AS "Reģionālā investīciju banka" (joint stock company), registered in the Commercial Register of the Republic of Latvia with No. 40003563375, registered office at 2 J. Alunāna iela, Rīga, LV-1010. Operations of the Bank are supervised by the Financial and Capital Market Commission in accordance with the procedure stipulated in the normative acts.

**Banking day** – any calendar day within the period from 9:00 to 17:00, on which the Bank is open for business, except Saturday, Sunday or any other non-business day determined as such by the normative acts of the Republic of Latvia;

**Transaction** – the issuance of each individual Guarantee;

**Force majeure** – circumstances arising of, or resulting from, force majeure, including legal or administrative acts of local or foreign authorities, riots or strikes, war, natural disasters, terror acts and any other extraordinary events which have not been, and could not have been, foreseen by the Bank and the Customer and do not depend on the will of the Parties;

**Guarantee** – a written commitment of the Bank to pay for the non-performance of obligations by the Applicant under the Underlying Relationship, if a written claim has been received from the Beneficiary in accordance with the Terms and Conditions of the Guarantee;

**Applicant** – a person indicated on the Guarantee whose obligations under the Underlying Relationship are secured by the Guarantee. The Applicant may be either a Customer or a third party;

**Beneficiary** – person in favour of whom the Bank issues the Guarantee;

**Guarantee Amount** – an amount indicated on the Guarantee, which the Bank has committed to pay for the non-performance of the obligations arising from the Underlying relationship by the Applicant.

**Guarantee validity** – nearest of the following events: the date indicated on the Guarantee until which the Guarantee is binding to the Bank; the date when the entire Guarantee Amount has been paid or the Beneficiary has released the Bank from the liabilities arising from the Guarantee; or the occurrence of any other event defined on the Guarantee, applicable normative acts or the URDG;

**Internetbank** – an electronic system maintained by the Bank, wherein information exchange between the Customer and the Bank, necessary for the performance of Bank's operations, takes place through the Internet network (<https://ib.ribbank.com>);

**Customer** – an individual or a legal entity that has opened a Current Account at the Bank and submits the Application;

**Agreement** – an Agreement entered into by and between the Bank and the Customer on the provision of guarantee services, the integral parts of which are the Terms and Conditions, the General Terms and Conditions of Transactions, and the Price List;

**Collateral Owner** – an individual or a legal entity providing Collateral to the Bank. The Collateral Owner may be either a Customer or a third party;

**Collateral** – funds or other type of Collateral acceptable to the Bank which secures any of the Bank's claims against the Customer arising from the Agreement;

**Current Account** – current account which has been opened at the Bank on behalf of the Customer;

**Terms and Conditions** – these Terms and Conditions of Guarantees;

**Price List** – the Bank's price list;

**Underlying relationship** – relationship between the Applicant and Beneficiary, in the framework of which the Guarantee is issued;

**Application** – an application form prepared by the Bank and completed by the Customer for the issuance of the Guarantee;

**Party** – the Customer, Collateral Owner and/or the Bank. All together referred to as "the Parties";

**Obligations Account** – an account at the Bank for the Collateral, including a term deposit account if a term deposit serves as Collateral;

**URDG** – Uniform Rules for Demand Guarantees of the International Chamber of Commerce (ICC) (2010 edition, ICC publication No 758).

**General Terms and Conditions of Transactions** – the General Transaction Terms and Conditions of the Bank.

## 1. General Provisions

- 1.1. These Terms and Conditions shall govern the mutual rights, duties and liability of the Parties insofar as these have not been laid down in the Agreement or any other agreements entered into with respect to the Guarantee.
- 1.2. Matters not defined in the Agreement, other agreements entered into with respect to the Guarantee, or the Terms and Conditions shall be subject to the General Terms and Conditions of Transactions of the Bank, the Price List, and the normative acts of the Republic of Latvia.
- 1.3. The Customer and the Collateral Owner shall be obliged to read these Terms and Conditions, the General Terms and Conditions of Transactions and the Price List.
- 1.4. The Bank shall be entitled to unilaterally introduce changes into the Terms and Conditions. During its entire validity, the Agreement shall be subject to the version of the Terms and Conditions and the "Documentary Operations" section of the Price List applicable on date of conclusion of this Agreement.

