

General Eligibility Criteria

The General Eligibility Criteria define the general characteristics, restrictions and special features that apply to lending for projects/clients under the loan programmes: **Youth, Female and Start-Up Entrepreneurship; Private Sector Investment; Public Sector Investment; Special SME Segments Investment under the National Recovery and Resilience Plan (NRRP); EU Projects; Working Capital; Pre-Export Finance; Financial Restructuring.**

The General Eligibility Criteria apply to all other HBOR's loan programmes and products in all their parts as applicable, unless otherwise defined by an individual programme and/or product.

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1. Borrowers

1.1. Eligible Borrowers

Eligible beneficiaries of HBOR's loans or placements are (subject to other conditions defined in these General Eligibility Criteria, programmes and products of HBOR and/or other applicable documents of HBOR) **private sector business entities and public sector business entities**, where:

- The term "borrower" or "final borrower" relates to a natural person or a legal entity that is financed directly or in cooperation with a commercial bank or a leasing company, including a principal in the case of guarantee issuance;
- The term "loan" or "placement" relates to all lending activities, both direct and indirect, including guarantee issuance, and all banking products or financing through leasing companies.

Private sector business entities

Companies, crafts businesses, sole traders, family farms, cooperatives and institutions in private or majority private ownership classified in accordance with their size as follows:

Micro, small and medium-sized enterprises

Private sector business entities which employ fewer than 250 employees and which have an annual turnover below EUR 50 million and/or an annual balance sheet total below EUR 43 million according to the latest available annual financial statements, in accordance with the Commission Recommendation 2003/361/EC of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003) (**hereinafter: Recommendation of the European Commission**).

Mid-caps

Private sector business entities which employ from 250 to 2,999 employees according to the latest available annual financial statements and which in accordance with their size, ownership, employee number and other conditions do not enter the category of micro, small and medium-sized enterprises pursuant to the Recommendation of the European Commission.

Large business entities

Private sector business entities which employ 3,000 and more employees according to the latest available annual financial statements and which in accordance with their size, ownership, employee number and other conditions do not enter the category of micro, small and medium-sized enterprises pursuant to the Recommendation of the European Commission.

Public sector entities

Units of local or regional government (municipalities, cities and counties) and companies, institutions and agencies owned or majority owned by them and/or owned or majority owned by the Republic of Croatia.

1.2. Special Target Groups

Young entrepreneurs

Business entities in which one or several young persons together hold more than 50% of ownership, whereby a young person is considered to be the one who has not yet reached the age of 41 on the date of application submission¹.

Female entrepreneurs

Business entities in which at least one or several women together hold more than 50% of ownership and are also managed by a woman. In the case of an enterprise that is not a micro or small enterprise,

¹ The date of application submission is the date when the loan (placement) application is submitted or sent by post to HBOR, a commercial bank or a leasing company.

a woman or women together may hold less than 50% of ownership, provided that at least one woman is in one of the key management positions related to finance and/or operational business and/or strategy.

Start-up entrepreneurs

Business entities that are micro, small or medium-sized enterprises and that have just been established or have been operating for less than 3 (three) years on the date of application submission¹. Beneficial owners (natural persons) holding a majority share in a business entity have not previously been and are currently not the owners or co-owners of another business entity holding a share of more than 30%.

Market competitive business entities

Market competitiveness is assessed by applying and meeting all of the following criteria:

- (1) Operating income/revenue exceeds operating expenses/expenditures in the preceding business year,
- (2) Current liquidity higher than 0.6 (short-term assets /short-term liabilities),
- (3) Long-term financial stability ratio lower than 1.2 (long-term assets against capital, reserves and long-term liabilities),
- (4) Reduced currency-induced credit risk (at least 5% of operating income/revenue generated in foreign or international markets or at least 5% of foreign tourist overnight stays in total overnight stays in the preceding business year).

As an exception, borrowers renting beds or offering accommodation services to guests may, alternatively, instead of the criteria referred to in indents 2) and 3), use the criterion of a 30% minimum share in capital, reserves and retained profits on the liabilities side of the balance sheet. If a borrower generates income/revenues of less than 5% of operating income/revenues in foreign or international markets and is a member of a group that generates more than 5% of operating income/revenues in foreign or international markets, as documented in the consolidated financial statements of the group, the criterion of reduced currency-induced credit risk will be considered fulfilled.

