INTEREST AND FEE CALCULATION RULES

(implemented as on 16 March 2019)

Relevant organization units:

Large Corporate Clients and Structured Finance
Retail Banking
Central Operations
Markets and Investment Banking
Credit Risk Management Non-retail
IT
Finance
FWR Private Banking
Financial Institutions, Funding and Custody
Financial Products
Corporate Products
SME and Mid Market Segments and Network

CONTENTS:

1. *GENERAL PROVISIONS*

- Raiffeisenbank Austria d.d. (hereinafter: the Bank) makes agreements with its clients [1] on:
  - interest rates in line with the Bank *Decision on Interest Rates*, and
  - service fees in line with the *Decision on Service Fees*.
- The above decisions are based on provisions of the Interest and Fee Calculation Rules (hereinafter: the Rules).
- In respect of interest, the Rules define and govern:
  - types and characteristics of agreeing interest rates (hereinafter: regular interest rates),
  - calculation of reference interest rate,
  - forming and changing interest rates on loans not yet due,
  - methods of calculation and payment of interests,
  - methods of calculation and payment of default interests,
  - advance payment treatment.
- In respect of fees, the Rules define and govern:
  - types and characteristics of bank service fees calculation,
  - methods and procedure for calculating and paying fees,
  - revaluation rates for the Bank receivables.
- With respect to both the interest rates and fees, the Rules uniformly define:
  - value dating and disregarding, or crediting to income, and writing off minimum amounts
- The Bank generally applies the proportional method to calculate the interests according to the actual number of days (see under II.1.a in the calculation methods), with the accrual period starting on the value date and ending one day prior to interest payment (from t_0 to t_{-1}), except in the operations with financial institutions in the markets where specific accrual methods are applied.
- The Bank calculates the effective interest rate (EIR) pursuant to the Croatian National Bank (HNB) Decision[2] on Effective Interest Rate.
- The Bank performs revaluation of any liabilities and claims at the revaluation rate, the basis for the calculation of the revaluation rate being:
  - price increase rate in the previous month, expressed in percentage terms on a monthly level, or,
  - rate of change of the kuna exchange rate against an agreed foreign currency,
  - legal default interest rate.

2. *INTEREST AND FEE CALCULATION METHODS*

A. INTEREST CALCULATION METHODS APPLIED BY THE BANK

The Bank applies the *end-of-period interest method* to calculate interest rates, except for the redemption of bills of exchange and other claims where the *beginning-of-period interest method* is used.

The Bank applies the following methods in interest rate calculation:

- Proportional (simple) interest method
- Compound interest method

1. Proportional method

In proportional method interests are calculated according to the following formulas:

a) number of calendar days in the month / number of calendar days in the year
  - "calendar" means the actual number of days in a particular calendar period (usually 30 or 31, but also 28 or 29 in a month, and 365 or 366 days in a year)
  - applied regularly when calculating interests in any lending and deposit operations, except in the event of annuity repayment

[1] A Bank client can be any physical person or legal entity subject to unique identification. The Bank executes transactions on behalf of its clients in compliance with regulations.
[2] «Decision on Effective Interest Rate», published in the official gazette Narodne Novine No. 105/2017

- exceptionally, the proportional method with the application of the formulas under b) and c), or the compound method may be agreed with a client

$$IR = Base * \frac{ann.rate}{100} * \frac{\text{no. of calendar days in the calculation period}}{\text{no. of calendar days in the year}}$$

b) number of calendar days in the month / 360 days in the year

$$IR = Base * \frac{ann.rate}{100} * \frac{\text{number of calendar days in the calculation period}}{360}$$

- applied exceptionally in business activities with the markets where such type of interest calculation is common

c) 30 days in the month / 360 days in the year
- applied always in the event of repayment in equal annuities,
- exceptionally, it may be applied to other matters irrespective of annuity calculation

$$IR = Base * \frac{ann.\ Rate}{100} * \frac{30}{360}$$

d) number of calendar days in the month / 365 days in the year
- applied in Treasury operations,

$$IR = Base * \frac{ann.\ Rate}{100} * \frac{\text{no. of calendar days}}{365}$$

2. Compound method

- In the compound method, interests are calculated according to the following formula:

$$IR = Base * \left(\left(1 + \frac{rate}{100}\right)^{\frac{no\_days}{no\_days\_in\_year}} - 1 \right)$$

- In the compound interest method, interest payable for the respective number of days is calculated from the annual or monthly interest rate according to the compound method formula, as follows:

i. Calculation from the annual interest rate:

$$p_m = 100 * \left(\left(1 + \frac{p_n}{100}\right)^{\frac{m}{n}} - 1 \right)$$

3

where
p_m = interest rate for the respective number of days *m*
p_n = annual rate
n = number of days in the year, 365 or 366

ii. Calculation from the monthly interest rate:

$$p_n = 100 * \left(\left(1 + \frac{p_m}{100} \right)^{\frac{n}{m}} - 1 \right)$$

where
m = actual number of days in the month, or quarter

B. FEE CALCULATION METHODS APPLIED BY THE BANK
The *proportional (simple) interest method* is applied to calculate fees on guarantees according to the following formula:

a) number of calendar days / number of calendar days in the quarter
- 'calendar' means the actual number of days in the respective calculation quarter
- applied in exceptional cases when calculating the fees payable by strategically important clients who demand this type of calculation

$$IR = \text{Base} * \frac{\text{fee rate}}{100} * \frac{\text{no. of calendar days in the calculation quarter}}{\text{no of calendar days in the quarter}}$$

b) number of calendar days / 90 days in the quarter
- the number of calendar days in a quarter may not exceed 90 (if it exceeds 90, the calculation will recognize 90 days)
- as a rule, this method of calculating guarantee fees using a fixed number of days in a quarter is arranged with clients

$$IR = \text{Base} * \frac{\text{fee rate}}{100} * \frac{\text{no of calendar days in the quarter}}{90}$$

A quarter is a three-month calendar period, with a new computation period beginning on each 1 Jan, 1 Apr, 1 Jul and 1 Oct.
A trimestre is a three-month calendar period as the computation period of three months, beginning on any day in a month or quarter.

3. *DETERMINING INTEREST RATES*

Interest rates, for calculating interests on used assets and on placements, are determined and set out in a deposit or loan agreement, or else by a transaction confirmation/ agreement.

The Bank may arrange four types of regular interest rates with its clients:

a) Fixed interest rates
- interest rate is not subject to modification during the agreement period,
- agreed for the entire agreement period, and they *do not change* when entering the next accounting period,

b) Variable interest rates
- interest rate is subject to modification during the agreement period, and changes are determined usually on the first day of the computation period,
- includes the agreement parameter that is increased/decreased for the margin,
- agreement provisions shall define the agreement parameter as well as the interest rate margin,

The Bank may agree parameters explained in the section: Supplement 1.
- agreement parameter is determined usually 2 business days before the beginning of the computation period, and the Bank may define the agreement parameter for a particular segment of the portfolio also earlier,
- agreement parameter is determined irrespectively of the will of the contractual parties,
- the defined agreement parameter is applied for the calculation of interests in one computation period;

c) Portfolio variable interest rates (variable pursuant to the Bank Decision)
- interest rate is variable during the agreement period, and changes are determined under a separate decision of the competent Bank body for a particular loan/deposit portfolio,
- change of interest rates may be executed on the first day of the computation period,
- interest rate may be agreed in two manners: as a single-factor interest rate, or as an agreed parameter increased for the interest margin;

d) Floating interest rates
- interest rate is variable during the agreement period, usually on the first day of the computation period, but it may also be changed also during the computation period, or after the expiry of the computation period pursuant to the realised agreed criteria (back-dating),
- the variable component of these interest rates may be the calculation base, the computation period or the interest rate level, therefore, the floating interest rate cannot be set in advance,
- agreement shall define the parameters that affect the interest rates change during the agreement period,

The level of interest rates is determined under the *Decision on Interest Rates*. Any departure from the Decision is approved by the Bank Management Board or another body to which the Management Board delegates the responsibility to make decisions on interest rate changes.
Interest rates are agreed in a percentage of the principal, and are expressed usually on the annual level. Exceptionally they may be expressed also per month.
The Bank may approve a bonus that represents a percentage decrease of the interest rate or interest margin. The Bank defines rules for bonus calculation for every individual computation period per individual loan agreement. The Bank approves the interest rate bonus before the beginning of the computation period.

A. INTEREST RATE TYPES IN RETAIL BANKING

Pursuant to provisions of the Consumer Lending Act, the agreed retail loan interest rates may be variable only if the change calculation parameters are independent of the will of the contractual parties.

Interest rate types in retail banking

- Variable interest rate (variable, individual)
- Portfolio variable interest rate
- Fixed interest rate.

Interest rate may be agreed in single-factor interest rate or double-factor interest rate percentage amount. The single-factor interest rate is agreed in fixed interest rates and in portfolio variable interest rates on deposits and transaction account overdrafts. For loans, the double-factor interest rate consists of the agreement parameter and margin, and it is agreed in variable and portfolio variable interest rates.

The Bank may agree the following parameters for changing interest rates:

- Reference interest rates (RIR)
- Treasury bills (TZRH)
- Base interest rate (BIR)
- Discount interest rate (DR)
- National reference rate (NRR)

Variable interest rates in retail banking are rounded to two decimal places under mathematical rules.

Loans:

- In loans with annuity repayment method, instalment repayment, and one-off repayment through monthly payment interest rates may be individually or portfolio variable. The computation period starts on the 1st of the month, and the parameter amount for interest rate change is determined 2 business days before the end of the 2nd month before the computation period (e.g. for computation period that starts as of May 1st the amount of the selected parameter is determined 2 business days before the end of March). The amount of the parameter is determined on the basis of the last public data regarding the particular parameter as on the day of determining the parameter amount (e.g. the NRR value is published on the 16th day of the 2nd month of every quarter, so the parameter amount on the day of determining the parameter will be established on the basis of the last publication).
- In credit card revolving loans interest rates are fixed during the period of an individual Limit validity term. The spending limit is approved in kuna, for the period of one calendar year, from 1st January until 31st December, and it is renewed automatically for the same term if the credit card holder is settling their liabilities duly. The credit card holder who contracts the Revolving Loan Agreement during the calendar year, or accepts the General Terms and Conditions, will be approved the first spending limit for the term from the day of contracting the Agreement, or accepting the General Terms and Conditions, until 31st December of the same year, after which it will be renewed for the period of one calendar year.