## 2. Applying for the Guarantee

- 2.1. The Bank shall consider the possibility of issuing the Guarantee based on the Application.
- 2.2. By submitting the Application, the Customer certifies that the Bank has provided him/her with detailed and comprehensive information about the offered service and that the Customer has read and understands the contents of the Terms and Conditions, the General Terms and Conditions of Transactions and the Price List.
- 2.3. The Application shall be binding to the Customer as of the moment when the Bank has accepted it.
- 2.4. The Bank shall be entitled to reject the Application in the following cases:
  - 2.4.1. not all of the information requested by the Bank has been included in the Application and/or the information is contradictory;
  - 2.4.2. the Application is signed by a person who is not authorised to do so;
  - 2.4.3. the Application does not include the required documents or the Customer fails to provide the documents requested individually by the Bank.
- 2.5. The Customer shall be liable for any losses incurred by the Bank using the information provided in the Application or the documents submitted by the Customer if any of the said prove to be false or inaccurate.
- 2.6. The Bank shall consider the Application within 3 (three) Banking Days after its receipt.
- 2.7. The Bank shall be entitled to reject the Application and refuse the issuance of the Guarantee without having to provide any explanations.

## 3. Collateral

- 3.1. The Bank shall issue the Guarantee only if it is secured by Collateral. The following may serve as Collateral:
  - 3.1.1. the Customer's funds in the account;
  - 3.1.2. the Customer's term deposit;
  - 3.1.3. financial pledge issued by a third party;
  - 3.1.4. other type of Collateral acceptable to the Bank.
- 3.2. Terms and Conditions of different types of Collateral:
  - 3.2.1. where funds in the Customer's account serve as Collateral, they shall be transferred to the Obligations Account according to the procedure laid down in the Agreement and blocked by the Bank, and the Customer shall not be entitled to reclaim these funds during the Agreement validity;

- 3.2.2. where the Customer's term deposit placed with the Bank serves as Collateral, the term deposit shall be pledged in favour of the Bank along with any interest payable on the term deposit up to the amount corresponding to the amount of the Collateral. The Bank shall block the Customer's term deposit in the amount of the Collateral, and the Customer shall not be entitled to reclaim it during the Agreement validity. If the Agreement validity exceeds the maturity date of the Customer's term deposit, the interest on the term deposit shall not be paid after its maturity date;
- 3.2.3. where a third party financial pledge serves as Collateral, the Bank shall enter into a separate financial pledge agreement with the respective Collateral Owner;
- 3.2.4. where any other type of collateral serves as Collateral, the Bank shall enter into a separate agreement with the respective Collateral Owner.
- 3.3. Changes in the size of Collateral:
  - 3.3.1. where the currency of Collateral is different from the currency of the Guarantee and Collateral value decreases below the equivalent of Collateral currency of 105% of the Guarantee amount, the Collateral Owner shall be obliged to increase the Collateral to the amount corresponding to 120% of the Guarantee Amount. The Bank shall calculate Collateral value in accordance with the exchange rate set by the European Central Bank;
  - 3.3.2. where the circumstances referred to in Clause 3.3.1 of the Terms and Conditions occur and the Customer's funds in the account serve as Collateral, the Bank, without having to receive any additional approval, shall be entitled to immediately withhold funds from any of the Customer's accounts opened at the Bank and credit the Obligations Account to the required amount, or, in the case the Customer's term deposit placed with the Bank serves as Collateral, the pledged part of the term deposit shall be increased to the required amount automatically and without a separate agreement;
  - 3.3.3. where the circumstances referred to in Clause 3.3.1 of the Terms and Conditions occur and where the Customer's term deposit placed with the Bank is not sufficient to increase the pledged part thereof as specified in Clause 3.3.2, the Bank shall be entitled to open an additional Obligations Account and, without having to receive any additional approval from the Customer, immediately withhold the necessary funds from any of the Customer's accounts opened at the Bank and credit them to the aforementioned new Obligations Account to the required amount. The respective withheld amount shall be considered as Collateral provided by the Customer;
  - 3.3.4. where the circumstances referred to in Clause 3.3.1 of the Terms and Conditions occur and where Collateral is provided by a third party, the Bank shall be entitled to open a separate Obligations Account for the Customer and, without having to receive any additional approval, immediately withhold the necessary funds from any of the Customer's accounts opened at the Bank and credit them to the aforementioned new Obligations Account to the required amount. The respective withheld amount shall be considered as Collateral provided by the Customer;
  - 3.3.5. where the Bank, due to any reason beyond its control, is unable to increase the Collateral in the cases and according to the procedure specified in the Agreement, the Customer shall be obliged, upon the Bank's request and immediately but not later than within two (2) banking days, to provide additional funds to the Bank in the amount that will ensure that the Collateral complies with the provisions of Clause 3.3.1 of the Terms and Conditions.
- 3.4. Collateral and the funds held in any of the Collateral Owner's accounts at the Bank, shall be pledged in favour of the Bank as a financial pledge in the meaning of the normative acts of the Republic of Latvia with the purpose of securing the fulfilment of obligations set out in this Agreement, regardless of whether a separate financial pledge agreement is concluded or not.
- 3.5. The Bank shall not be liable for, and shall not get involved, in the relationship between the Customer and the Collateral Owner, if the Collateral Owner and the Customer are two different persons.

