

## Sustainable Tourism Loans

In the capacity of the Management Body for the 2021 -2027 Competitiveness and Cohesion Programme, the Ministry of Regional Development and EU Funds of the Republic of Croatia assigned to the Croatian Bank for Reconstruction and Development (HBOR) the task of implementing the Sustainable Tourism Loans financial instrument, for which the funds are provided by the European Regional Development Fund (ERDF) and HBOR, and from which, in accordance with rules on aid, financially sustainable investments are financed that contribute to the goals of green transition, quality of tourist products and services as well as the enhanced growth and competitiveness of micro, small and medium enterprises and result in diversification of tourist offer by the prolongation of the tourist season, reduction of excessive tourism, sustainable business and higher quality of tourist offer.

<b>1. Borrowers</b>	<p>Private sector entities (companies, crafts businesses and institutions<sup>1</sup> in private ownership or in majority private ownership) which at the moment of submitting loan application meet the following criteria:</p> <ul style="list-style-type: none"> <li>a) micro, small and medium enterprises pursuant to the definition from the Recommendation of the Commission 2003/361/EC of 6.5.2003;</li> <li>b) registered in accordance with the National Classification of Activities 2007 – NKD 2007 (Narodne Novine, the official gazette of the Republic of Croatia No 58/07, 72/07) for performing one of the following activities: <ul style="list-style-type: none"> <li>• Hotels and similar accommodation (NKD 55.1)</li> <li>• Camping sites and camping grounds (NKD 55.3);</li> </ul> </li> <li>c) Not later than at the moment of entering into loan contract have a registered business unit or a branch in the Republic of Croatia.</li> </ul>
<b>2. Purpose of Loans</b>	<ul style="list-style-type: none"> <li>• Investment in fixed assets (tangible and intangible assets)</li> <li>• Working capital of up to 30% of contracted loan amount</li> </ul>
<b>3. Eligible Investments<sup>2</sup></b>	<ul style="list-style-type: none"> <li>• Eligible investment in: <ul style="list-style-type: none"> <li>○ construction, reconstruction and/or arrangement and equipping of hospitality establishments for accommodation and/or</li> <li>○ additional facilities of hospitality establishments for accommodation<sup>3</sup>,</li> </ul> <p>resulting either in the increase of accommodation facilities or introduction of additional, optional facilities or classification into type and/or category</p> </li> <li>• eligible investments are defined by Schedule 1 to the Loan Programme – Eligibility criteria</li> </ul>

<sup>1</sup> Health institutions in health tourism in accordance with the Health Care Act (Official Gazette No 100/18, 125/19, 147/20, 119/22, 156/22, 33/23, 36/24) and the Hospitality Act (Official Gazette 85/15, 121/16, 99/18, 25/19, 98/19, 32/20, 42/20, 126/21) with all future changes and amendments

<sup>2</sup> An investment that does not meet the initial investment requirements in terms of state aid criteria is not eligible. An eligible investment in terms of state aid criteria (initial investment) is not the current maintenance of existing facilities within the framework of the preparation for the upcoming season, or the retention of existing capacities without introducing additional facilities.

<sup>3</sup> Additional or optional facilities of hospitality establishments for accommodation in the Hotel group in accordance with the Annexes to the Ordinance on the Classification, Categorisation and Special Standards of Hospitality Establishments in the Hotel Group (Official Gazette No 56/16 and 120/19) with all future changes and amendments.

Additional or optional facilities of hospitality establishments for accommodation in the Camping sites group in accordance with the Annexes to the Ordinance on the Classification, Categorisation and Special Standards of Hospitality Establishments in the Camping Sites Group (Official gazette No 54/16, 68/19 and 120/19) with all future changes and amendments.