Deposits

- In time deposits the Bank contracts fixed interest rates (for a term up to 3 years). On time deposits contracted before 01/09/2013, with a variable interest rate with extension, at the moment of extension the fixed interest rate is applied valid as on the day of extension for the agreed period depending on the currency and the amount of the time deposit. Interests are portfolio variable for sight savings accounts and balances in payment accounts. The Bank can change them, with announcement, on its web site in keeping with legal provisions.
- The above provisions do not apply to escrow deposits.
- In retail non-purpose time savings deposits agreed at a fixed interest rate and automatized term renewal, fixed interest rate is defined at the beginning of every term renewal. Upon expiry of the fixed term, the previously agreed calculation period ends, and automatized renewal is a new calculation period. When renewing an agreement (automatized renewal), the interest rate from the Bank offer for new agreements is applied pursuant to the Decision on Interest Rates.

4. DETERMINING FEES

The Bank does not charge fees for all customer services, the main reason being the prevailing market practice. As the Bank takes into account its market position, it will continue to refrain from charging a fee for particular services for as long as it considers that such charges, although being fully justified from a legal and economic point of view, could harm the Bank's reputation, or diminish its competitive position.

1. Types of fee calculation

Fee calculation types are distinguished according to service type and calculation method. There are services in risk transactions and services in risk-free transactions. The basis for fee calculation can be a transaction unit (fee calculated according to the number of transactions executed), the average basis value (of assets), in the respective calculation period, or the transaction amount (fee calculated as a percentage of the transaction amount value). Service fee is increased by VAT and/or any other duties as required.
According to the calculation method, fees can be one-off fees for the service rendered and periodical fees (payable twice a month, monthly, quarterly, or annually) for services which are rendered on a continuous basis. According to service type, the fee calculation period can be set in advance or in arrears with respect to the service execution date.
If a transaction results from a payment order, which is, due to insufficient account balance, executed partially, in several transactions depending on the funds available in the respective account, fees shall be calculated on the basis of every individual transaction.

According to service type, the fee calculation period can be set in advance or in arrears with respect to the service execution date.

The fee amount for non-risk services is expressed in absolute terms or as a percentage of the service value, denominated in kuna or in a foreign currency (payable in kuna equivalent). The fee amount is normally determined according to the actual cost of the material and personnel resources of the Bank required for providing the respective service and increased by the respective portion of capital premium. The change of the resource costs and/or capital premium may result in the change of the service fee. The Bank shall adopt a decision on resetting of fee in case of a change of input price only if it considers that such change would not weaken its market position.

The amount of fees for risk transactions is generally expressed as a percentage of the respective service value and calculated permanently for as long as the Bank is exposed to the risk. In addition to the cost of resources required to render service and the capital premium, the fee for risk transactions includes also the borrower risk premium. As regards risk products, the Bank computes contractual penalties in the absolute amount.
An example of a risk product is a credit limit. When entering into credit product agreements the Bank is exposed to a credit risk even if the granted limits have not been fully utilised. The Bank charges a commitment fee for reserving the funds on unutilized amount of the approved and agreed limit facility according to the formulae used for calculating total margin on the utilised credit product amount (without the base interest rate as there is not utilisation of assets). In this case the fee also contains the credit risk premium in addition to the standard operational cost and capital premium.

The Bank may define minimum and maximum fee amounts for both risk and risk-free transactions. If the calculated fee amount is lower than the minimum or exceeds the maximum set for a particular type of service, the respective minimum or maximum fee amounts shall be charged.

2. Calculation of actual costs

In addition to service fee, the Bank also charges any actual costs of external service providers to the client, which providers are necessary for providing the required service to the respective client. Actual costs are charged to the client in the original currency (in kuna or the respective foreign currency). Actual costs include the following:

- fees and any other charges of other banks at home or abroad, which banks participate in the respective transaction
- telex, facsimile and international phone call charges
- postage and special shipment charges, transportation costs
- SWIFT charges

- costs of protest, notaries public, suits regarding bills of exchange, action/ruling executions, etc.
- costs of special forms in international operations (bills of exchange, duties, etc.)
- costs of the main custodian in custody services
- other costs incurred at the request of service user.

In retail banking operations the actual external service provider costs (e.g. for instance costs of foreign service providers for execution of cross-border payment transactions at the client's order) can be charged, depending on the fee type, for each service separately.

However, external service costs are generally included in the Bank service fee, because such costs in mass transactions and related services can not be directly linked to each service executed and charged in a cost-effective way. Therefore, such costs are allocated to an anticipated volume of services, thus forming the service fee. An example of this are postage charges for sending dunning letters to borrowers, joint debtors and sureties at the cost of the borrower.

3. Fee payment

Fee payment methods according to service types:

- payment of the charged amount into the Bank account by the client
- deducting the charged amount from the funds disbursed to the client
- debiting the charged fee amount against the client's account

Fees charged for any services provided, as well as actual costs, are normally payable immediately. A different payment maturity may be agreed for the fees and actual costs for non-standard products.[3]

If payment is made after the expiry of the agreed waiting period, the Bank shall charge default interests, in keeping with regulations, calculated from the date of payment maturity to the date of payment. Instead of calculating default interests, the Bank may apply receivables revaluation at the revaluation rate equal to the legal default interest rate.

[3] In corporate lending it is usual to agree for fees and actual costs to be paid within seven days from the calculation date.

5. INTERESTS PAYABLE CALCULATION AND PAYMENT METHOD

A. FOR PRIVATE INDIVIDUAL'S ASSETS

Interests payable on deposits in current, giro, FX and sight accounts of private individuals is calculated by the simple/proportional method described in section 1.a) of section II of these Rules. Interest payable on private individuals' funds kept as sight deposits (on kuna and FX savings book) and as time deposits is calculated by applying the compound method as described in section 2 of section II of these Rules.
The computed interest amount payable on private individuals' funds is rounded to two decimals.

<table>
<tr><th>Interests are</th><th>calculated</th><th>compounded</th><th>paid</th></tr>
<tr><td colspan="4">1. current and giro accounts (transaction accounts)</td></tr>
<tr><td rowspan="2">- current and giro accounts of private individuals</td><td colspan="3">on a monthly basis</td></tr>
<tr><td colspan="3">upon account closing</td></tr>
<tr><td colspan="4">2. savings deposits and sight savings accounts</td></tr>
<tr><td rowspan="2">- sight savings accounts</td><td colspan="3">on a monthly basis</td></tr>
<tr><td colspan="3">upon account closing</td></tr>
<tr><td rowspan="2">- sight savings deposits</td><td>on a monthly basis</td><td>annually (31st Dec)</td><td>annually (1st Jan, value date on 31st Dec)</td></tr>
<tr><td>upon account closing</td><td>upon account closing</td><td>upon account closing</td></tr>
<tr><td colspan="4">3. time deposits</td></tr>
<tr><td rowspan="3">- kuna and foreign currency all-purpose time deposits

- kuna and foreign currency security deposit for personal credit cards</td><td>on a monthly basis</td><td rowspan="3">According to Agreement:
- monthly (on each 30th or 31st of the month, or 28th or 29th Feb)
- per quarter (31st March, 30th June, 30th Sept, 31st Dec)
- twice a year (30th June and 31st Dec)
- annually (31st Dec)
- upon expiry of time deposit maturity
- upon termination of Time Deposit Agreement</td><td rowspan="3">According to Agreement:
- monthly (on each 1st of the following month with value date as on each 30th or 31st of the previous month, or as on 28th or 29th Feb)
- per quarter (on each 1st of the following month with value date as on 31st March, 30th June, 30th Sept, 31st Dec)
- twice a year (on each 1st of the following month with value date as on 30th June and 31st Dec)
- annually (on each 1st Jan with value date as on 31st Dec)
- upon expiry of time deposit maturity
- upon termination of Time Deposit Agreement</td></tr>
<tr><td>upon expiry of time deposit maturity</td></tr>
<tr><td>upon termination of Time Deposit Agreement</td></tr>
<tr><td rowspan="4">- kuna and foreign currency special-purpose time deposits</td><td>on a monthly basis</td><td></td><td></td></tr>
<tr><td>upon expiry of time deposit maturity</td><td>upon expiry of time deposit maturity</td><td>upon expiry of time deposit maturity, or in line with provisions of the Time Deposit Agreement</td></tr>
<tr><td>upon termination of Time Deposit Agreement</td><td>upon termination of Time Deposit Agreement</td><td>upon termination of Time Deposit Agreement</td></tr>
<tr><td colspan="3">In case of termination of Special-purpose Time Deposit Agreement before expiry of the agreed deposit maturity, the applicable interest rate will be recognized in line with provisions of the Agreement.</td></tr>
</table>

- kuna savings deposit, kuna deposit indexed to FX, and foreign currency all-purpose time savings deposit	on a monthly basis	According to Agreement: - monthly (on each 30th or 31st of the month, or 28th or 29th Feb) - per quarter (31st March, 30th June, 30th Sept, 31st Dec)	According to Agreement: - monthly (on each 1st of the following month with value date as on each 30th or 31st of the previous month, or as on 28th or 29th Feb)
- kuna savings deposit, kuna deposit indexed to FX and foreign currency security deposit for credit cards	upon expiry of time deposit maturity upon termination of Time Deposit Agreement	- twice a year (30th June and 31st Dec) - annually (31st Dec) - upon expiry of time deposit maturity - upon termination of Time deposit Agreement	- per quarter (on each 1st of the following month with value date as on 31st March, 30th June, 30th Sept, 31st Dec) - twice a year (on each 1st of the following month with value date as on 30th June and 31st Dec) - annually (on each 1st Jan with value date as on 31st Dec) - upon expiry of time deposit maturity - upon termination of Time Deposit Agreement
- kuna savings deposit, kuna deposit indexed to FX and foreign currency security deposit	on a monthly basis upon expiry of time deposit maturity upon termination of Time Deposit Agreement	According to Agreement: - monthly (on each 30th or 31st of the month, or 28th or 29th Feb) - per quarter (31st March, 30th June, 30th Sept, 31st Dec) - twice a year (30th June and 31st Dec) - annually (31st Dec) - upon expiry of time deposit maturity - upon termination of Time deposit Agreement	According to Agreement: - monthly (on each 1st of the following month with value date as on each 30th or 31st of the previous month, or as on 28th or 29th Feb) - per quarter (on each 1st of the following month with value date as on 31st March, 30th June, 30th Sept, 31st Dec) - twice a year (on each 1st of the following month with value date as on 30th June and 31st Dec) - annually (on each 1st Jan with value date as on 31st Dec) - upon expiry of time deposit maturity - upon termination of Time deposit Agreement

In keeping with the provisions of the Act on Amendments and Changes to the Income Tax Act (official gazette NN 143/2014) of 01/01/2015, the Bank calculates tax and surtax on interest revenues from kuna and FX savings. Interest revenues from kuna and FX savings are taxed at the tax rate in keeping with the provisions of the above Act and at the surtax rate with respect to the permanent or habitual residence of a client.