The documents for establishing the above criteria are the financial statements of entrepreneurs for the previous business year (balance sheet and profit or loss account, and for crafts businesses: income tax return, certified by competent persons) and for borrowers in the tourism industry: statistical data on tourist arrivals and overnight stays for the preceding year.

As an exception, for borrowers whose financial statements do not meet the criterion referred to in indent 4 (reduced currency-induced credit risk), if the borrowers can demonstrate indirect income/revenues of at least 5% of operating income/revenues in foreign or international markets through intermediaries by presenting invoices on delivered goods and by presenting a statement of intermediaries certified by a notary public under material and criminal liability confirming that the borrowers' finished goods have been delivered by them to the foreign or international market in unaltered form, the criterion of reduced currency-induced credit risk will be considered fulfilled.

1.3. Ineligible Borrowers and Restrictions

Entrepreneurs in difficulties

Borrowers cannot be entities that belong to the category of companies in difficulties in accordance with the provisions of Article 2, paragraph 18 of the Commission Regulation (EU) No. 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26 June 2014, hereinafter: the Regulation: 651/2014), i.e. with the provisions of the regulation in force at the moment of loan or interest subsidy approval, except in the case referred to under 6.2 of these General Eligibility Criteria (Financial restructuring).

For more details, follow the link: <https://www.hbor.hr/naslovnica/hbor/poduzetnici-u-teskocama/>

Business entities in which ownership interests are held by entities subject to the Act on Preventing Conflict of Interest and their family members

In accordance with the Act on Preventing Conflict of Interest (Official Gazette of the Republic of Croatia, No. 143/2021) and all its subsequent amendments, there are restrictions in effect on lending to business entities in which ownership interests are held by entities subject to the Act on Preventing Conflict of Interest and their family members.

For more details, follow the link: <https://www.hbor.hr/wp-content/uploads/2016/10/Ogranicenje-u-kreditiranju-drzavnih-duznosnika.pdf>

Exclusion criteria in accordance with the Reputational Risk Management Ordinance

In accordance with HBOR's Reputational Risk Management Ordinance, risk categories and exclusion criteria as well as their impact on the execution, continuation or termination of a business relationship with a client are determined.

For more details, follow the link: <https://www.hbor.hr/pravilnik-o-upravljanju-reputacijskim-rizikom-hbor-a-koji-proizlazi-iz-poslovnog-odnosa-s-klijentom/>

2. Special Areas of the Republic of Croatia

Special areas of the Republic of Croatia are economically underdeveloped areas (supported areas), the islands and hill/mountain areas in the Republic of Croatia as follows:

Supported areas

Units of local government classified into groups I, II, III or IV in accordance with the Regional Development Act of the Republic of Croatia (Official Gazette of the Republic of Croatia Nos. 147/2014, 123/2017, 118/2018) and the Decision on the Classification of Units of Local and Regional Government According to the Level of Development (Official Gazette of the Republic of Croatia No. 3/2024) and all their amendments.

Hill or mountain areas

Areas in accordance with the Act on Hill or Mountain Areas (Official Gazette of the Republic of Croatia No. 118/2018) and the Decision on the Coverage and Classification of Local Government Units Acquiring the Status of Hill or Mountain Area (Official Gazette of the Republic of Croatia No. 24/2019) and all their amendments.

The islands

In accordance with the Islands Act (Official Gazette of the Republic of Croatia Nos. 116/2018, 73/2020, 70/2021) and all its amendments.

3. Activities of Special Interest

Investments in the activities of special interest are listed in the following table by sections, groups and/or classes of the National Classification of Activities (hereinafter: NKD).

Under the mentioned sections, groups and/or classes, activities listed as exemptions are the activities that **are not activities of special interest and/or that are activities and purposes that are not eligible for financing.**

Activities of special interest	Exemptions
01 – Crop and animal production from 01.11 to 01.50 except for 01.15 03 – Fishing	01.15 Growing of tobacco
Processing industry (Section C)	11 – Manufacture of beverages from 11.01 to 11.06

all groups and classes except for the listed exemptions	12 – Manufacture of tobacco products 18 – Printing and reproduction of recorded media only in the case of loan applicants engaged in or being related in terms of ownership with business entities engaged in publishing of newspapers and other periodicals, radio and television programme activities and broadcasting, news agency activities and service activities of advertising and public relations agencies
62 – Computer programming, consultancy and related services	-

4. Special Types of Investment

Green project

Green sectors and activities, green project categories, criteria and indicators of green results are contained in **Schedule 2** to these General Eligibility Criteria (Green Eligibility Table).