#### **4. Issuance and Validity of the Guarantee**

- 4.1. The Bank shall issue the Guarantee based on the Agreement.
- 4.2. The Guarantee shall be issued as laid down in the Agreement and in accordance with the URDG unless stipulated otherwise in the Agreement or the Guarantee.

- 4.3. The Bank shall issue the Guarantee in accordance with the Guarantee standard text format defined by the Bank. If the Customer submits a Draft Guarantee together with the Application, the Bank may issue the Guarantee in accordance with such a draft. If the proposed Draft Guarantee or any of its provisions are not acceptable to the Bank, the Bank shall be entitled to introduce changes into such a draft or refuse to issue the Guarantee.
- 4.4. The Bank shall issue the Guarantee within two (2) banking days after the following conditions are met:
  - 4.4.1. the Application is submitted and accepted;
  - 4.4.2. the Agreement is entered into;
  - 4.4.3. Collateral is provided and related paperwork to it is completed;
  - 4.4.4. the commissions specified in the Agreement have been paid;
  - 4.4.5. other preconditions for the issuance of the Guarantee laid down in the Terms and Conditions and the Agreement have been met.
- 4.5. However, the Bank shall be entitled to refuse to issue the Guarantee even if all the conditions for the issuance of the Guarantee have been met. The Bank shall not be obligated to return the submitted documents to the Customer or to provide any explanations regarding the refusal to issue the Guarantee.
- 4.6. The Guarantee shall come into force on the day of its issuance, unless prescribed otherwise in the Agreement or the Guarantee.
- 4.7. Upon the Customer's request, the Bank may instruct its correspondent bank or another credit institution (hereinafter "the Issuer") to issue a guarantee (hereinafter "the Indirect Guarantee") in favour of the Beneficiary of the Indirect Guarantee indicated by the Customer and in accordance with the terms defined by the Customer. In such a case the Bank shall issue a counter guarantee (hereinafter "the Counter Guarantee") by which it shall undertake to pay the amount of the Indirect Guarantee to the Issuer if the Beneficiary of the Indirect Guarantee claims a payment from the Issuer based on the Indirect Guarantee issued by the Issuer.
- 4.8. Unless prescribed otherwise in the Indirect Guarantee or the applicable normative acts, the Indirect Guarantee shall be subject to the normative acts of the country of the Issuer.
- 4.9. Validity of the Counter Guarantee shall be set by the Bank at its own discretion, but in any case it shall be at least 10 (ten) banking days longer than the validity of the Indirect Guarantee. Validity of the Counter Guarantee shall be changed in the case of any changes in the validity of the Indirect Guarantee.
- 4.10. If the Issuer requests collateral composed of funds, the Bank may transfer collateral to the Issuer for the Indirect Guarantee with a written consent of the Customer.
- 4.11. The Customer shall assume all of the risks related to the issuance and service of the Indirect Guarantee and the Counter Guarantee, as well as with the provision of collateral for the Indirect Guarantee.
- 4.12. If the Guarantee or the Counter Guarantee is issued using the S.W.I.F.T system, the Bank shall be entitled at its own discretion to select any intermediary bank for the issuance and notification of the Guarantee or the Counter Guarantee, as well as for the sending of notifications related to the services of the aforementioned guarantees.

## **5. Amendments to the Terms and Conditions of the Guarantee**

- 5.1. The Customer may ask the Bank to amend the Terms and Conditions of the Guarantee by submitting a corresponding application to the Bank. The Terms and Conditions of the Guarantee may be amended following consent from the Bank and the Beneficiary.
- 5.2. If the Customer asks the Bank to increase the Guarantee Amount, the Bank shall make a decision regarding the increase of the Guarantee Amount only after the Collateral has been increased in accordance with the procedure prescribed by the Bank.