Tax and surtax are calculated on interests paid after 01/01/2015. The interests calculated for the period by 31/12/2014 are not taxed, irrespectively of their payment date.

Tax and surtax are calculated for all time deposits, irrespectively of their type, and for the product "sight savings account", as applicable for any interest revenues at a rate exceeding the interests that the Bank pays for sight assets.

For sight savings deposits (savings book) and for transaction accounts (current, FX and giro account) no tax and surtax on interest revenues are calculated.

For time deposits tax and surtax on interest revenues are calculated and withheld at every interest entry or payment (deposit maturity, early deposit termination or annuity interests payment).

For sight savings accounts interests are calculated and paid monthly and the respective tax and surtax are calculated and withheld monthly.

When entering or paying interests the amount of the calculated interests is decreased for the amount of tax and surtax, and the decreased amount of the interests due to the client is paid to an interim account or entered to the deposit principal.

The Bank pays the amount of tax and surtax to the benefit of the Ministry of Finance – Tax Administration through the legally stipulated template JOPPD (Unique Template for Taxes, Surtaxes and Contributions).

B. FOR BUSINESS ENTITIES' ASSETS

Interest payable on corporate deposits is computed by the simple/proportional method. The method is uniform for both residents and non-residents. In exceptional cases, the Bank may calculate the interest payable to strategic customers in line with the prevailing practices of the markets such customers are associated with.

Interests are	calculated	Compounded/ paid
1. sight deposits		
- kuna deposits	monthly	quarterly
	upon account closing	upon account closing
- foreign currency deposits	monthly	quarterly
	upon account closing	upon account closing
		pursuant to Agreement
- kuna deposits in Flexibiz savings account	monthly	per trimestre
	upon account closing	upon account closing
2. time deposits – short term maturity (up to 1 year)		
- kuna deposits	monthly	According to Agreement/ Transaction Confirmation: - upon expiry of maturity - upon termination of Time Deposit Agreement
	upon expiry of time deposit maturity	
	upon termination of Time Deposit Agreement	
- foreign currency deposits	monthly	According to Agreement/ Transaction Confirmation: - upon expiry of maturity - upon termination of Time Deposit Agreement
	upon expiry of time deposit maturity	
	upon termination of Time Deposit Agreement	
In case of early termination of all-purpose deposits prior to maturity, for the completed maturity period interest shall be calculated at 50% of the originally agreed interest rate		
3. time deposits – long-term maturity (over 1 year)		
- kuna deposits - foreign currency deposits	monthly	- interests are not compounded - paid at maturity of interest, upon expiry of time deposit maturity, upon termination of Time Deposit Agreement
	upon expiry of time deposit maturity	
	upon termination of Time Deposit Agreement	
In case of early termination of all-purpose deposits prior to maturity, for the completed maturity period interest shall be calculated at 50% of the originally agreed interest rate		

- 4. Account overdraft		
- KUNA OVERDRAFT	- monthly	- monthly/ trimestrally
In case of early termination of deposits, for the completed maturity period interest shall be calculated at 100% of the originally agreed interest rate.		

C. FOR BANKS' ASSETS

Interests are	calculated	compounded	paid
1. funds of other banks and financial institutions			
- for a term shorter than one month	at the end of month	at maturity	pursuant to Agreement / Transaction
	at maturity		
- for a term over one month	monthly	at maturity	pursuant to Agreement / Transaction Confirmation
		pursuant to Agreement / Transaction Confirmation	

6. *CALCULATION AND PAYMENT METHOD FOR LOAN INTERESTS AND SERVICE FEES*

A. LOANS TO PRIVATE INDIVIDUALS

1. Overdraft/overrun overdraft in current and giro accounts

INTEREST CALCULATION AND PAYMENT

Interests payable on the overdraft /overrun overdraft (regular / default interest) are calculated according to the simple/proportional method (item A.1, section II of these Rules). Interests are charged monthly.

The Bank collects the calculated regular interests by debiting the client's account on interest computation day. Upon maturity or termination of the agreement, regular interests are collected as on the computation day by debiting the client's account.

The interests computed on overrun overdraft (default interest) are calculated and charged in keeping with the provisions of clause VII.B Default Interest Calculation Method.

There is no default tolerance period regarding interests payment.

SETTLEMENT SEQUENCE AND PAYMENT METHOD

Any liabilities due and payable by the client to the Bank within one current account are settled according to the age of respective liabilities. Liabilities of the same maturity are settled in the following order: cost (court, public notary, attorney), fee, default interests, regular interests, principal. Due liabilities are settled by making payment to the current account in an overdraft/overrun overdraft (or within the frame loan).

2. Loans in kuna or with currency clause

INTEREST CALCULATION PHASES

Interests are computed in the loan utilisation phase, during the loan repayment phase and during the grace period/moratorium phase.

a) Loan utilisation phase

- The Bank generally calculates and charges intercalary interest for every occasion of loan utilisation. The intercalary interests are calculated by the simple/proportional method described in item 1.a), section II of these Rules

- Intercalary interests are charged for the period starting from the utilisation date to the first payment date, with the disbursed loan amount being the basis for interest calculation.
- Intercalary interests are generally charged at loan utilisation, by deducting the interest amount from the loan amount being disbursed to the borrower.

b) Grace period/moratorium phase

- The Bank computes grace period/moratorium interest on a monthly basis, and charges the interest amount either monthly or upon the expiry of the grace period/moratorium.
- Grace period/moratorium interests are calculated according to the simple/proportional method described in section 1.a) chapter II of these Rules.

Exceptionally, in case of loans agreed with a special instalment ("balloon" repayment or dynamic repayment) which is due for repayment in a lump sum at the end of the agreed loan repayment period, interest on the special instalment amount is calculated and charged on a monthly basis according to the method described in item 1.c), section II of these Rules.

c) Loan repayment phase

- The Bank computes interest on a monthly basis and charges it on the same due dates of the loan annuities/instalments (monthly). The Bank may agree with the borrower to calculate and charge the interest also according to a different time schedule, for instance, annually.
- Regular interests are calculated on the base – loan principal balance denominated in kuna or in a foreign currency if the loan is indexed to a foreign currency.
- Annuity interests are computed according to the simple interest method described in item 1.c), section II of these Rules.
- Interest on loans repaid in instalments is calculated by the simple method described in item 1.a), section II of these Rules.
- On the calculation date or due date, the amount of interest on loans indexed to foreign currency is converted in the kuna equivalent at the agreed Bank exchange rate effective as on the calculation date, or on the due date.
- In case of loans agreed with a special instalment ("balloon" repayment or dynamic repayment), the Bank calculates the interest on the special instalment amount on a monthly basis, and adds it to the annuity amount and charges it on due dates of the annuities (monthly).
- In respect of loans which are arranged with one-off repayment of the principal:
  - If interests are payable monthly, the Bank computes interest on a monthly basis by applying the simple/proportional method as described in item 1a), section II of these Rules,
  - If the loan is arranged with the interest being payable as one-off on the same due date as the loan principal, the Bank calculates the not-yet-due interest monthly by applying the simple/proportional method as described in item 1a), section II of these Rules.

LOAN CURRENCY

Loans can be denominated in kuna or indexed to a foreign currency, typically to EUR, but also other foreign currencies.

Application of the reference interest rate depends on the loan currency, and the loans agreed in a particular currency with a currency clause conform to the reference interest rate applicable for the respective currency.

LOAN REPAYMENT

- Loans are normally repaid in annuities (standard annuity repayment) that may be denominated in the kuna or in foreign currency. The annuity is calculated according to V Financial tables.

- Annuities are due and payable on the last day of a month, according to the repayment schedule, with no tolerance period even if the due date falls on a non-working day (Sunday, public holiday, etc.).
- In case of loans agreed with a special instalment ("balloon" or dynamic repayment), a portion of the loan is repaid in monthly annuities (standard annuity repayment), including the monthly special instalment interest, and the special instalment itself is due for payment together with the last loan annuity in the last month of the agreed repayment period.
- In respect of the Flexi annuity repayment, during the first five years of loan, term annuity amounts may change according to the Borrower's request, however, annuities may not be lower than the minimum or higher than the maximum annuity limit set.

The minimum annuity amount is equal to the interest from the first annuity calculated by the standard annuity method increased by 10% of the principal from the respective annuity. The maximum annuity may not exceed the amount of the annuity calculated by the standard annuity method. After five years the remaining not-yet-due loan principal continues to be repaid in equal monthly annuities (standard annuity repayment) calculated for the remaining loan repayment period.

- In respect of loans agreed with a bullet principal repayment, at the end of the agreed loan repayment period the regular interest on loan principal is:
  - payable monthly, whereas the loan principal is due for payment in lump sum in the last month of the agreed loan repayment period together with the last monthly interest amount, or
  - payable in lump sum together with the loan principal.
- In respect of the instalment payment, the loan is repaid in instalments, which consist of the principal and regular interest. Instalments are payable monthly, on the last day of the month, according to the repayment schedule. The first instalment amount is the largest and each subsequent instalment is lower than the preceding one.

The loan principal amount in a monthly instalment is calculated according to the following procedure: the loan principal (the loan amount actually disbursed) is divided by the number of months of repayment and the resulting amount is not changed throughout the loan repayment period; the regular interests are calculated monthly on the outstanding principal balance and it changes during the loan term, with the highest interest amount being calculated in the first instalment and in each subsequent instalment the interest amount is lower than the regular interest calculated in the previous instalment.