Green transition

Projects that, according to the EU taxonomy criteria and accompanying regulations (delegated documents), contribute significantly to the achievement of at least one of the following environmental goals:

- Climate change mitigation;
- Climate change adaptation;
- Sustainable use and protection of water and marine resources;
- Transition to a circular economy;
- Pollution prevention and control;
- Protection and restoration of biological diversity and ecosystems,

and that at the same time satisfy the “do no significant harm” principle.

Green transition projects include, among others, investments such as green technologies, business models based on the circular economy, renewable energy sources, energy efficiency, etc.

Digitalisation (digital transition)

Development and/or introduction of digital technologies (for example, digitalisation of production, procurement and sales) in certain areas of business and their full integration and education of employees and users including the following investments:

- Digital infrastructure;
- Digital transformation of companies, research in the field of digital technologies;
- ICT (investments in information and communication technologies), digital marketing, digitalisation and automation of business processes, digital procurement, digitalisation of sales representatives, changes in all forms of businesses and processes in which employees of the organisation interact with its customers, and similar;
- Industry 4.0 - production processes based on the latest technology and covered by devices for mutual autonomous communication; machines controlled by artificial intelligence that can independently exchange information; application of smart factory models in which robotic machines control and monitor physical processes; production system that can independently exchange information during the production process and knows at any time at what stage the output product is.

Research, development and innovation - RDI²

Projects based on research, development and innovation or investment in research, development and innovation in the field of products, processes, business organisation and marketing (customer relations)

² RDI - Research, Development and Innovation

in a company. They include projects based on industrial and experimental research; products/services/processes and methodologies protected by intellectual property regulations but also other projects based on the application of a new or substantially modified product (goods or services), processes, new organisational methods, business practices or new marketing methods and their introduction into practical use, that is, the commercialisation or expansion of existing production/service capacities for RDI-based operations.

Investments in all activities can be included in the area of investment in research, development and innovation if they have the specified characteristics and if they are not excluded by these General Eligibility Criteria.

Investments aimed at rehabilitation from the consequences of earthquakes

Investments aimed at rehabilitation, elimination and/or reduction of the consequences of earthquakes.

Social infrastructure and/or investments aimed at reducing negative demographic trends

Projects of local government units or of companies that are majority owned by them or majority owned by the Republic of Croatia and projects of other applicants aimed at improving social, educational, health, communal infrastructure and transport connections in urban and rural areas. It is estimated that the implementation of the project contributes to increasing the standards of communal and social services in the local community and/or to reducing the negative demographic trends.

Investments in all activities are included in the area of investment in social Infrastructure and/or projects aimed at reducing negative demographic trends if they have the stated characteristics and if they are not excluded by these General Eligibility Criteria. The activities from the following NKD sections are automatically included if they are not excluded by these General Eligibility Criteria: 85 Education; 86 Human health activities; 87 Residential care activities; 88 Social work activities without accommodation.

5. Ineligible Activities

Ineligible activities include activities, businesses and purposes that are not eligible for financing and the corresponding exemptions, if any.

The list of ineligible activities can be found in **Schedule 1** to these General Eligibility Criteria.

6. Alignment with the Paris Agreement

The projects that relate to:

- Energy production and related activities,
- Construction of new or renovation of existing buildings (energy efficiency of buildings), and/or
- Procurement of means of transport (limitations of CO2 emissions for means of transport)

and that are financed from the funds of the European Investment Bank must be aligned with the criteria of the Paris Agreement. The criteria of project alignment with the Paris Agreement are contained in **Schedule 1.2.** to these General Eligibility Criteria.³

7. Promotional Interest Rates and Aid Regulations

Pursuant to its loan programmes (other loan products included, if applicable), HBOR approves loans to borrowers at a **promotional interest rate or at a general interest rate** if the loan cannot be approved at a promotional interest rate.

³ In case of non-alignment with the Paris Agreement, HBOR may still consider financing the relevant projects from HBOR's funds (except for the projects related to the construction or renovation of buildings that must be aligned with the Paris Agreement in order to be eligible for financing from HBOR's funds as well).

