

Private Sector Investment

1. Borrowers

Private sector business entities - companies, crafts businesses, sole traders, family farms, cooperatives and institutions.

For the purpose of recovery from the consequences of earthquake and for stimulating the economic development of Sisak-Moslavina County – private sector business entities that operate or will operate in Sisak-Moslavina County¹.

2. Purpose of Loans

- Investments in fixed assets (tangible and intangible assets) for the purpose of business modernisation, introduction of new technologies, increase in capacities, investments in research and development and introduction of new products or services, promotion of environmental protection, energy efficiency and renewable energy resources projects, tourist capacities and facilities as well as promotion of new employment;
- Investments in fixed assets (tangible and intangible assets) 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;

Within the framework of this programme, HBOR may consider approval of loans to exporters registered in the Republic of Croatia for the purpose of expanding and internationalising business in the area of its predominant activity with the following purposes:

- Purchase of business shares in a foreign company, where the assessment of eligibility in direct lending is based primarily on exporter's creditworthiness.²
- Capital investment in a foreign company (purchase of machinery and equipment and/or refurbishment/reconstruction of business premises), where the exporter registered in the Republic of Croatia has a majority business share in the foreign company.²

3. Manner of Implementation

- 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 (except family farms that are not within the VAT system and associations) – application and related documentation shall be submitted to HBOR by the borrower.

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

² The following is not eligible: purchase of a business share from a connected client in terms of ownership. Neither purchase of a business share nor a capital investment in a company with the headquarters in: - a country or region against which or against whose government the sanctions programmes implemented by relevant competent authorities are directed; - a country that is considered an offshore financial centre. This includes but is not limited to: - countries that finance or support terrorist activities or within which terrorist organisations operate; - countries that are on the EU's list of non-cooperative jurisdictions for tax purposes.

4. Loan Amount

Minimum possible individual loan amount:

- **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;
- Maximum loan amount is not limited and it depends on the specific features and creditworthiness of the borrower, purpose and structure of investment as well as available HBOR's sources of finance. It is possible to finance up to 75% of the estimated investment value, VAT not included³;
- For loans intended for the recovery from the consequences of earthquake and for the economic development of Sisak-Moslavina County, maximum loan amount can be up to 100% of the estimated value of investment, including VAT (except for loans with interest subsidised under the NRRP funds), provided that financing of VAT for the borrowers that operate within the VAT system is possible only through the award of *de minimis* aid. In such a case, VAT has to be allocated to working capital in the breakdown of investment contained in the loan application;
- For loans with the purpose of purchasing a business share in a foreign company: maximum amount of the loan is not limited, but depends on the specific features and creditworthiness of the borrower as well as the available sources of HBOR finance

5. Loan Currency

- EUR
- As an exception, for loans with the purpose of purchasing a business share in a foreign company: HBOR may consider approval of loans in currencies published on the official exchange rate list for the Croatian National Bank clients

6. Interest Rate

- Business entities investing in the recovery from the consequences of earthquake and in the economic development of Sisak-Moslavina County: 2.00% p.a., fixed;
- Business entities that are market competitive⁴ and invest in activities of special interest⁴, or are market competitive and invest in special areas of the Republic of Croatia⁴: 3.40% p.a. fixed;
- Other business entities: 3.90% p.a. fixed;

In certain cases, interest rate can be even different as follows:

³ HBOR can consider financing of the estimated investment value, VAT included, if the borrower delivers goods or provides services that are excluded from the VAT calculation or for the borrowers not operating within the VAT system, except for loans with interest subsidy under the NRRP funds.

⁴ Criteria for determining market competitive entities, activities of special interest and special areas of the Republic of Croatia can be found in the document called General Eligibility Criteria that is a constituent part of this programme.

- To borrowers that perform business activity and cannot obtain state aid and/or de minimis aid, the effective interest rate (EIR)⁵ cannot be lower than the reference interest rate for a single borrower (RIR)⁶, all in accordance with the regulations on the award of state aid
- In the case of on-lending through a commercial bank: to borrowers for loans of EUR 5 million and more and, irrespective of the amount, for loans intended for purchasing a business share in a foreign company or investing in a foreign company, the interest rate is determined by the bank in accordance with its internal documents
- In the case of direct lending:
 - to borrowers for loans of EUR 1 million and more and,
 - irrespective of the amount, for loans intended for purchasing a business share in a foreign company or investing in a foreign company,
 the interest rate is determined by HBOR.

7. Interest rate for loans with subsidy under the NRRP⁷ funds

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:

- For investments in green and/or digital transition: up to 75% of regular interest rate, but to a maximum of 3.00 p.p.
- For investments in special areas of the Republic of Croatia and/or RDI (research, development and innovation): up to 65% of the regular interest rate, but to a maximum of 3.00 p.p.
- For other investments in competitiveness and resilience: up to 50% of the regular interest rate, but to 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:**
 - Business entities investing in the recovery from the consequences of earthquake and in the economic development of Sisak-Moslavina County: 2.00% p.a., fixed
 - Business entities that are market competitive⁴ and invest in activities of special interest⁴, or are market competitive⁴ and invest in special areas of the Republic of Croatia⁴: 4.00% p.a., fixed
 - To other business entities: 4.50% p.a., fixed
 - or

⁵ 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.

⁶ 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 at promotional interest rates. The range of valid RIRs is available in the Information on Base and Discount Rates and Reference Rates.

⁷ NRRP – National Recovery and Resilience Plan

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- At the level of reference interest rate (RIR)⁶ 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 is:

- EUR 500,000.00 for micro, small and medium-sized enterprises
- EUR 1,000,000.00 for mid-caps and large enterprises.

8. Fees

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

- Loan application processing fee: 0.50% on the contracted loan amount,
- Commitment fee: 0.25% on the contracted undisbursed loan amount,

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 evidencing the use of loan for earmarked purposes;
- 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);
- Loans for the purpose of purchasing a business share in a foreign company are disbursed by payment in favour of the seller on the basis of a contract on the purchase of a business share/agreement on the transfer of a business share, which is acceptable to HBOR or to a commercial bank, respectively

10. Period of Repayment

- Up to 14 years, with up to 3-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, it is possible to approve the following repayment and grace periods:

- For the planting and/or restructuring of perennial crops in agriculture: up to 15 years, including grace period of up to 5 years,
- For investments in tourism or if the investment study indicates the need for longer maturity and/or grace period: up to 17 years, including grace period of up to 4 years

11. Manner of Repayment Generally, in equal monthly, three-monthly or semi-annual instalments

12. Collateral

- 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, insurance on business shares, bank guarantees, guarantees of HAMAG-BICRO 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 SMEs – Operational Programme for the Implementation of the Financial Instrument of Interest Subsidy Fund for Loans to Micro, Small and Medium-Sized Business Entities under the NRRP
- Interest subsidy on loans for mid-caps and large business entities – Operational Programme for the Implementation of the Financial Instrument of Interest Subsidy Fund for Loans to Mid-Caps and Large Entities under the NRRP

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 November 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.