- For foreign currency indexed loans, the amount of annuity/instalment, the interest amount or the special instalment amount is denominated in the respective foreign currency and payments are made in kuna equivalent at the agreed exchange rate quoted by the Bank on the due date, or on the actual payment date if payment is made prior to due date.
- Any early payments ahead of schedule for the foreign currency indexed loans are re-calculated into the agreed currency at the agreed exchange rate of the respective currency effective on the date on which the payment is credited to the Bank's account.
  - Early payments for foreign currency indexed loans are not subject to calculation of interest payable on deposits.
  - Early payments for kuna loans are subject to calculation of interest payable on deposits at the rate quoted by the Bank for retail sight deposits.

SETTLEMENT SEQUENCE AND PAYMENT METHOD

Any liabilities due and payable by the client to the Bank within one credit account are settled according to the age of respective liabilities. Liabilities of the same maturity are settled in the following order: cost, default interests, regular interests, principal. Due liabilities are settled by making payment to the credit account.

CALCULATION OF INTERESTS FOR PERSONAL CREDIT CARDS

- Regular interests are computed for every individual loan amount utilized by way of card use, from the date of the respective transaction until the date of forming the first following statement. From the statement date until the date of payment the regular interests are computed for the total debt balance as in the statement, decreased for the outstanding interests from the previous period. If the card holder has paid any amount after the forming of the statement, interests are calculated for the remaining outstanding debt amount from the date of payment. The interests payable on cash withdrawals made within and outside the Bank ATM and business network is calculated and charged by the Bank for the period between the withdrawal date and the monthly statement date on a monthly basis.

- The interest set out in the previous paragraph is calculated according to the simple/proportional method as described in item 1 a) section II of these Rules.
- The amount of the calculated and charged interests is shown in the monthly statement.
- The minimum balance to be paid by the holder of a credit card represents 3% of the total debt on the card, which debt includes as follows: the outstanding debt from the previous period – payments made + sum of any debit transactions of the current period, including also instalment amounts of any instalment purchases, + sum of all fees of the current period. To this amount the following is added: a) 100% sum of all interests (regular interest + default interest); b) minimum balance outstanding from the previous period, and c) total approved limit overdraft. The minimum balance to be paid may not be less than HRK 150.00 (in case the total amount owed is less than HRK 150.00, the minimum payment is equal to the amount of total debt).
- Interest rate is fixed and defined under the Bank's Decision on Interest Rates.

B. CORPORATE LOANS

1. Methodology

The interest on corporate loans is computed according to the end-of-period interest model, by applying the simple method, as described in item 1 a) section II of the Rules, unless otherwise specified under the Loan Agreement.

2. Loan phases

a) Loan disbursement/utilization

During the disbursement period regular interest rate is generally charged for every disbursement, but a special interest rate, different from the regular one, may also be agreed. Interests are charged on a monthly basis, or in accordance with the provisions of the Loan Agreement, and upon expiry of the disbursement period.

b) Loan repayment

- During the loan repayment period (including the grace period) interest on instalment or bullet loans is computed and charged:
  - on a monthly basis on the last day of each month, or in line with the Loan Agreement, and at loan maturity
  - quarterly on 31st March, 30th June, 30th Sept and 31st Dec, and upon loan maturity
  - on a semi-annual basis on 30th June and 31st Dec, and at loan maturity
- The interest payable on revolving loans is due and payable at the maturity of every loan tranche.
- Loan repayment in annuities may be agreed on a monthly, trimestral and semi-annual basis. Annuities are calculated according to V Financial tables. The interest in annuities is calculated according to the method described in item 1 c) section II of the Rules.

3. Calculation and payment currency

The basis for the calculation of interest payable on the loans arranged in the kuna equivalent of a foreign currency (foreign currency indexed loans) is recorded in the respective foreign currency.

The interest charges are recalculated into the kuna equivalent:

- on loans with a double FC indexation: at the Bank's middle exchange rate on the calculation date, unless otherwise agreed,
- on loans denominated in foreign currency: the interests are calculated in the respective foreign currency and charged in the same currency or by payment of the kuna equivalent calculated at the Bank selling rate quoted on the payment date.
- on loans funded from other sources or by special purpose funds (foreign loans, CBRD and other loans): the interests are calculated and charged according to the agreement with the respective creditor[4].

If the calculation period exceeds one month, the amount of monthly interest charges is to be kept in the book-keeping accounts of interest not-yet-due.

Liabilities which are due for payment are settled in the following order: cost, default interests, regular interests, principal.[5]

4. Collection due date

The interests charged on utilised Bank funds are due and payable immediately. This applies to the standard Bank products:

- standard loans repaid in annuities (retail loans and corporate loans – investment and consumer loans)
- standard loans with linear repayment of principal (corporate loans)
- standard loans with a bullet repayment of principal on final maturity date
- standard revolving loans (loans from a credit limit for all types of borrowers on a revolving basis)

The Bank may agree also a different schedule for interest payments on non-standardized products.[6]
Collection of default interests is set forth in section VII.E of these Rules.

5. Interests calculation and payment for Business MasterCard

- Regular interests are computed for every individual loan amount utilized by way of card use, from the date of the respective transaction until the date of forming the first following statement. From the statement date until the date of payment the regular interests are computed for the total debt balance as in the statement, decreased for the outstanding interests from the previous period. If the card holder has paid any amount after the forming of the statement, interests are calculated for the remaining outstanding debt amount from the date of payment. Interests are computed by the simple/proportional method as described in item 1 a) section II of these Rules. The regular interests are charged monthly.
- The interest on cash withdrawals made within, or outside, the Bank ATM and business network will be computed and charged by the Bank for the period between the withdrawal date and the monthly statement date by applying the simple/proportional method as described in item 1 a) section II of these Rules, the interest being payable on a monthly basis.
- The amount of interest charges is declared on the Statement.
- The minimum balance to be paid by the Business MasterCard credit card holder represents 3% of the total debt on the card, which debt includes as follows: the outstanding debt from the previous period – payments made + sum of any debit transactions of the current period + sum of all fees of the current period. To this amount the following is added: a) 100% sum of all interests (regular interests + default interests); b) minimum balance outstanding from the previous period; c) total approved limit overdraft. The minimum balance to be paid may not be less than HRK 400.00 (in case the total amount owed is less than HRK 400.00, the minimum payment is equal to the amount of total debt).
- Interest rate is variable as defined in the Bank's Decision on Interest Rates.

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[4] In case of foreign currency indexed loans from sources other than the Bank, interests are recalculated into the kuna equivalent at the agreed exchange rate quoted on the calculation date: the Bank middle exchange rate or the CNB middle exchange rate.

[5] Except for problem loans, for which the reverse principle may be applied where the principal is to be repaid first, followed by loan costs, default interests and regular interests. Exceptionally, the Bank may allow a different repayment schedule of due liabilities to strategic clients.

[6] For interest payments in corporate lending a 7-day tolerance period starting from the computation date is normally agreed, i.e. by the 7th of each month. If the 7th day falls on a Sunday or a public holiday, the interests are payable on the following working day.

6. Calculation and payment of overdraft interests and of fees for unused overdraft amount

- Overdraft interest and fee for unutilized portion of the overdraft (hereinafter: overdraft charges) are calculated on a monthly basis according to the simple/proportional method, and are due and payable according to the terms of the respective agreement, on a monthly basis.
- Regular interests are charged by the Bank by debiting the Borrower's account on the interest calculation date. At agreement maturity or termination regular interests are also debited to the Borrower's account on the interest calculation date.
- At maturity or termination of agreement, principal and overdraft charges due are classified as credit and fees receivable, in line with provisions of the Internal procedure on recording and collection of due claims in corporate transaction services. For the collection of amounts due and payable, the instruments provided as collateral will be activated on the transaction account.
- Any overdraft facility agreed at an interest rate linked to ZIBOR, interests are calculated as on the end of each interest rate period for the following interest rate period, as under the terms agreed in the agreement between the Bank and the Borrower.
- An interest rate linked to ZIBOR becomes valid and effective two business days after it has been published, and it is determined two business days before the interest rate period begins, when the implementation of the determined interest rate begins in the computation of the regular interests.

Interbank loans and deposits

The interest payable on interbank loans and deposits is computed at maturity, and charged at maturity or according to the provisions of the respective agreement. Interests are calculated by the *simple/proportional method* according to the formulae set out in items 1a), 1b), 1c) or 1d) of section II of these Rules.

In respect of the Treasury transactions, any interests are due and payable on the interest calculation date.

C. SECURITY PAPERS

1. Fixed-income securities except discount instruments

Interest payable on fixed-income securities, except for discount instruments, including interest swap, is calculated daily and collected at maturity, according to the method defined for every specific instrument.

2. Discount instruments

The interest payable on discount instruments is calculated in line with provisions of the *Rules for valuation of instruments traded by the Treasury and IB Division* and *Technology instruction for securities valuation*.

3. Bill of exchange

- Bills of exchange and other security papers are discounted at the rate applicable on the discount date.
- When discounting a bill of exchange of which nominal value does not include interest payable, the end value of the security paper should be determined and then discounted.
- When the applicable discount rate is set on a monthly basis, and the maturity of the instrument to be discounted exceeds one month, the discount rate is calculated from the annual rate by raising the rate to the annual level on the basis of the number of days in the respective month in which the discount is made.
- Bills are discounted according to the simple interest calculation method described in item 1 b) of section II of the Rules.

7. TREATING OVERPAYMENT

- If actual payment made in respect of a loan exceeds the amount due, the overpaid amount is credited to the overpayment account.
- The overpayment account is closed by a refund of the overpaid amount or against settlement of the next amount due.
- Overpayment on foreign currency indexed loans is recorded in the respective currency at the agreed exchange rate applicable on the date of payment which resulted in overpayment.
- The overpaid amount denominated in the currency of the original debt forms the basis for settlement of the next amount due, and it is recalculated in the kuna equivalent at the agreed exchange rate on the maturity date.
- The overpayment account is closed at final maturity, and any balances of less than HRK 100.00 remaining in the account are credited to the bank account of other revenues.

