

## Special SME Segments Investment under the National Recovery and Resilience Plan (NRRP)

### 1. Borrowers

Micro, small and medium-sized private sector business entities<sup>1</sup> - companies, crafts businesses, sole traders, family farms in the VAT system, cooperatives and institutions that meet at least one of the following conditions<sup>2</sup>:

- Start-up entrepreneurs,
- Young entrepreneurs,
- Female entrepreneurs,
- Entrepreneurs investing in special areas of the Republic of Croatia (supported areas, hill or mountain areas, the islands),
- Entrepreneurs investing in the commercialisation of projects that are based on research, development and innovation (RDI).

Entities that belong to the category of companies in difficulties are not eligible to be the borrowers.<sup>2</sup>

A borrower must be established in the Republic of Croatia no later than before the disbursement of the loan.

### 2. Purpose of Loans

NRRP funds intended for the financing of investments in the Republic of Croatia as follows<sup>3</sup>:

- In green transition and/or
- In digital transition and/or
- In strengthening competitiveness and resilience.

A loan can be approved for the following purposes:

- Investment in fixed assets (tangible and intangible assets) with the aim of starting a business, modernising operations, introducing new technologies, increasing capacities (including tourism capacities), developing and introducing new products or services, digitalisation of business, investing in environmentally friendly production processes and resource efficiency, research and development etc.;
- Investment in working capital necessary for the implementation of investment and business growth of borrower: up to 30% of contracted loan amount.

Investments must comply with the Do No Significant Harm principle.<sup>4</sup>

<sup>1</sup> In accordance with the Recommendation of the European Commission 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises:

<https://www.aprrr.hr/wp-content/uploads/2018/02/Vodi%C4%8D-za-korisnike-o-definiciji-malih-i-srednjih-poduze%C4%87a-4.pdf>

<sup>2</sup> Conditions for defining eligible borrowers can be found in the Operational Programme for the Implementation of the Financial Instrument of HBOR Direct Loans above EUR 100,000 for Micro, Small and Medium-Sized Enterprises under the NRRP (hereinafter: Operational Programme), that is a constituent part of this Programme.

<sup>3</sup> Features of investment in green transition, digital transition and strengthening of competitiveness and resilience available in the Operational Programme that is a constituent part of this Programme.

<sup>4</sup> Criteria and examples of meeting the DNSH principle can be found in the Operational Programme that is a constituent part of this Programme.

	<p>Not eligible:</p> <ul style="list-style-type: none"> <li>• Financing of VAT</li> <li>• Financing of Ineligible Activities<sup>5</sup></li> <li>• Refunding of existing loans.</li> </ul>
<b>3. 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> </ul>
<b>4. Loan Amount</b>	<p>The loan amount depends on the specific features and creditworthiness of the borrower, the purpose and structure of investment and the rules related to state aid, with the following restrictions:</p> <ul style="list-style-type: none"> <li>• Loan amount: higher than EUR 100,000.00;</li> <li>• Maximum loan amount for start-up entrepreneurs: EUR 500,000.00;</li> <li>• Maximum loan amount for other borrowers: EUR 1,000,000.00.</li> </ul> <p>The loan may amount to a maximum of 85% of the estimated value of investment, VAT not included, except for loans in the amount of up to EUR 150,000, where up to 100% of the estimated investment value, VAT not included, can be financed.</p> <p>The borrower cannot be granted more than one loan from the Financial Instrument for the same investment (investment project).</p>
<b>5. Loan Currency</b>	<ul style="list-style-type: none"> <li>• Loans are approved in EUR</li> </ul>
<b>6. Interest Rate</b>	<ul style="list-style-type: none"> <li>• 0.80% per annum, fixed</li> <li>• 0.40% per annum, fixed for investments in: <ul style="list-style-type: none"> <li>○ Green transition, and/or</li> <li>○ Digital transition, and/or</li> <li>○ RDI based projects.</li> </ul> </li> </ul> <p>In certain cases, interest rate can be even higher as follows:</p> <ul style="list-style-type: none"> <li>• for borrowers that perform business activity and cannot obtain state aid and/or de minimis aid, effective interest rate (EIR)<sup>6</sup> cannot be lower than the reference interest rate for a single borrower (RIR)<sup>7</sup>, all in accordance with the regulations on the award of state aid</li> </ul>
<b>7. Fees:</b>	<p>The borrower is charged neither the loan application processing and administration fee nor the commitment fee.</p> <p>Other fees are charged in accordance with the Ordinance on Fees for HBOR Services valid on the day of calculation.</p>

<sup>5</sup> Ineligible activities are listed in the Operational Programme that is a constituent part of this Programme.

<sup>6</sup> 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

<sup>7</sup> 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 RIR is available in the Information on Base and Discount Rates and Reference Rates.

<b>8. Period and Manner of Loan Disbursement</b>	<ul style="list-style-type: none"> <li>• Generally, disbursement period is up to 12 months. Depending on the purpose and dynamics of investment, it is possible to approve a longer loan disbursement period;</li> <li>• Part of the loan intended for the financing of fixed assets is disbursed by payment into the account of seller/supplier/contractor on the basis of the documentation evidencing the use of loan for specified purposes;</li> <li>• Part of the loan intended for the financing of working capital can be disbursed by payment into the account of the borrower with obligatory justification by documentation evidencing the use of loan for specified purposes;</li> </ul>
<b>9. Repayment Period</b>	<ul style="list-style-type: none"> <li>• Up to 15 years, depending on the purpose and structure of investment, up to 3-year grace period included</li> </ul>
<b>10. Manner of Repayment</b>	<ul style="list-style-type: none"> <li>• Generally, in equal monthly, three-monthly or semi-annual instalments</li> <li>• As an exception, in certain cases due to specific features of investment, it is possible to approve other loan repayment dynamics</li> </ul>
<b>11. Collateral</b>	<ul style="list-style-type: none"> <li>• Obligatory collateral: bills of exchange and debentures of borrower, guarantor payer and co-debtor</li> <li>• Pledge of property financed from the loan with property insurance policy covering usual risks endorsed in favour of HBOR</li> <li>• Depending on the assessment of risk pertaining to investment and borrower, HBOR retains the right to request additional collateral: immovable property, movable property, guarantee, bank guarantee, assignment, pledge of business interests, patents and other collateral usual in the banking business.</li> </ul>
<b>12. Related Documentation / Schedules</b>	<ul style="list-style-type: none"> <li>• Special SME Segments Investment under the National Recovery and Resilience Plan (NRRP) – Operational Programme for the Implementation of the Financial Instrument of HBOR Direct Loans Exceeding EUR 100,000 to Micro, Small and Medium-Sized Enterprises under the NRRP</li> <li>• General Eligibility Criteria</li> <li>• List of Documentation</li> <li>• Decision on General Terms and Conditions of Lending Activities of HBOR</li> <li>• Information on Base and Discount Rates and Reference Rates</li> </ul>

**The Loan Programme shall apply to loan applications received by HBOR as of 1 April 2023.**

**The period of the implementation of the Programme (final deadline for the execution of loan contract) is until the disbursement of the available NRRP funds, however no later than until 30 June 2026.**