## **6. Execution of the Guarantee**

- 6.1. A claim by the Beneficiary for the payment of the Guarantee shall be binding to the Bank if it is received during the validity of the Guarantee. If the URDG or the applicable normative acts lay

down that the Beneficiary is entitled to make claims for the payment of the Guarantee after the expiry of the Guarantee, the validity of the Guarantee shall be automatically deemed to be extended until the next Banking day following the day when the Bank's obligations under the Guarantee expire.

- 6.2. Upon receiving a claim for the payment of the Guarantee and the supporting documents thereto, the Bank shall only check whether the appearance and content complies with the Terms and Conditions of the Guarantee. The Bank shall be entitled to rely on the authenticity, validity and correctness of the claim and the supporting documents. The Bank shall not be liable for any losses incurred by the Customer or the Collateral Owner, if the submitted documents have been forged or signed by an unauthorised person.
- 6.3. If the Bank has received a claim for the payment of the Guarantee, the Bank shall notify the Customer within 2 (two) banking days. The Bank shall not be obligated to give any additional notice to the Customer before the payment of the Guarantee.
- 6.4. Objections from the Customer, Collateral Owner or any third party stating that the claim for the payment of the Guarantee is unsubstantiated, as well as any other objections with respect to the claim for the payment of the Guarantee shall not be binding to the Bank.
- 6.5. Upon receiving a claim from the Beneficiary, the Bank shall verify the compliance of the submitted documents with the Terms and Conditions of Guarantee within 5 (five) banking days.
- 6.6. The Bank shall use the Collateral for the payment of the Guarantee.
- 6.7. If the Bank is obligated to make the Guarantee payment under the Terms and Conditions of the Guarantee, the Bank shall pay the requested amount in the currency indicated on the Guarantee by converting, if necessary, the funds of the Collateral according to the commercial exchange rate set by the Bank on the respective day. The Bank shall notify the Customer about the fact that the payment is made.
- 6.8. If the Collateral has not been used during the validity of the Guarantee or it has been used partially, the Bank shall return the remaining amount of the Collateral after withholding its own claims within 2 (two) banking days.

## **7. Commissions and Settlements**

- 7.1. The Customer shall pay the commissions in the amount defined in the Agreement and the Price List.
- 7.2. Commission for the use of the Guarantee shall be calculated corresponding to the actual number of days of validity of the Guarantee assuming that there are 360 days in a year.
- 7.3. Commission for the issuance of the Guarantee and preparation of the Draft Guarantee shall be paid by the Customer on the issue date of the Guarantee.
- 7.4. The Customer shall be also obligated to cover other expenses incurred by the Bank and related to the issuance and service of the Guarantee, including expenses of the correspondent bank, as well as mail, telecommunications, courier services, etc.
- 7.5. The Bank shall withhold any payments due to the Bank under the Agreement from the Current Account without having to receive any approvals. If there are not enough funds in the Current Account to satisfy the Bank's claims, the Bank shall be entitled to withhold these claims from any other of the Customer's accounts at the Bank by converting them, if necessary, according to the commercial exchange rate set by the Bank on the respective day.

## **8. Other Provisions and Settlement of Disputes**

- 8.1. The Underlying Relationship between the Applicant and the Beneficiary shall not be binding to the Bank and the Bank shall not be liable for the execution of the Underlying Relationship.
- 8.2. The Bank shall not be liable if the Beneficiary refuses to accept the Guarantee for any reasons.
- 8.3. The Bank shall not be liable for inaccuracies, errors or delays due to the fault of telecommunication, electronic data transfer systems, mail or courier services and for losses incurred by the Customer as a result of such inaccuracies, errors or delays. Similarly, the Bank shall not be liable for errors or inaccuracies by the correspondent bank and the intermediary bank while following the instructions of the Bank.

- 8.4. The Bank shall not be liable for losses incurred by the Customer or the Collateral Owner if the Bank has exercised its rights or observed the obligations laid down in the URDG, the applicable normative acts, decisions of States, international organisations or courts.
- 8.5. The Parties shall not be liable for losses caused due to *Force majeure* circumstances.
- 8.6. All disagreements that the Parties may have during the preparation and execution of the Agreement and/or documents arising therefrom shall be settled by way of negotiation. If a dispute cannot be settled by way of negotiations, i.e., if no written agreement resolving disagreements is reached within thirty (30) calendar days following the day either of the Parties submits a written complaint to the other Party, the dispute shall be settled at a court of the Republic of Latvia according to the location of the Bank.