- The bank pays no deposit interests on overpayment amounts in respect of foreign currency indexed loans.
- With respect to retail loans agreed in kuna, on the overpayment amount the Bank pays a deposit interest at the rate applicable on sight deposits in retail accounts.

8. DEFAULT INTEREST CALCULATION AND PAYMENT

A. INTRODUCTION

In case of clients' default in the settlement of any amounts due and payable (principal, fee, other liabilities), the Bank shall agree, charge and collect default interests in keeping with regulations.

Fees for payment transactions of legal entities as well as other non-risk claims and claims with respect to costs will be re-valued. Unless otherwise specified under a special agreement or other official Bank documents, the Bank will revalue any of its claims for service fees and actual costs from the maturity date at the rate and according to the method used to calculate the statutory default interest owed from the calculation date to the final collection of the computed service fee and/or other charges.

When default interest starts to be charged on any due and outstanding claims, the regular interests payable on this basis shall cease. The regular interest will continue to be charged on the remaining debt according to maturity.

B. DEFAULT INTERESTS CALCULATION METHOD

- Default interests are calculated and charged on a monthly basis, according to the simple/proportional method described in item 1 a) of section II Interest Calculation Methods, of these Rules.
- Default interests are computed for a period starting from due date until one day before the payment date.
- Default interests computed in one calculation period are not included in the default interest calculation base in the following calculation periods.
- The Bank's due claims for outstanding principals, fees and other costs make up the default interest calculation base. The default interest calculation base are the Bank's due claims, as follows:
  - for corporate loans the default interest calculation base includes principals, fees and other costs;
  - for retail loans the default interest calculation base includes overdue principal and overdue regular interests for all agreements contracted before 01/01/2006. For the agreements made after 01/01/2006 the default interest calculation base includes only the overdue principal;
  - for PI current accounts the default interest calculation base includes the total amount of the overdue outstanding principal and overdue outstanding fees[7]
  - if a credit card user defaults on payment of a defined minimum balance by due date or pays an arbitrary amount after due date, the Bank calculates and charges default interests on the amount of the overdue outstanding debt amount less the sum of all outstanding interests of the previous period, from the maturity date until the overdue debt settlement date, by applying the simple/proportional method as described in item 1 a) of section II of the Rules. The amount of interest charges is shown on the card Statement. The amount of calculated and charged interests is given on the Statement.

C. DEFAULT INTEREST COLLECTION

Default interests are due for payment immediately. They are charged upon calculation, without any previous notice thereof to the client. This method also applies to the default interest on any non-standard loans.

[7] Not applicable to accounts exempt from default interest charges as under regulations.

9. VALUE DATING

a) Value dating of payment orders:
A correct payment order, received according to the Cut-Off Times Schedule of Payment Transactions, will be executed by the Bank, depending on the payment transaction type, no later than within the following terms:

Payment transaction type	Maximum execution time
kuna national payment transactions	same day
national payment transactions in a third country currency	by end of fourth working day
Cross-border payment transactions	by end of third working day

b) Value dating of inflows:
For national payment transactions in kuna the Bank credits the transaction amount to the client's account immediately upon the funds being credited to the Bank's account, and on the same day, or no later than the next working day, upon receipt of transaction amount credit note on the Bank account for all other payment transactions.

- Notwithstanding provisions under a) and b) herein, the client's account is debited on the actual transaction date in debit card transactions.

10. DEBTING FX ACCOUNTS OF PRIVATE INDIVIDUALS WHEN EXECUTING STANDING ORDERS AND PERFORMING DIRECT DEBITING

The following types of standing orders can be contracted from the transaction accounts of private individuals:
- standing order for transfer to another account with RBA, or
- standing order for loan repayment / transfer to another account outside RBA.

Direct debiting is contracted for RBA loan repayment and RBA credit card debt repayment by way of the template that defines the manner and the currency of debiting. When contracting the manner one of the following options can be selected:
- direct debiting for repayment of loan/ credit card / transfer to another account with RBA, or
- direct debiting to another account outside RBA.

When contracting the standing order/ direct debiting from an FX account, the following debit options can be selected so as to debit:
- only the agreed debit currency,
- the agreed debit currency, followed by other currencies according to the exchange rate list sequence,
- the agreed debit currency, followed by other currencies according to the balance amount starting from the highest, or
- the agreed debit currency, followed by other currencies according to the balance amount starting from the lowest.

Direct debiting for repayment of loan with RBA which was contracted from an FX account debits the agreed debit currency (the loan currency) at the buy exchange rate for foreign currencies. If as on the date of the order execution the agreed debit currency funds in the FX account are insufficient, other currencies in the respective FX account will be debited, according to the exchange rate list sequence at the buy exchange rate for foreign currencies.

Direct debiting for repayment of RBA credit card debt which was contracted from an FX account debits the agreed currency at the buy exchange rate for foreign currencies. If as on the date of the order execution the agreed debit currency funds in the FX account are insufficient, other currencies in the respective FX account will be debited, according to the exchange rate list sequence at the buy exchange rate for foreign currencies.

11. REPORTING TO TRANSACTION ACCOUNT HOLDERS - PRIVATE INDIVIDUALS

The Bank notifies the current account holders – private individuals, who selected to receive their account statements by post, by sending the Account Statement on Balance and Movements in the Account by post to the agreed address only if in the accounting month for which the Statement is issued there have been book entries in the current account, besides the computed interests, and/or there have been changes in the amount and/or start date of the validity and /or end date of the validity of overdraft or frame loan as on the date of Statement issuance.

The Bank notifies the holders of giro accounts, FX accounts, and kuna and FX savings deposits who selected to receive their account statements by post, by sending the Account Statement on Balance and Movements in the Account by post to the agreed address only if in the accounting month for which the Statement is issued there have been book entries of movement in the respective giro/ FX account/ FX giro account / kuna and FX savings deposit, besides the computed interests.

12. MINIMUM BALANCES TO BE IGNORED, WRITTEN OFF OR CREDITED [8]

A. LOAN LIABILITIES AND RECEIVABLES

1. Retail loans paid off in entirety
- The Bank can:

a) credit amounts of up to HRK 100.00 to bank revenues, without notifying the borrower
b) credit amounts in excess of HRK 100.00 to bank revenues, when the borrower fails to respond to the written notification or cannot be contacted, and in both cases holds no account with the Bank to which payment can be made
c) write off amounts of up to HRK 40.00
d) write off amounts in excess of HRK 40.00 if these cannot be charged to the borrower, in line with the Decision on Authorizations in Retail Banking Operations and the Decision on assignment of special authorization to the Retail Banking Support Operations

- In case the borrower from paragraphs a) and b) of this clause subsequently claims any amount credited to the Bank revenues, the Bank shall refund any such amounts to the borrower.
- Any claims arising in other retail transactions are written off in line with the Decision on Authorizations in Retail Banking Operations.

2. Corporate loans paid off in entirety
- In respect of corporate loans which have been paid off in their entirety, the computed interests receivable, as well as differences computed upon collection of all types of receivables from an individual loan amounting up to and including HRK 40.00, are written off at the Bank's expense.
- The difference from overpaid amounts per individual corporate loan of up to and including HRK 40.00 can be credited by the Bank to bank revenues.

3. Corporate loans – monthly computation
- Computed default interests are accrued up to the amount of HRK 10.00 and collected from the client in the amount exceeding HRK 10.00
- If within one calendar year the accrued default interests per individual loan do not exceed the amount of HRK 10.00, the amount is not recorded in books and not carried forward to the following calendar year.

[8] Based on semi-annual and annual financial statements, each division prepares a cumulative report on the amounts that have been written off/credited to the Bank's revenues, with an enclosed separate list of changes specifying the client's name, amount and date of write-off or crediting to income.

B. LIABILITIES AND RECEIVABLES FROM CREDIT CARDS

1. For cancelled credit cards of private individuals and business entities

- The Bank can:

a) credit amounts of up to HRK 75.00 HRK to bank revenues, without notifying the credit card user
b) credit amounts in excess of HRK 75.00 HRK to bank revenues, when the credit card user fails to respond to the written notification or cannot be contacted, and in both cases holds no account with the Bank to which payment can be made
c) write off amounts of up to HRK 75.00
d) write off amounts in excess of HRK 75.00 if these cannot be charged to the credit card user, in line with the Decision on Authorizations in Retail Banking Operations and the Decision on assignment of special authorization to the Retail Banking Support Operations.

- In case the credit card user from paragraphs a) and b) of this clause subsequently claims any amount credited to the Bank revenues, the Bank shall refund any such amounts to the credit card user.
- Any claims arising in other retail transactions are written off in line with the Decision on Authorizations in Retail Banking Operations.

C. LIABILITIES AND RECEIVABLES FROM NON-LENDING TRANSACTIONS AND ACCOUNTS

I. Liabilities and receivables from business entities' transaction accounts

1. At regular calculation and maturity of the lending and default interest on kuna and FX component of transaction accounts of business entities, any outstanding balances of up to HRK 1.00 are written off;
2. Deficit/surplus balances on individual payments in respect of cross-border FX remittances, and payments of coverage deposits for Letters of Credit up to HRK 1.00 are written off, or credited to revenues;
3. Total claims in respect of transaction accounts which do not exceed HRK 75.00 at year-end and are older than 60 days can be written off in the course of the Annual inventory procedure if there has been no movement in the account for at least 12 months. Debiting interests and fees by the Bank as well as outflow transactions due to foreclosure are not considered movement in the account.
4. In the process of closing transaction accounts of business entities:
   - with bankruptcy proceedings instituted, or instituted and closed simultaneously
   - that were removed from the court register of companies or small businesses
   - due to urgent closing of the respective account under any legal act, or due to breach of agreement

of which receivables were migrated to the Workout, no fee for account closing and no costs for cancelling the RBA services are charged.

5. The process of closing transaction accounts:

a)
- with bankruptcy proceedings instituted, or instituted and closed simultaneously
- with bankruptcy proceedings instituted and receivables not migrated to the Workout

the fee for account closing and costs for cancelling the RBA services are charged and written off.

b)
- that were removed from the court register of companies or small businesses
- due to urgent closing of the respective account under any legal act, or due to breach of agreement

the fee for account closing and costs for cancelling the RBA services are charged if at the moment of closing the funds are not sufficient to settle the fees. Otherwise, the computed fees are written off.