In the case of lending through financial institutions (commercial banks or leasing companies) and if so prescribed by loan programme, HBOR's loan product and/or contractual documentation with financial institutions, the interest rate charged to the final borrower is determined by the financial institution.

If a loan is contracted at a promotional interest rate, HBOR awards aid to the borrower. If it is not possible to award aid to the borrower, the loan is approved and contracted at a general interest rate.

Promotional interest rate

The interest rate on the loan that contains aid, i.e. the loan is approved/contracted at an effective interest rate that is lower than the reference interest rate for the borrower⁴.

General interest rate

The interest rate on the loan that does not contain aid, i.e. the loan is approved/contracted at an effective interest rate that is equal to or higher than the reference interest rate for the borrower.

Effective interest rate (EIR) is the interest rate presenting the total loan costs in accordance with the Croatian National Bank's Decision on Effective Interest Rates in force and is determined in accordance with the provisions of HBOR's internal documents (the current Ordinance on Manner and Deadlines for Interest Calculation or another substitute document).

Reference interest rate is the base rate (calculated and published by the European Commission) increased by a certain number of basis points (margin) that depend on the assessment of the client (credit rating) and the assessment of collateral in accordance with the Communication from the European Commission. HBOR's rules on determining reference and discount rates are harmonised with the current rules of the European Commission, i.e. the Communication from the Commission on the revision of the method for setting the reference and discount rates (OJ C 14, 19.1.2008).

Aid

Aid in the loan that is approved/contracted at a promotional interest rate can be a discounted⁵ amount of:

- (a) Interest calculated at an interest rate that represents a difference between the reference interest rate calculated for the borrower and the effective interest rate that is lower than the reference interest rate, or
- (b) Interest calculated at an interest rate that represents a reduction of the interest rate for the borrower, or
- (c) Nominal amount of the interest rate subsidy granted.

The possibility of awarding aid depends on:

- Specific loan programme or another loan product of HBOR,
- Level of the reference interest rate for the borrower,
- Level of the interest rate under the loan programme, i.e. level of the interest rate that HBOR determines specifically for the borrower or level of the interest rate that is determined for the borrower by the financial institution,
- Subsidy rate, if applicable,
- Possible interest rate reductions, and

⁴ Promotional interest rate can also be an interest rate that contains an interest rate reduction for the borrower or an interest rate, market interest rate included, that is reduced by an interest rate subsidy.

⁵ The interest rate that is applied when discounting is a discount interest rate. The **discount interest rate** is the base rate (calculated and published by the European Commission) increased by 100 basis points. HBOR's rules on determining reference and discount rates are harmonised with the current rules of the European Commission, i.e. the Communication from the Commission on the revision of the method for setting the reference and discount rates (OJ C 14, 19.1.2008).

- Possibilities of the borrower to exercise the right to the award of aid in accordance with the applicable rules on state aid and de minimis aid (including the type of investment and the activity of the borrower as well as the aid used by the borrower so far).

Type of investment and aid

Investments in fixed assets (tangible and/or intangible assets) are generally financed in accordance with the state aid rules⁶, and financing is possible also in accordance with de minimis aid rules, whereas investments in working capital can be financed in accordance with de minimis aid rules only⁷.

7.1. State Aid and Promotional Effect⁸

Lending under the state aid regime is possible in cases where aid has a promotional effect, which means that the borrower (the aid beneficiary) has to submit a **written application for aid** contained in HBOR's loan prior to the start of works⁹ on the project.

Only the costs arising after the submission of a written application for aid can be recognised as justified costs of a planned project. In the case of direct lending, the application is submitted to HBOR, and in the case of lending in cooperation with financial institutions, the application is submitted to a financial institution (commercial bank or leasing company).

The written application for aid must contain at least: name and size of the borrower (the aid beneficiary) in accordance with the Recommendation of the EC; project description, including its start and completion dates; project location; list of project costs; amount of finance needed for the project.

In the case of direct lending, **information on the intended investment**¹⁰ submitted to HBOR in the period of up to 6 (six) months before the submission of a loan application is considered to be a written application for aid.

