

Public Sector Investment

1. Borrowers	<p>Public sector business entities – units of local or regional government (municipalities, cities and counties, hereinafter: ULRG) and companies, institutions and agencies owned or majority-owned by ULRGs and/or the Republic of Croatia.</p> <p>For the purpose of recovery from the consequences of earthquake and for stimulating the economic development of Sisak-Moslavina County – public sector business entities that operate or will operate in Sisak-Moslavina County¹.</p>
2. Purpose of Loans	<ul style="list-style-type: none">• Capital investments of public sector business entities aiming to encourage projects of environmental protection, energy efficiency and renewable energy resources as well as development of social and business infrastructure in general• Capital investments of public sector business entities for the purpose of recovery from the consequences of earthquake and for stimulating the economic development of Sisak-Moslavina County¹.• Working capital up to 30% of the contracted loan amount
3. Manner of Implementation	<ul style="list-style-type: none">• In cooperation with commercial banks (via commercial banks or through risk-sharing model) – application and related documentation shall be submitted to the commercial bank by the borrower• Direct lending to borrowers – application and related documentation shall be submitted to HBOR by the borrower
4. Loan Amount	<p>Minimum possible individual loan amount:</p> <ul style="list-style-type: none">• HBOR's direct loans: generally, loans in the amount lower than EUR 100,000 are not approved;• Loans on-lent via commercial banks: generally, loans in the amount lower than EUR 50,000 are not approved;• Loans approved under the risk sharing model with commercial banks: HBOR's share in a loan can generally not be lower than EUR 100,000;• Loans for the recovery from the consequences of earthquake and for the economic development of Sisak-Moslavina County: minimum loan amount is EUR 30,000. <p>Maximum loan amount is not limited and depends on the specific features and creditworthiness of the borrower, purpose and structure of investment as well as available HBOR's sources of finance. Financing through loan can be up to 100% of the estimated investment value (it is also possible to finance the corresponding VAT except for loans with interest subsidy under the NRRP funds).</p>

¹ HBOR may also consider loan applications for recovery from the consequences of earthquake of public sector business entities operating in Zagreb and Karlovac counties.

5. Loan Currency	EUR
6. Interest Rate	<p>On directly approved loans:</p> <ul style="list-style-type: none"> • To ULRGs and institutions and agencies majority-owned by them and other public sector entities under 100% guarantee of the Republic of Croatia or ULRGs: <ul style="list-style-type: none"> ○ To borrowers classified to special areas of the Republic of Croatia²: 3.10% p.a., fixed ○ To other borrowers: 3.20% p.a., fixed • To all borrowers that invest in the recovery from the consequences of earthquake and economic development of Sisak-Moslavina County: 2.00% p.a., fixed • To other borrowers: <ul style="list-style-type: none"> ○ To borrowers classified to special areas of the Republic of Croatia²: 3.75% p.a., fixed ○ Other public sector borrowers: 4.00% p.a., fixed. <p>In certain cases, interest rate can be even higher as follows:</p> <ul style="list-style-type: none"> • To borrowers that perform business activity and cannot obtain state aid and/or de minimis aid, effective interest rate (EIR)³ cannot be lower than the reference interest rate for a single borrower (RIR)⁴, all in accordance with the regulations on the award of state aid • To borrowers with loans in the amount of EUR 5 million and above, HBOR determines the level of interest rate for each individual loan. <p>On loans approved through commercial banks:</p> <ul style="list-style-type: none"> • To borrowers that invest in the recovery from the consequences of earthquake and economic development of Sisak-Moslavina County: 2.00% p.a., fixed • To other borrowers, the bank determines interest rates on its own.
7. Interest rate for loans with subsidy under the NRRP⁵ funds	<p>For borrowers and loans that meet the conditions prescribed by the Operational Programmes for the Implementation of Financial Instruments under the NRRP, part of the regular interest rate is subsidised by HBOR in its own name and for the account of the Republic of Croatia as follows:</p> <ul style="list-style-type: none"> • For investments in green and digital transition: up to 75% of the regular interest rate, and a maximum of 3.00 p.p. • For investments in special areas of the Republic of Croatia and/or RDI (research, development and innovation) or investments for the purpose of recovery from the consequences of earthquake⁶: up to 65% of the regular interest rate, and a maximum of 3.00 p.p.

² Special areas of the Republic of Croatia are defined in General Eligibility Criteria that are a constituent part of this programme.

³ Effective interest rate (EIR) is an interest rate that shows total costs of a loan in accordance with the valid Decision on Effective Interest Rate of the Croatian National Bank.

⁴ Reference interest rate (RIR) is the base rate (calculated and published by the European Commission), increased by a certain number of basis points (margin) that depend on the client's rating (credit rating) and the assessment of collaterals, in accordance with the Communication from the Commission on the revision of the method of determining reference and discount rates (OJ C 14, 19.1.2008). It is applied for the calculation of aid in loans approved with promotional interest rates. The range of valid RIRs is available in the Information on Base and Discount Rates and Reference Rates.

⁵ NRRP – National Recovery and Resilience Plan

⁶ Recovery from the consequences of earthquake includes investments of public sector entities aimed at rehabilitating, eliminating and/or reducing the consequences of earthquake (including reconstruction of existing and construction of new buildings, infrastructure, etc. damaged or destroyed in earthquake).