Other outstanding claims for fees and interests from transaction accounts are written off if there are no sufficient assets to settle the outstanding claims, irrespective of their amounts.

Any potential positive balance in an account is transferred to specific accounts. Any funds in an account at closing will be paid by the Bank pursuant to a subsequent request of the respective authorised person.

6. In the process of closing transaction accounts of business entities due to account inactivity for over a year, in keeping with the provisions of the Frame Agreement and which accounts are not the subject matter of write-off in the course of the Annual inventory procedure, if the business entity has not responded to a written notification from the Bank, the remaining amount owed of up to HRK 75.00 / / any balance in the account up to HRK 150.00 can be credited to Bank's revenues or written off, and the account closing fee is not charged.

7. In the process of closing transaction accounts of business entities at the Bank's request in the event of outstanding overdue debts towards the Bank, such debts are written off and the transaction account is closed. If a transaction account cannot be closed due to the provision of the Funds Enforcement Act, such claims are written off and no new fees are calculated and charged.

II. Liabilities and receivables from savings accounts, savings deposits and transaction accounts of private individuals

II.1. Crediting/ writing-off small balances on savings accounts, savings deposits and transaction accounts of private individuals

The Bank will credit to its income or write off (close) any balances in the savings accounts, savings deposits and transaction accounts of private individuals (hereinafter: the account) where:

a) the account/deposit balance (credit or debit) does not exceed HRK 75.00, or the equivalent of EUR 10.00 in a foreign currency at the Bank middle exchange rate on the processing date, and
b) no account movements have been recorded for at least past 12 months (save for the accounts with contracted package OSNOVNI or POSEBNI OSNOVNI RAČUN), the interest capitalization or charging of fees and other costs by the Bank not being considered as account movements, except for accounts linked to a time deposit to which funds from the fixed-time deposit account will be carried forward or
c) no account movements have been recorded for at least past 24 months from the day of contracting the package OSNOVNI RAČUN or POSEBNI OSNOVNI RAČUN, the interest capitalization or charging of fees and other costs by the Bank not being considered as account movements, except for accounts linked to a time deposit to which funds from the fixed-time deposit account will be carried forward.

The Bank will credit to its income or write off (close) any balances in the savings accounts, savings deposits and transaction accounts of private individuals for which a client submits a request to close account, however, during the notice period, if so defined under the General Terms and Conditions for PI Payment Accounts, the client fails to respond to the Bank’s call or the Bank was not able to contact the customer, in connection with the disbursement or payment of funds, which are required in order for the Bank to close the account. The savings account, savings deposits or transaction account of private individuals can be closed if the credit/debit balance does not exceed HRK 75.00, or the equivalent of EUR 10.00 in a foreign currency at the Bank middle exchange rate on the account closing date.

In case of a debit balance of account, such balance will be charged to the Bank expenditures, and in case of a positive balance of account, the Bank's reserves account will be credited.
No account balancing fee will be charged. Account balancing is performed on a monthly basis.

The client whose account had a positive (credit) balance before balancing (funds were credited to the Bank revenues) is entitled to a refund of the balanced amount plus interests due from the day of account balancing to the payment date. The interests are calculated at the rates applied during the respective period from the day of account balancing to the payment date, in the line with the Bank's Decision on Interest Rates. Refund of a balanced amount will be charged against the Bank's reserves account, and the interests payment will be charged against the Bank expenditures.

The client whose account had a negative (debit) balance before balancing (the respective amount was charged to the Bank expenditures) and is still interested in opening any new account with the Bank or use any of the Bank services (direct services, safe deposit box, etc.) is required to pay the balanced amount plus default interests due from the day of account balancing to the payment date. The default interests are calculated at the rates applicable during the respective period from the day of account balancing to the payment date, in the line with the Bank's Decision on Interest Rates. Default interests are credited to the Bank revenues.

II.2. Deactivation of savings accounts, savings deposits and transaction accounts of private individuals

The Bank will deactivate savings accounts, savings deposits and transaction accounts of private individuals (hereinafter: the account) if:

a) the credit balance exceeds HRK 75.00 or, the equivalent of EUR 10.00 in a foreign currency at the Bank middle exchange rate on the processing date, and
b) no account movements have been recorded for at least 12 months (save for the accounts with contracted package OSNOVNI or POSEBNI OSNOVNI RAČUN), the interests capitalization or charging of fees and other costs by the Bank not being considered as account movements, or
c) no account movements have been recorded for at least past 24 months from the day of contracting the package OSNOVNI RAČUN or POSEBNI OSNOVNI RAČUN, the interest capitalization or charging of fees and other costs by the Bank not being considered as account movements

Account deactivation is conducted on a monthly basis. Interests paid by the Bank will be calculated and credited to the inactive account regularly, in line with the Bank's Decision on Interest Rates.

III. Retail fee claims payable to the Bank by legal entities

Retail transaction fees which are paid to the Bank by a legal entity instead of a private individual, based on an invoice issued under provisions of a business cooperation agreement, are calculated according to the following procedure:

- any total fee amount charged in a single calculation period which does not exceed HRK 100.00 is not invoiced until such a time as the cumulative amount of fees payable for several calculation periods exceeds HRK 100.00. This provision does not apply in case of termination of business co-operation, whereby the legal entity will receive an invoice for any fee exceeding HRK 40.00, and the calculated fee which is less than HRK 40.00 is written off against the Bank expenditures.

IV. Liabilities and receivables in case of reconciliation of the Bank nostro accounts in other banks

In the process of reconciliation of the Bank's nostro accounts with other banks, any balances amounting to the equivalent of HRK 10.00 resulting from different methods of rounding to two decimals can be credited to income or written off.

V. Set-off made for the purpose of settlement of debit balances in FX accounts of private individuals (resulting from system operation)

In case of a debit balance in FX accounts of private individuals, when the debit balance is in one currency, and available credit balance in another currency within the same lot, the set-off, or the transfer of funds from one currency into the other is treated as currency conversion, but no conversion fee is charged.

D. LIABILITIES AND RECEIVABLES FROM CREDIT FRAME FACILITIES, NOSTO/LORO GUARANTEES AND NOSTRO/LORO LETTERS OF CREDIT OF BUSINESS ENTITIES

I. Claims and liabilities in respect of credit frame facilities

- Fees computed in respect of credit frame facilities of business entities which have been paid off in entirety, and any balances resulting from collection of all types of claims in respect of an individual credit frame, in the amount of up to and including HRK 40.00 are written off as the Bank expenditures.
- Fee revaluation is accrued up to HRK 1.00 and charged to the customer in the amount exceeding HRK 1.00.

II. Claims and liabilities in respect of nostro/loro guarantees

- Fees computed in respect of nostro/loro guarantees of business entities which have been paid off in entirety, and any balances resulting from collection of all types of claims in respect of a single nostro/loro guarantee, in the amount of up to and including HRK 40.00 are written off as the Bank expenditures.
- Fee revaluation is cumulated up to HRK 10.00 and charged to the customer in the amount exceeding HRK 10.00.
- If the cumulated fee revaluation and the default fees in respect of an individual nostro/loro guarantee within a calendar year do not exceed HRK 10.00, the amount is not posted and not carried forward to the following calendar year.

III. Claims and liabilities in respect of nostro/loro letters of credit

- Fees computed in respect of nostro/loro letters of credit of business entities which have been paid off in entirety, and any balances resulting from collection of all types of claims in respect of a single nostro/loro letter of credit, in the amount of up to and including HRK 40.00 are written off as the Bank expenditures.
- Fee revaluation is cumulated up to HRK 1.00 and charged to the customer in the amount exceeding HRK 1.00.

IV. Write off/negative write-off method

Balances which result from collection of any types of claims in respect of an individual transaction on a daily basis are charged to expenses or credited to revenues of the Bank.
Balancing in respect of the above transactions is generally performed continuously.

13. TRANSITIONAL AND FINAL PROVISIONS

In the transitional period until amendments are made to any and all agreements with clients, the Bank will apply also the interests and fees computation methods as defined under the versions of the Rules dating at the time of making the agreements under the specific Decisions on Interests Computation.

Supplement 1. Types of Parameters

Value of parameters for interest rate changes is independent of the will of the contractual parties. The Supplement includes definitions of the parameters which the Bank may agree in case of variable interest rates or apply to amend and change the Decision on Interest Rates as regards the portfolio variable interest rates.

A. REFERENCE INTEREST RATES (RIR)

1. Glossary of terms

⇒ LIBOR – London Inter-Bank Offer Rate. The interbank interest rate that the first-rate banks charge each other for unsecured loans in the international interbank market in London. This reference rate is calculated as the modified average of the bid interest rates for bank deposits which rates are contributed pursuant to the provisions for contributing banks, on every work-day at exactly 11:00 London time. The contributing group includes the 18 largest contributing banks as determined by the BBA (British Banking Association). Maturities at which banks lend funds to each other span from one week (for some currencies there is information of over-night maturities and spot/next maturities) and up to a year. The LIBOR value on a particular day will be computed if at least 8 contributing banks contribute their respective values. The BBA LIBOR fixed rates are available for 10 international currencies: GBP, USD, JPY, CHF, CAD, AUD, DKK, SEK, NZD and EUR.

- LIBOR means:
  a) the annual rate on deposits in other foreign currencies at a period corresponding to the set calculation period, which rate is published on the Reuters web site "LIBOR 01" and "LIBOR 02", two work-days before the beginning of the respective calculation period at 11 a.m. MET, or on another Reuters web site,
  b) if Reuters no longer publish the LIBOR, then the same annual rate, published at the same time at the appropriate Bloomberg web site will be applied,
  c) if neither Reuters nor Bloomberg publish the rate for the mentioned period, the arithmetic mean

(rounded to the upper value) of the published interest rate for the immediately longer and the immediately shorter period will be applied,

if the interest rate cannot be set in this way, then the interest rate that is the arithmetic mean rate for deposits in the agreed currency for the period corresponding to the calculation period which rates have been offered to the Bank by 3 leading commercial banks active on the London interbank market, if the interest rate cannot be set in any other way, then the rate at which the Bank usually acquires funds.