If more than 6 (six) months have elapsed between the submission of the information on the intended investment and the submission of a loan application or if the information on the intended investment has not been submitted at all, the **borrower's loan application** accompanied by documentation required for the application processing shall be considered to be a written application for aid.

In the case of lending in cooperation with financial institutions, the **final borrower's placement application** accompanied by documentation required for the application processing in accordance with the financial institution's rules (taking into account the minimum contents of a written application for aid) submitted to the financial institution in the period of up to 6 (six) months before the financial institution

⁶ For industry and services as well as for processing and placing of agricultural products on the market, aid is awarded on the basis of HBOR's State Aid Scheme; whereas for activities of primary agricultural production, aid is awarded on the basis of HBOR's State Aid Scheme for the Agricultural Sector).

⁷ HBOR's De Minimis Aid Scheme and HBOR's De Minimis Aid Scheme in Favour of Primary Agricultural Production.

⁸ State aid and promotional effect are applied on the programmes that enable investments in fixed assets.

⁹ Start of works means either the start of construction works relating to the investment or the first legally binding commitment to order equipment or any other commitment that makes the investment irreversible, whichever occurs first, excluding preparatory works (buying land and preparatory works such as obtaining permits and conducting feasibility studies are not considered to be the start of works). In case of take-overs, start of works means the moment of acquiring the assets directly linked to the acquired establishment.

¹⁰ Forms for information on the intended investment and loan application have been published on HBOR's websites or can be obtained from HBOR at request.

submits the application for the respective final borrower to HBOR is considered to be a written application for aid.

If more than 6 (six) months have elapsed between the submission of the final borrower's placement application and the submission of the financial institution's application for the respective final borrower to HBOR, the **financial institution's application for the respective final borrower** shall be considered to be a written application for aid.

7.2. Special Programmes in Terms of the Application of Aid Rules

EU projects

In the case of candidate projects for co-financing out of the proceeds of the budget of the European Union, i.e. the proceeds of the EU Funds and/or the national sources of funding and the other foreign public sources of funding (hereinafter: non-recurring grants) on the basis of an invitation for the submission of project proposals (hereinafter: tender), HBOR's loan is generally granted at a general interest rate (interest rate that does not contain aid), since the award of a non-recurring grant to a borrower (aid beneficiary) generally means that the maximum permitted intensity of aid has been granted to the borrower.

As an exception to the above, HBOR can grant such a loan at a promotional interest rate (interest rate that contains aid) or with another form of aid (e.g. fee subsidy) if the aid beneficiary has not been awarded the maximum permitted intensity of aid through the award of non-recurring grant on the basis of a tender, and if a tender does not prohibit adding or cumulating the aid that is awarded on the basis of a tender with aid from other sources in connection with the same justified (eligible) costs.

Public sector investments

In the case of financing infrastructure that is not intended for commercial use, the state aid rules generally do not apply, i.e. it is allowed to approve a loan at a promotional interest rate, regardless of whether the conditions from the relevant state aid rules have been met. This relates, for example, to general infrastructure such as public roads, bridges or canals that are made available to the public without receipt of tolls as well as to the infrastructure intended for activities usually performed by the state in the execution of its public authority.

In the case of borrowers that can be classified as entrepreneurs in terms of the state aid rules¹¹, a loan can be approved at a promotional interest rate, i.e. under the state aid and/or de minimis aid regime, depending on the purpose of infrastructure/project to be financed, i.e. whether and to what extent the project is intended for economic exploitation or not, which has to be evaluated with regard to all the circumstances of an individual investment.

If the purpose of an investment is an economic activity (entrepreneur in terms of aid rules), and if the borrower does not qualify for the award of state aid and/or de minimis aid, the loan can be approved at a general interest rate.

Financial restructuring

Financing at a promotional interest rate is possible exclusively pursuant to the criteria contained in the Guidelines on State Aid for Rescuing and Restructuring Non-Financial Undertakings in Difficulty (OJ C 249, 31.7.2014) and de minimis aid regulations.

Financing of companies in difficulties in terms of item 20 of the mentioned Guidelines is implemented exclusively in accordance with the provisions of the State Aid Act (Official Gazette of the Republic of Croatia, Nos. 47/14, 69/17) and its subsequent amendments, i.e. with obligatory prior notification of the

¹¹ Entrepreneur is any entity active in an economic activity, regardless of its legal form. This includes, particularly, self-employed persons and family entrepreneurs that are active in crafts businesses or other business activities, partnerships or associations regularly engaged in an economic activity.

aid for rehabilitation and/or aid for restructuring for the assessment of the European Commission/the Ministry of Finance and respecting of all the criteria of the mentioned Guidelines.

