

**“LOANS FOR THE PROCESSING OF AGRICULTURAL PRODUCTS”
Main Terms and Conditions of the Product**

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| Manner of financing | <p>Direct lending</p> <p>FI is structured as a combination of Loan and Principal reduction. The loan is financed in equal proportions on a pari passu basis from SP ZPP¹ Funds and HBOR Funds.</p> |
| Eligible Final Recipients | <p>Eligible are micro, small and medium-sized enterprises according to the definition in the Commission Recommendation 2003/361/EC² that perform the activity of processing of agricultural products included in Annex I to UFEU³ in such a way that after processing, the final product is also covered by Annex I to UFEU, subject to the following conditions being met:</p> <ul style="list-style-type: none"> ▪ Entities exclusively performing the processing of agricultural products must be registered, in accordance with the national legislation, for the activity of processing agricultural products, i.e. for a specific activity related to the planned eligible investment, at the latest by the time of submitting the loan application; ▪ Entities performing both primary production and processing of agricultural products must be registered in the Register of Farmers and have a registered agricultural products processing activity related to the planned eligible investment at the latest by the time of submitting the loan application. ▪ The Final Recipient must have a registered office or branch in the Republic of Croatia. ▪ During the implementation of the FI, only one Loan Contract can be concluded with one Final Recipient. |
| Ineligible Final Recipients | <ul style="list-style-type: none"> ▪ Entities excluded from the application of Commission Regulation (EU) 2022/2472 of 14 December 2022 declaring certain categories of aid in the agricultural and forestry sectors and in rural areas compatible with the internal market in application of Articles 107 and 108 of the Treaty on the Functioning of the European Union (OJ L 327, 21.12.2022, hereinafter: <i>Commission Regulation (EU) 2022/2472</i>) stated in Article 1 paragraphs 3 to 6 of the Commission Regulation (EU) 2022/2472; ▪ Entities that belong to the category of companies in difficulties in accordance with the provisions of Article 2(18) of Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in the application of Articles 107 and 108 of the Treaty (OJ L 187 of 26 June 2014, hereinafter: Regulation: 651/2014) and its changes and amendments; ▪ Exclusion entities in accordance with the Excerpt from the HBOR's Ordinance on the Management of Reputational Risk Arising from Business Relationship with Client; ▪ Entities from the Exclusion List depending on the source of finance; ▪ Entities with the previously approved Loan for the processing of agricultural products. |

¹ Strategic Plan of Common Agricultural Policy of the Republic of Croatia 2023-2027

² companies or producer organisations, craftsmen, sole traders, family farms (OPG), cooperatives, other legal entities.

³ [EUR-Lex - 12016ME/TXT - EN - EUR-Lex](#)

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| Investment eligibility criteria | <ul style="list-style-type: none"> ▪ Investment in tangible and intangible assets related to agricultural products processors in the sector of meat, grains, fruit and vegetable processing is eligible, provided that the input and end products after processing are exclusively from Annex I to the UFEU; ▪ Financing the purchase of an existing facility that is not in operation or does not perform agricultural product processing activities at the time of submitting the loan application is eligible, provided that the production activity is re-established or improved; ▪ Financing the purchase of an existing agricultural processing facility that is in operation at the time of the loan application is eligible, provided that the transaction does not relate solely to the transfer of ownership without the implementation of new investment, modernisation or capacity expansion; ▪ The borrower is obliged to ensure that conflicts of interest and related parties are avoided in the property purchase process; ▪ VAT is not an eligible expenditure, except for Final Recipients that supply goods or perform services exempt from VAT or for Final Recipients that do not operate within the VAT system; ▪ Only investment elements that have not been physically completed or fully implemented on the date of the loan approval decision are eligible; ▪ Only new loans are allowed to be financed, excluding refinancing of existing loans; ▪ Loan under this FI cannot be used to co-finance or pre-finance grants, nor can grants be used to reimburse the aid received from financial instruments; ▪ The investment must be financially sustainable and in line with applicable aid rules; ▪ Refunds are allowed only for eligible expenses that were paid after the decision on loan approval was made; ▪ The investment to be financed must be carried out in the territory of the Republic of Croatia; ▪ A project that does not meet the minimum criteria for obtaining a principal reduction is not eligible for financing under FI. <p>Other investment eligibility criteria will be defined in the implementation documentation.</p> |
| Purpose of loan | <p>Eligible investments are investments in tangible and intangible assets intended for Final Recipients engaged in the processing of agricultural products in the meat, grains, fruit and vegetable processing sectors.</p> <p>Financing of working capital is not eligible.</p> <p>Eligible investments include:</p> <ul style="list-style-type: none"> ▪ Construction, purchase, reconstruction and/or equipping⁴ of slaughterhouses; ▪ Construction, purchase, reconstruction and/or equipping⁵ of plants for grain/cereal processing; |

⁴ Purchase of used equipment is eligible

⁵ Ibid.

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| | <ul style="list-style-type: none"> ▪ Construction, purchase, reconstruction and/or equipping⁶ of plants for fruit and/or vegetables processing. |
| Loan amount | <p>Minimum amount EUR 200,000 Maximum amount EUR 3,000,000.00</p> <p>HBOR can generally finance up to 85% of the estimated value of investment amount, VAT not included.</p> <p>HBOR can finance up to 85% of the estimated value of investment, including VAT, for Final Recipients that deliver goods or perform services exempt from VAT and/or for Final Recipients that do not operate within the VAT system.</p> |
| Fees | No loan application processing fee, no commitment fee and no loan prepayment fee which is the result of implementation of the Principal reduction. Other fees customary in banking operations can only be charged on part of the loan from HBOR Funds. |
| Interest rate | <p>On the principal portion of the loan from SP ZPP Funds: 0.0% per annum, fixed.</p> <p>For the principal portion of the loan from HBOR Funds: HBOR determines the interest rate for each individual loan based on a risk assessment.</p> |
| Collaterals | In accordance with HBOR's internal documents. |
| FI Implementation period | Until 31 December 2029. |

⁶ Ibid.