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- For other investments in strengthening sustainability and quality of public infrastructure: up to 50% of the regular interest rate, and a maximum of 3.00 p.p.

Whereby the regular interest rate is determined as follows:

- In the case of on-lending through a commercial bank, the interest rate is determined by the bank in accordance with its internal documents
- In the case of direct lending to a borrower:
 - **On loans in the amount lower than EUR 400,000:**
 - Loans to ULRGs, institutions and agencies majority-owned by them as well as on loans to other public sector entities approved at 100% guarantee of the Republic of Croatia and/or ULRGs:
 - To borrowers classified to special areas of the Republic of Croatia²: 3.10% p.a., fixed
 - Other borrowers: 3.20% p.a., fixed
 - To all borrowers that invest in the recovery from the consequences of earthquake and in economic development of Sisak-Moslavina County: 2.00% p.a., fixed
 - To other borrowers:
 - To borrowers classified to special areas of the Republic of Croatia²: 3.75% p.a., fixed
 - Other public sector borrowers: 4.00% p.a., fixed.
 - or
 - At the level of reference interest rate (RIR)⁴ for an individual borrower if it is higher than the interest rates referred to in the above indents
 - **On loans in the amount of EUR 400,000 or above:** HBOR determines the interest rate for each individual loan

The highest possible amount of subsidised interest for a single loan amounts to EUR 1,000,000.00.

8. Fees

Variable, in accordance with the Ordinance on Fees for HBOR Services valid on the day of calculation:

- Loan application processing fee:
 - To ULRGs and institutions and agencies majority-owned by them: 0.20% on the contracted loan amount;
 - To other borrowers: 0.50% on the contracted loan amount
- Commitment fee: no fee

and other fees in accordance with the Ordinance on Fees for HBOR Services valid on the day of calculation.

On loans intended for the recovery from the consequences of earthquake and for the economic development of Sisak-Moslavina County:

- no loan application processing fee,
- no commitment fee,
- no fee for changing the terms and conditions of loan,

and other fees in accordance with the Ordinance on Fees for HBOR Services valid on the day of calculation.

Loan application processing fee is not charged on direct loans under NRRP guarantee⁸.

9. Period and Manner of Loan Disbursement

- Generally, disbursement period is up to 12 months. Depending on the purpose and the dynamics of investment, it is also possible to approve a longer period of loan disbursement
- Part of the loan intended for the financing of fixed assets is disbursed to the account of seller/supplier/contractor based on the documentation for utilisation of loan for earmarked purposes⁷
- Part of the loan intended for the financing of working capital can be disbursed to the account of the borrower, with obligatory justification by documentation evidencing the use of loan for earmarked purposes
- For loans intended for the recovery from the consequences of earthquake and for the economic development of Sisak-Moslavina County, it is allowed to make a refund for borrowers' investments made after the earthquake until the submission of loan application (for such a refund, commercial banks are not obliged to notify HBOR in advance).

10. Repayment Period

- Up to 15 years, with up to 5-year grace period included, depending on the purpose and structure of investment

As an exception to the mentioned, depending on the purpose and structure of investment, for investments in tourism or if the investment study indicates the need for longer maturity, it is possible to approve the repayment period of up to 17 years, up to 4-year grace period included.

11. Manner of Repayment

Generally, in equal monthly, three-monthly or semi-annual instalments

12. Collateral

- Financing of ULRGs is possible if secured only with a bill of exchange and a debenture, depending on the assessment of HBOR and/or the commercial bank
- For loans to other public sector business entities:
 - Lending in cooperation with commercial banks: collateral is determined by the commercial bank
 - Risk sharing model: collateral is determined by the commercial bank and HBOR
 - Direct lending: HBOR agrees the collateral with the borrower in accordance with HBOR's internal documents (e.g. bills of exchange, debentures, pledge of property with insurance policy for the property endorsed in favour of HBOR, bank guarantees and other security instruments customary in banking operations), and the risk assessment of the investment and the borrower

13. Related Documentation / Schedules

- General Eligibility Criteria
- List of Documentation and Commercial Banks
- Decision on the General Terms and Conditions of HBOR Lending Activities
- Information on Base and Discount Rates and Reference Rates
- Interest subsidy on loans for public sector entities – Operational Programme for the Implementation of the Financial Instrument of Interest Subsidy Fund for Loans to Public Sector Entities under the NRRP

⁷ If LRGU or an institution/agency majority-owned by LRGU or the Republic of Croatia requests the disbursement of funds to its own account and not directly to suppliers or contractors in its tender for a loan, the funds may be disbursed in accordance with the tender for a loan.

In the case of contracting club and syndicated loans, the loan terms and conditions contained in this Loan Programme may not apply, i.e. different terms and conditions may apply in agreement with the other members of the bank club/syndicate.

The Loan Programme shall apply as of 1 May 2024.

Interest subsidy under the NRRP can be approved until the available funds have been disbursed in full, and no later than until 30 June 2026.

⁸ Financial instrument: Guarantee Fund for Loans to Mid-Caps and large business entities.