⇒ EURIBOR – Euro Interbank Offer Rate is a reference interest rate at which one first-rate bank offers another also first-rate bank the term interbank deposits denominated in the uniform European currency – the euro. It's values are published for particular maturities at exactly 11:00 Brussels time by the EBF (European Banking Federation) calculated on the base of 360 days in a year by the simple method. The contributing banks quote their data for a total of 13 maturities that span from one week up to a year. EURIBOR is calculated by eliminating the 15% of the highest and the same percentage of the lowest interest rates for a particular maturity, and the arithmetic mean is calculated from the remaining interest rates. The group of contributing banks includes 57 most active banks in the Eurozone. This includes 47 reference banks from the Eurozone, 4 banks from the EU associate members, and 6 renown international banks (such as Bank of Tokyo Mitsubishi, Chase, Citibank, JP Morgan Bank of America, and UBS).

- EURIBOR means:
  a) the annual rate on deposits in EUR at a period corresponding to the set calculation period, which rate is published on the Reuters web site "EURIBOR 01", two work-days before the beginning of the respective calculation period at 11 a.m. MET, or on another Reuters web site,
  b) if Reuters no longer publish EURIBOR, then the same annual rate, published at the same time at the appropriate Bloomberg web site will be applied,
  c) if neither Reuters nor Bloomberg publish the rate for the mentioned period, the arithmetic mean (rounded to the upper value) of the published interest rate for the immediately longer and the immediately shorter period will be applied,
  d) if the interest rate cannot be set in this way, then the interest rate that is the arithmetic mean rate for deposits in EUR for the period corresponding to the calculation period which rates have been offered to the Bank by 3 leading commercial banks active on the Eurozone interbank market,
  e) if the interest rate cannot be set in any other way, then the rate at which the Bank usually acquires funds.

⇒ EONIA – Euro OverNight Index Average - is a reference over-night interest rate in the Eurozone interbank market which, together with the EURIBOR, complements a number of benchmarks in the mentioned market. The ECB calculates this interest rate and not the private sector because of the high sensitivity of data provided by the contributing banks. EONIA is calculated as the weighted average of all unsecured given over-night loans in the interbank market (calculated on the basis of 360 days in a year by the simple method) that includes 57 most active banks in the Eurozone. For comparison, EURIBOR calculation includes only offer interest rates, and not the ones at which the respective transactions were effected.

⇒ ZIBOR – Zagreb Interbank Offer Rate is a uniform reference offer rate for kuna assets in the Croatian interbank money market. The ZIBOR reflects the average offer rates of 8 reference Croatian banks for HRK deposits at internationally valid maturities, from over-night loans to up to twelve-month loans. The official ZIBOR calculation is based on the quotations of reference Croatian for offer and demand interest rates (calculated on the basis of 360 days in a year by the simple method) for HRK funds with regard to other reference banks on the Reuters web site on every work-day at exactly 11:00 local time. Banks quote their respective two-decimal values every work-day, except on Saturdays, Sundays and public holidays. The average is calculated in the following manner: the highest and the lowest interest rate for a particular maturity are exempt, and the sum of the remaining interest rates is used to calculate the arithmetic mean that represents the reference interest rate for a particular maturity.

- ZIBOR means:
  a) the interest rate on HRK deposits at a period corresponding to the set calculation period, which rate is calculated by Reuters on the basis of interest rates of Croatian banks - the ZIBOR group members at or around 11 a.m. on the ZIBOR reference date,
  b) if not by way of Reuters, then by the Bloomberg Financial Markets service,
  c) or, if Reuters should for any reason cease setting and publishing the rate, then the interest rate set by the Bank as the arithmetic mean of the interest rates published by the ZIBOR member banks on the ZIBOR reference date.
  d) if the interest rate cannot be set in this way, then the interest rate that is the arithmetic mean rate for

deposits in HRK for the period corresponding to the calculation period which rates have been offered to the Bank by 3 leading commercial banks active on the Zagreb interbank market,

e) if the interest rate cannot be set in any other way, then the rate at which the Bank usually acquires funds.

⇒ OTHER REFERENCE INTEREST RATES - In case the transaction currency is none of the above with their respective reference rates, the reference rate for such transactions will be the reference rate that is usual for that currency and published through a financial information service, such as Reuters or Bloomberg Financial Markets service, at or around 11:00 a.m. on the reference date, and which is to be agreed by the parties prior to the transaction closure.

Example:
Currency CZK (Czech crown) – reference rate is PRIBOR
Currency HUF (Hungarian forint) – reference rate is BUBOR
Currency PLN (Polish zloty) – reference rate is WIBOR
Currency NOK (Norwegian crown) – reference rate is NOKIBOR

NOTE: All Eurozone member countries that have not yet substituted the national currency with the euro will apply their own reference rates until the day the euro is introduced, when EURIBOR will become their reference rate.

2. Reference interest rate maturities

The mentioned reference rates are quoted for the following maturities:

- O/N (overnight) – on deposits agreed today, the deposit runs from today and matures tomorrow.
- T/N (tom next) – on deposits agreed today, the deposit runs from tomorrow and matures the day after tomorrow.
- S/N (spot next) – on deposits agreed today, the deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays), and matures on the next workday.
- 1WK (1 week) – on deposits agreed today, deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays). It matures in 1 week from the initial deposit date.
- 2WK (2 week) – on deposits agreed today, deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays). It matures in 2 weeks from the initial deposit date.
- 1MTH (1 month) – on deposits agreed today, deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays). It matures in one month from the initial deposit date.
- 2MTH (2 months) – on deposits agreed today, deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays). It matures in 2 months from the initial deposit date.
- 3MTH (3 months) – on deposits agreed today, deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays). It matures in 3 months from the initial deposit date.
- 4MTH (4 months) – on deposits agreed today, deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays). It matures in 4 months from the initial deposit date.
- 5MTH (5 months) – on deposits agreed today, deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays). It matures in 5 months from the initial deposit date.
- 6MTH (6 months) – on deposits agreed today, deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays). It matures in 6 months from the initial deposit date.
- 7MTH (7 months) – on deposits agreed today, deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays). It matures in 7 months from the initial deposit date.
- 8MTH (8 months) – on deposits agreed today, deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays). It matures in 8 months from the initial deposit date.
- 9MTH (9 months) – on deposits agreed today, deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays). It matures in 9 months from the initial deposit date.
- 10MTH (10 months) – on deposits agreed today, deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays). It matures in 10 months from the initial deposit date.
- 11MTH (11 months) – on deposits agreed today, deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays). It matures in 11 months from the initial deposit date.

- 12MTH (12 months) – on deposits agreed today, deposit starts running two workdays from today (Saturdays, Sundays and holidays are not counted as workdays). It matures in 12 months from the initial deposit date.

3. Setting reference interest rates

The Bank will set reference interest rates 2 workdays ahead of the respective calculation period (exceptionally, the Bank may set a reference interest rate for a particular portfolio segment even earlier), and shall inform the client of the reference interest rate applicable to the respective transaction and of the rate implementation date. Every day except Saturdays, Sundays and national holidays, i.e. when banks are open for regular business in Zagreb and in the capital of the country whose currency is the transaction currency, or else where the respective settlement account in that currency is opened, will be considered a workday.

Workdays with respect to each reference rate are the workdays in the financial markets where the respective reference rates are set.

a) EURIBOR: The calendar of workdays/holidays of the Eurozone countries applies. The calendar of workdays/holidays is published by the ECB. EURIBOR holidays are the EU public holidays, Saturdays and Sundays. EURIBOR is published on workdays only.
b) LIBOR: The calendar of workdays/holidays of the UK applies. The calendar of workdays/holidays is published by the British Bankers' Association (BBA). LIBOR holidays are UK public holidays, Saturdays and Sundays. LIBOR is published on workdays only.
c) ZIBOR: The calendar of workdays/holidays of HR applies. ZIBOR holidays are Croatian public holidays, Saturdays and Sundays. ZIBOR is published on workdays only.

Example: EURIBOR forming in the week ahead of Christmas.

EURIBOR set on:

Monday, 20th Dec - applied to deposits/loans starting from Wednesday,	22nd Dec
Tuesday, 21st Dec - applied to deposits/loans starting from Thursday,	23rd Dec
Wednesday, 22nd Dec - applied to deposits/loans starting from Monday,	27th Dec
Thursday, 23rd Dec - applied to deposits/loans starting from Tuesday,	28th Dec
Friday, 24th Dec - no EURIBOR calculation	
Monday, 27th Dec - applied to deposits/loans starting from Wednesday,	29th Dec

RULE: If the maturity date with respect to any transaction under the Agreement is not a valid workday for the transaction currency, the maturity date shall be moved to the next workday for the respective currency.

EXAMPLE: For a EUR loan, issued at an interest rate linked to 1mth EURIBOR with the interest running from 24th Nov, 2004, 1mth EURIBOR set on 22nd Nov, 2004 applies for the period starting from 24th Nov, 2004 through Monday 27th Dec, 2004 and the new reference rate set on 22nd Dec, 2004 (to be applied as from 27th Dec 2004).

B. SELLING PRICE OF THE TREASURY BILLS OF THE MINISTRY OF FINANCE OF THE REPUBLIC OF CROATIA (TZRH)

1. Glossary of terms

Treasury bills are short-term debt securities of the Ministry of Finance.
They are issued at a uniform selling price that is realised at the auction, and the planned issue amount is determined by the Ministry of Finance by inviting to the auction. Treasury bills are auctioned regularly on Tuesdays, and domestic financial institutions and companies have the right to participate. The bid price is expressed as a discounted price for HRK 100.00 of the nominal bill, and on maturity the Ministry of Finance pay the nominal amount of overdue treasury bills to investors.
Treasury bills are issued in the denomination of HRK 1,000,000.00 in the denomination of EUR 1,000.00 if the planned issue amount is in euros.

Treasury bills may be issued in kuna, euro, and kuna pegged to euro.

2. TZRH Maturity
Treasury bills are issued with maturities of 91, 182 and 364 and 728 days, which corresponds to the periods of 3, 6 and 12 months in regular auctions, and 18 months in occasional auctions.