In the case of a direct lending to borrowers secured by a guarantee of the Republic of Croatia or a guarantee of a commercial bank acceptable for HBOR, generally in the amount of at least 80% of unrepaid amount of the principal, interest and other expenses relating to the loan, HBOR can finance business entities even when they are in difficulties, i.e. fulfil one of the criteria mentioned in item 20 of the Guidelines on State Aid for Rescuing and Restructuring Non-Financial Undertakings in Difficulty (OJ C 249, 31.7.2014)

<https://eur-lex.europa.eu/legal-content/HR/TXT/PDF/?uri=OJ:C:2014:249:FULL&from=HR>

7.3. Exemptions from Financing at Promotional Interest Rate

Financing at a promotional interest rate is not possible:

- (i) In the case of programmes for export financing (Pre-Export Finance, Buyer Credit, Supplier Credit) since the state aid rules explicitly exclude the possibility of awarding aid for export-oriented activities to third countries or member countries, or the aid connected directly with exported quantities, with the establishment and functioning of distribution network or with other current expenses related to the export activity;
- (ii) In the fisheries and aquaculture sector, including the activities of producing, processing and marketing of fisheries and aquaculture products.

8. Others

Applicants are not automatically entitled to obtain a loan. HBOR makes a decision on each individual application.

Schedule 1 – Ineligible activities

- (1) Activities which limit individual rights and freedoms or that violate human rights;
- (2) In the area of defence activities: the use, development, or production of products and technologies that are prohibited by applicable international law;
- (3) Tobacco-related products and activities (cultivation and production, distribution, processing and trade);
- (4) Activities excluded from financing pursuant to the relevant provisions of the Horizon Europe Regulation: research on human cloning for reproductive purposes; activities intended to modify the genetic heritage of human beings which could make such changes heritable; and activities to create human embryos solely for the purpose of research or for the purpose of stem cell procurement, including by means of somatic cell nuclear transfer (SCNT);
- (5) Gambling (production-, construction-, distribution-, processing-, trade- or software-related activities);
- (6) Sex trade and related infrastructure (including the media related to sex trade);
- (7) Activities involving live animals for experimental and scientific purposes insofar as compliance with the European Convention for the Protection of Vertebrate Animals for Experimental and other Scientific Purposes cannot be guaranteed;
- (8) - Activities connected with immovable properties in accordance with the National Classification of Activities (Chapter L) if they relate to the predominant final borrower activity and/or investment activity;¹²

- Development of immovable properties, such as activities whose sole purpose is the renovation and re-leasing or re-sale of existing buildings as well as the construction of new buildings intended for sale (investments in energy efficiency projects are not excluded¹³);¹⁴
- (9) Financial activities (e.g. purchasing or trading in securities, financial instruments or other financial products) including change of ownership (e.g. mergers and acquisitions)¹⁵. In particular, interventions targeting buy-out intended for asset stripping or replacement capital intended for asset stripping shall be excluded;

¹² As an exception, it is acceptable if a company established for the purpose of immovable property management within a group of affiliated companies invests in immovable properties that will be given for use (rent) exclusively to affiliated companies, where the activity of affiliated companies is not on the list of ineligible activities.

¹³ Investments in energy efficiency projects include only costs related to raising the level of energy efficiency of the immovable property, and do not include the costs of acquiring or building of the immovable property.

¹⁴ HBOR can consider financing the construction of and equipment for industrial facilities (halls, warehouses, production facilities, logistics centres, etc.) that will be given for use (lease) to third parties exclusively for the performance of economic activities (not including the construction of shopping centres).

¹⁵ As an exception, HBOR may consider financing the purchase of business shares if it is a transaction in which an exporter registered in the Republic of Croatia purchases shares of a foreign company in order to expand and internationalise business in the domain of its predominant activity, whereby the assessment of eligibility in direct lending is primarily based on the creditworthiness of the exporter.

It is not eligible to buy a business share from an ownership-related person, nor to buy a business share in a company whose headquarters are located in:

- A country or territory against which or against whose government the sanctions programmes carried out by the relevant competent authorities are directed;
- A country that is considered an offshore financial centre.