<b>4. Manner of Implementation</b>	<ul style="list-style-type: none"> <li>• Direct lending to borrowers – Application and related documentation shall be submitted to HBOR by the Borrower</li> <li>• Loans are approved from ERDF funds and HBOR funds in a 50:50 ratio with the possibility of writing off a part of the ERDF loan principal (up to a maximum of 50% of the total loan amount), upon the fulfilment of predefined criteria</li> <li>• During the implementation of the Loan Programme, only one loan can be contracted with one Borrower</li> </ul>
<b>5. Loan Amount</b>	<ul style="list-style-type: none"> <li>• Minimum loan amount: EUR 250,000</li> <li>• Maximum loan amount: EUR 7,000,000</li> </ul> <p data-bbox="491 600 1433 667">HBOR can generally finance up to 85% of the estimated investment value, in accordance with the state aid regulations.</p> <p data-bbox="491 705 1433 842">If the Borrower is granted regional aid, it must provide a financial contribution of at least 25% of eligible costs, from its own or other sources, in a form free of any State aid, in accordance with the State aid regulations, i.e. up to 75% of the estimated investment value can be financed.</p> <p data-bbox="491 880 1433 981">The estimated investment value does not include VAT, except for the Borrowers supplying goods or providing services exempt from VAT calculation and/or for Borrowers that do not operate in the VAT system</p>
<b>6. Loan Currency</b>	EUR
<b>7. Capital discount (write-off of a part of loan principal)</b>	<ul style="list-style-type: none"> <li>• Capital discount, i.e. write-off of a part of loan principal can be realised for a loan amount higher than EUR 500,000</li> <li>• Capital discount is approved in accordance with the aid regulations, and is an aid in the form of a grant</li> <li>• The right to a capital discount is realised upon the fulfilment of the given criteria and it can amount to a maximum of 50% of the totally disbursed loan principal amount, provided that a part of the loan principal from the ERDF funds is written off in the amount of the calculated capital discount</li> <li>• The criteria for the capital discount and the percentage of write-off of a part of loan principal that can be realised on the basis of each fulfilled criterion are defined in Schedule 2 to the Loan Programme: Criteria for Capital Discount.</li> </ul>
<b>8. Interest Rate</b>	<ul style="list-style-type: none"> <li>• On the part of loan principal from the ERDF funds: 0.00% p.a., fixed</li> <li>• On the part of loan principal from HBOR funds: fixed interest rate that is determined separately for each individual loan on the basis of risk assessment</li> </ul>
<b>9. Fees</b>	<ul style="list-style-type: none"> <li>• Loan application processing fee: no fee is charged</li> <li>• Commitment fee: no fee is charged</li> </ul> <p data-bbox="491 1794 1433 1895">Other fees in accordance with the Ordinance on Fees for HBOR Services valid on the day of calculation are charged on the part of loan financed from HBOR's funds.</p> <p data-bbox="491 1910 1409 1944">Other fees are not charged on the part of loan financed from the ERDF funds.</p>

<b>10. Period and Manner of Loan Disbursement</b>	<ul style="list-style-type: none"> <li>• Generally, disbursement period is up to 12 months, depending on purpose and dynamics of investment, it is also possible to approve a longer period of loan disbursement</li> <li>• Loan amount intended for the financing of fixed assets is disbursed to the account of the seller / supplier / contractor based on the documentation providing evidence of loan utilisation for earmarked purposes</li> <li>• 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 utilisation for earmarked purposes</li> </ul>
<b>11. Repayment Period</b>	Depending on the purpose and structure of investment, up to 17 years, with up to 4-year grace period
<b>12. Manner of Repayment</b>	Generally, in equal monthly, three-monthly or semi-annual instalments
<b>13. Collateral</b>	<ul style="list-style-type: none"> <li>• In accordance with HBOR's internal documents (e.g. bills of exchange, debentures, blank debentures, pledge of property with insurance policy for the property endorsed in favour of HBOR, business shares insurance, bank guarantees and other security interests customary in banking operations), and the risk assessment of the investment and the Borrower</li> </ul>
<b>14. Schedules</b>	<ul style="list-style-type: none"> <li>• Schedule 1 – Investment Eligibility Criteria</li> <li>• Schedule 2 – Criteria for Capital Discount</li> <li>• Schedule 3 – Brief instructions to the applicant for the preparation of project and technical documentation for DNSH criteria and infrastructure resilience to climate change</li> </ul>
<b>15. Related Documentation</b>	<ul style="list-style-type: none"> <li>• General Eligibility Criteria</li> <li>• List of Documentation (Sustainable Tourism Loans)</li> <li>• Decision on the General Terms and Conditions of HBOR Lending Activities</li> </ul>

The Loan Programme shall apply as of \_\_ November 2024.

The loans can be disbursed to borrowers until 31 December 2029, whereas the criteria for the capital discount can be fulfilled after that date.