

Public Sector Investment

<p>1. Borrowers</p>	<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>
<p>2. Purpose of Loans</p>	<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
<p>3. Manner of Implementation</p>	<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
<p>4. Loan Amount</p>	<ul style="list-style-type: none"> • Generally, minimum loan amount is EUR 40,000² • 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>5. Loan Currency</p>	<ul style="list-style-type: none"> • HRK • HRK indexed to EUR <p>HBOR reserves the right to determine the currency for each individual loan in the amount of EUR 5 million² or more.</p>
<p>6. Interest Rate</p>	<ul style="list-style-type: none"> • On loans to ULRGs and institutions and agencies majority-owned by them: <ul style="list-style-type: none"> ○ On direct loans: <ul style="list-style-type: none"> ▪ To borrowers classified to special areas of the Republic of Croatia³: 1.10% p.a., fixed;

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.

² Amounts in loan programmes stated in EUR relate to the equivalent value in another currency if loan is approved in another currency.

³ Special areas of the Republic of Croatia are defined in General Eligibility Criteria that are a constituent part of this programme.

- To other borrowers: 1.20% p.a., fixed.
 - On loans approved through commercial banks: up to 1.50% p.a., fixed.
- To other borrowers:
 - To borrowers classified to special areas of the Republic of Croatia: 1.75% p.a., fixed;
 - To borrowers investing in the recovery from the consequences of earthquake and in the economic development of Sisak-Moslavina County, including loans to ULRGs and institutions and agencies majority-owned by them: 1.00% p.a., fixed;
 - Other public sector borrowers: 2.00% p.a., fixed.

In certain cases, interest rate can be higher depending on the cost of the available sources of funding and the regulations on the award of state aid and/or de minimis aid. HBOR reserves the right to determine the level of interest rate different from the one specified in the programme for each individual loan amounting to EUR 5 million² or more.

7. Interest rate for loans with subsidy under the NRRP⁴ funds

For borrowers and loans that meet the conditions prescribed by the Operational Programmes for the Implementation of Financial Instruments under the NRRP:

- If a loan is approved by a commercial bank, the regular interest rate is determined by the bank in accordance with its internal documents, and if a loan is approved by HBOR, the regular interest rate is determined in accordance with item 6. of this Programme
- Part of the regular interest rate is subsidised by HBOR, in its own name and for the account of the Republic of Croatia:
 - 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 earthquake⁵: up to 65% of the regular interest rate, and a maximum of 3.00 p.p.
 - 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.

The highest possible amount of subsidised interest for a single loan amounts to EUR 1,000,000.00 in HRK equivalent amount by applying the middle exchange rate of the Croatian National Bank on the day of calculation.

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;

⁴ NRRP – National Recovery and Resilience Plan

⁵ 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).

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.

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 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).

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
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- 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
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The Loan Programme shall apply to the applications received by HBOR as of 1 September 2022.

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.