The above 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.

- (10) Activities forbidden by applicable national legislation;
- (11) Activities and assets where long-term waste disposal may harm the environment;
- (12) Activities that have a negative impact on the environment, and are not significantly mitigated or compensated;
- (13) All activities that are not allowed to be financed by aid under the relevant state aid regulations such as GBER, ABER, de minimis and other regulations applicable to a particular loan;
- (14) All prohibitions and restrictions in accordance with the contracts between HBOR and financial institutions and/or in accordance with the programmes and/or other documents applicable to a particular loan;¹⁶
- (15) Investments or part of investments that serve for personal purposes;
- (16) Purchase of immovable or movable property from connected clients;
- (17) Investment in immovable property not owned by the borrower¹⁷;
- (18) Refunding of existing loans in the case of capital investments;
- (19) Financing of working capital for commercial activities¹⁸;
- (20) Investment in apartments, rooms or summer houses to let¹⁹;

¹⁶ A project financed from the funds of the European Investment Bank must be aligned with the Paris Agreement, if applicable. The criteria of project alignment with the Paris Agreement are contained in **Schedule 1.2.** to these General Eligibility Criteria.

¹⁷ As an exception, investments in immovable properties that are not owned by the borrower are acceptable in the case of diffuse and integral hotels and/or in the case of land or building that is used on the basis of a concession contract or the right to build, lease or rent, provided that the concession, lease or rent period cannot be shorter than the loan repayment period.

Furthermore, HBOR may consider financing investments in immovable property not owned by the borrower in the case of a transaction in which an exporter registered in the Republic of Croatia plans to invest in a foreign company (purchase of machinery and equipment and/or adaptation/reconstruction of business premises) for the purpose of expanding and internationalising business in the domain of its predominant activity, whereby the exporter registered in the Republic of Croatia has a majority share in the foreign company.

Capital investment is not eligible in a company whose headquarters are located in:

- A country or territory against which or against whose government the sanctions programmes carried out by the relevant competent authorities are directed;
- A country that is considered an offshore financial centre.

The above 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.

¹⁸ As an exception, it is acceptable to finance working capital for commercial activities of:

- (i) Business entities engaged in purchasing of agricultural production and/or supplying agricultural producers with production materials, seeds etc.;
- (ii) Wholesale trade when it is an important part of the supply chain in the processing industry, fisheries and tourism industry;
- (iii) Business entities where a significant part of the business also relates to the production, processing, finishing of products etc. and/or to the services of processing, finishing of products etc. (at least 30% of income/revenues relate to the aforementioned activities, which can be established based on the breakdown of income/revenues of the business entity according to the activities for the previous business year);
- (iv) In the case of a loan through a commercial bank or a loan from the funds under the framework loan agreement with a commercial bank or a leasing company.

¹⁹ The restriction applies to apartments, rooms and summer houses to let pursuant to the Ordinance on Classification and Categorisation of Catering Facilities in the group Other Accommodation Facilities.

- (21) Notary activity;
- (22) Publishing of newspapers and other periodicals, production and broadcasting of radio and television programmes, news agency activities, advertising and public relations agency activities;
- (23) Hospitality facilities providing exclusively drink service;
- (24) Family-run residential care homes in accordance with the Social Welfare Act²⁰.

As an exception, investment in apartments, rooms or summer houses to let is eligible:

- (i) In supported areas – units of local government classified into groups I, II, III or IV, or hill or mountain areas or the islands classified into group I;
- (ii) In the case of traditional buildings (individual buildings that are protected as cultural heritage, buildings located in settlement zones that are protected as cultural heritage or are located in contact zones of protected zones, and all other individual buildings that are built/reconstructed in accordance with the special conditions of conservator in terms of traditional construction, where the term conservator is considered to be the Conservation Department of the Ministry of Culture or another public legal body responsible for the protection of cultural heritage).

For tourist apartments in accordance with the Ordinance on Classification and Categorisation and the special standards for catering facilities in the group Hotels, there are no restrictions on lending.

²⁰ As an exception, eligible are capital investments of family-run residential care homes that have been operating for at least one year for the purpose of adaptation and reorganisation into an institution in accordance with the Social Welfare Act.