

**OFFICIAL INFORMATION
OF THE CZECH NATIONAL BANK**

of 16 November 2007

regarding the prudential rules for banks, credit unions and investment firms

Reasonable Time Frame for Satisfying a Creditor's Exposure from Credit Protection

The Czech National Bank hereby provides the following information with regard to Article 103 of Decree No. 123/2007 Coll., stipulating the prudential rules for banks, credit unions and investment firms:

I. Funded credit protection

1. The collateral must be sufficiently liquid to ensure that the creditor can satisfy its exposure within a reasonable time frame following the moment of the obligor's default or other credit event set out in the transaction documentation, whichever occurs first. 'Reasonable time frame' means the period customary for liquidating the collateral on the given market under normal conditions.
2. If the collateral is real estate, in the case of the given exposure 'satisfying the exposure in a reasonable time frame' is understood to mean satisfying it without undue delay but no later than within 540 days from the moment of the obligor's default or other credit event set out in the transaction documentation, whichever occurs first.
3. If the liable entity is permitted to use its own LGD estimates and bases them on historical data on collateral recovery, after the reasonable time frame has elapsed it shall stop taking into account funded credit protection for the exposure in default for the purposes of calculating the capital requirement and specifying expected credit losses. However, the yield from liquidating the given collateral even after the reasonable time frame has passed may be taken into account when defining its own LGD estimates.

II. Unfunded credit protection

1. When assessing the credibility of the person providing credit protection, the ability to perform properly and in a timely manner shall be assessed.
2. 'Performance provided in a timely manner' is understood to mean performance which the creditor will obtain without undue delay following the moment at which the call to perform is delivered and under the conditions customary for the given type of unfunded credit protection.

3. In the case of insurance provided by Exportní garanční a pojišťovací společnost, a.s. (the Export Guarantee and Insurance Company, plc) pursuant to a law ¹ or guarantees provided by Českomoravská záruční a rozvojová banka, a.s. (the Czech-Moravian Guarantee and Development Bank) pursuant to a law or other legal cause² which meet the eligibility requirements for unfunded credit protection, 'performance provided in a timely manner' is understood to mean performance which the creditor will obtain at the latest within two years after the maturity of the protected exposure or part thereof.

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¹ Act No. 58/1995 Coll., on exports insurance and financing with state support, as amended.

² Act No. 47/2002 Coll., on support for small and medium-sized enterprise and on an amendment of Act No. 2/1969 Coll., on the establishment of ministries and other central authorities of state administration of the Czech Republic, as amended.

Resolution of the Government of the Czech Republic No. 353 of 2 April 2006,

Agreement of 22.2.2002 between Českomoravská záruční a rozvojová banka, a.s. (the Czech-Moravian Guarantee and Development Bank, plc) and Státní fond rozvoje bydlení (the State Housing Development Fund) on Implementation of the Programme to Support Repairs to Prefabricated Residential Buildings, as amended by Annexes 1 and 2, and

Agreement of 30.6.2006 between Českomoravská záruční a rozvojová banka, a.s. (the Czech-Moravian Guarantee and Development Bank, plc) and Státní fond rozvoje bydlení (the State Housing Development Fund) on Implementation of the Programme to Support Repairs to Prefabricated Residential Buildings, as amended by Annex 1.