3. Determining the TZRH price
Treasury bill bids are ranked in accordance with the offered discount price, starting from the highest towards the lowest price. The RCro Ministry of Finance set the lowest acceptable discount price, and, in keeping with it, determine the uniform sale price for the entire issue series (the lowest accepted discount price set by the Ministry of Finance in the process of accepting bids).
Usually, the sale price of the RCro Treasury bills for the maturity periods of up to 3, 6 and 12 months for kuna issues, and of 3 and 12 months for kuna issues indexed to euro is set at the regular Ministry of Finance auctions.
It is possible that the regular auction is not held, or that the Ministry of Finance do not offer an issue with the usual maturity periods and/or currencies, or that they do not accept any bid in one or several types of Treasury Bills with regard to maturity period and relevant currency. In that case the sale price of a Treasury bill used as a parameter in determining the variable interest rates shall be the one from the last realised issue.

C. BASE INTEREST RATES (BIR)

1. Glossary of terms

Internal calculation of the market fluctuation index, or base interest rate is the sum of the reference interest rate and the market risk premium and the market-dependent part of the regulation price. The Bank may use the BIR for the agreement parameter in calculating interests on loans/deposits, and for the parameter of interest rate change in loans/deposits at portfolio variable interest rate. On the portfolio level, interest rate changes are published in a Decision on Interest Rates.

In loans the BIR corresponds to the Bank's funding price on the market in the previous quarterly period, and in deposits the average price achieved by the Bank on the market for placing funds at the lowest risk rate in the relevant currency and for the same term to maturity.

BIR is the percentage expression of the annual interest rate that consist of a sum of no more than three variable factors, the values of which are formed on the market. The factors include market interest rate, market risk premium and regulatory price (market-dependent part)[9] 1 which make up the base interest rate. Currency, computation period and term to maturity determine the type of the BIR. In kuna agreements not indexed to a foreign currency, the BIR consists of two factors at most - market interest rate and regulatory price.

2. BIR Maturity
The BIR can be calculated for an equal number of periods as the reference interest rate (RIR), and in products pegged to a currency it can be declared according to the average term to maturity.

EXAMPLE: Calculation of average realized BIR for the 3rd quarter 2012 for the currency USD for the computation periods (first column) of one week (1W) to six months (6M). The headline (the 1st row) are BIR given also according to the average term to maturity from one month to ten years.

3Q	1	3	6	1	2	3	5	10
us 1w	2.	2.	2.	3.	3.	4.	4.	4.
us 1m	2	2.	3.	3.	3.	4.	4.	5.
us 3m	2	3.	3.	3.	4.	4.	5.	5.
us 6m	3	3.	3.	3.	4.	4.	5.	5.

[9] Not all Bank regulatory costs affect the base interest rate formation, but the part dependent on market trends. That is the carried forward loan / deposit cost caused by implementation of regulations on legal reserves and on obligation to cover foreign currency liabilities by short-term foreign currency receivables, which does not depend on the Bank balance structure.

3. Determining the BIR

The Bank calculate the BIR quarterly, on the basis of the realized average of parameters value in the previous quarter.

BIR is calculated according to the following formula:

$$BIR\% = MIR_t\% \pm RP_t\% \pm (MR_d\%)$$

(in Croatian: $BKS\% = TS_t\% \pm CR_t\% \pm (RT_d\%)$)

where

- $MIR_t\%$ – market interest rate
  - Market interest rate is a reference interest rate achieved on the reference money market for a specific currency and specific term. It is quoted for the interest rates variability periods (t) of up to 12 months. Detailed review of characteristics is presented in the section
  - A. **Error! Reference source not found.**.

- Interest period (t) which represents the period in which interests are computed at a specific rate without changing the interest rate level (interest rate variability period).

  Reference interest rates are updated daily by the Bank Treasury Division, and published (on D+1 basis) in the document called «*Daily Financial Report*» which is available on the Bank web page http://www.rba.hr.

- $MR_d\%$ – market risk premium
  Market risk premium is a premium for the credit risk of the Republic of Croatia. It is a constituent part of the base interest rate in agreements denominated *in a foreign currency or indexed to a foreign currency*.
  Market risk premium is the price that a creditor pays for credit risk insurance for claims from borrowers with the lowest risk in a given market (country). Quotations are primarily made on the market through spread of the Croatian CDS (*credit default swap*) or, alternatively, through spread of the bond of the Republic of Croatia in relation to the reference rate.
  The agreed average term to maturity of the loan principal or deposit (d) is, subject to the currency content, a parameter for market risk premium calculation.
- Average term to maturity (d) is the agreed average period of return on an interest bearing or paying product. In respect of deposits, it is in general equal to final maturity. In respect of loans, it depends on the drawdown and repayment method and it is subject to a change in case of a loan repayment moratorium/grace period or other form of change of the repayment schedule originally agreed.
  For contracts in kuna, no market risk premium is calculated.

  The level of the credit swap, which represents the market risk premium, is updated by the Bank Treasury Department and published in the «*Daily Financial Report* ».

- $RP_t\%$ – regulatory price (market-dependent part)
  The regulation price is an additional cost of the Bank which results from the effects of specific regulations. The loss of opportunity income due to the obligation to allocate a portion of the Bank funds in the asset with lower yield than the return on an opportunity investment with the lowest risk on the market is the regulation price which is expressed as a percentage.
  The regulation price which is a part of the base interest rate includes only the Bank opportunity loss which does not depend on the product type or customer (e.g. deposit insurance premium is calculated as part of the gross margin only for deposits which are taken into account as the basis for premium calculation).

D. National reference rate of average bank sector financing cost (NRR)

1. Glossary of terms

The NRR represents the average cost of the source of finance of the Croatian banking sector (of banks and savings banks), considering a particular past period, type of source (retail deposits, deposits of non-financial business entities, other financial sources of banks) and a relevant currency. Thus, the NRR represents the average interests which the banking sector pay in order to acquire assets required for their respective lending business.

The following three types of the NRR have been formed:

- NRR for private individuals' deposits (computed for the currencies HRK and EUR),
- NRR for private individuals' deposits and deposits of non-financial business entities (computed for the currencies HRK and EUR),
- NRR for all major finance sources from all private and legal persons, including also the ones from the financial sector (computed for the currencies HRK, EUR, CHF and USD).

2. NRR Maturity

Each of the above NRRs is computed for every period of 3, of 6 and of 12 months.

3. Determining the NRR

In the second month of every quarter by the 15th day of the month, or on the first following working day if the 15th was a non-business day, the Croatian National Bank (hereinafter: CNB) publish aggregate unconsolidated data (including all banks and savings banks that are licensed to perform business operations in the Republic of Croatia) publish data on interest costs regarding main financing sources over the previous quarter, as well as the balances of financing sources at the end of each month of the respective quarter to which the particular interest costs refer (data divided into assets of private individuals and the non-financial sector, and all private individuals and legal entities). The data, as well as more detailed specification of including particular financing sources are given on the CNB web site (link *Indicators of Banking Institutions Operations* at www.hnb.hr). On the basis of the mentioned data, the Croatian Banking Association (hereinafter: CBA) calculate the values of individual NRRs (with regard to the type, interest period and currency) and on the 16th day in the second month of every quarter, or on the first following working day after the day on which the CNB publish the aggregated data, they publish these on the web site www.hub.hr/.

The published NRR are valid, as the reference rates for adjusting the variable part of the variable interest rate, until the day of the next NRR publication (usually from the 16th day in the current month in which the NRRs were published by the 15th day in the second month of the following quarter).

EXAMPLE: NRR on the basis of interest costs data of Croatian banks for the first quarter 2013 (for January, February and March 2013), which the CNB publish on 15 May 2013, the CBA will calculate and publish on 16 May 2013. The respective NRRs will be effective as reference rates as of 16 May 2013 until 16 August 2013. Exceptionally, the NRR computed on the basis of the CNB publication of aggregate unconsolidated data as of 15/12/2012 will be published by the CBA on the first following working day after the first publication. The NRRs are valid until the day of the next NRR publication on 16 May 2013, on the basis of data published by the CNB on 15 May 2013.

Methodology for calculating the NRR

For a particular currency, particular financing source, and particular period, which may be 3, 6 or 12 months, the NRR is calculated in the following manner:

- The total interest costs of the banking sector, with regard to a particular currency, particular financing sources and type of financing sources that constitute the NRR, are calculated for the previous number of months that corresponds the length of the respective period (e.g. the sum of interest costs for main financing sources of private persons in the currency EUR through the previous 2 quarters is used to calculate the NRR value of the main financing sources of private persons in the currency EUR and for the period of 6 months),
- The average balance of the main financing sources in the previous period is calculated (with regard to the types of financing sources that constitute a particular NRR), according to the formula presented below,
- The ratio of the total interest costs and the average balance of the financing sources is calculated, and the ratio is divided by the total number of days in the previous period and multiplied by 365, in order to obtain the interest rate expressed on the annual level; the reached interest rate represents the NRR.

Formula for calculating the NRR

The NRRs are calculated by the generic formula below

$$NRS = \frac{KAMATNI\_TROŠAK\_n\_MJESECI}{STANJA\_PROSJEK\_n\_MJESECI} * \frac{365}{BROJ\_DANA\_n\_MJESECI}$$

where

n – number of months in the period of adjusting the variable part of the variable interest rate = 3, 6 or 12

$$STANJA\_PROSJEK\_n\_MJESECI =$$

$$= \frac{STANJE(MJESEC) + STANJE(MJESEC-1) + \cdots + STANJE(MJESEC-n+1)}{n}$$

$$KAMATNI\_TROŠAK\_n\_MJESECI = = KAMATA(TROMJESEČJE)$$

$$KAMATNI\_TROŠAK\_n\_MJESECI = KAMATA(TROMJESEČJE) + KAMATA(TROMJESEČJE-1) + \cdots + KAMATA(TROMJESEČJE-\frac{n}{3}+1)$$

for n = 6 or 12

$STANJE(MJESEC) =$ balance of main financing sources at the end of the last month of the previous quarter (e.g. for the NRR calculation per 16/5/2013 data on balances from March 2013 will be used)

$STANJE(MJESEC-1) =$ balance of financing sources at the end of the month which preceded it

⋮

$STANJE(MJESEC-n+1) =$ balance of financing sources n-1 months before the last month of the previous quarter (e.g. for the NRR calculation per 16/5/2013 and if the interest period is 6 months, data on balance per end-of-September 2012 will be used)

$KAMATA(TROMJESEČJE) =$ interest costs of financing sources in the last quarter (e.g. for the NRR calculation per 16/5/2013 data on interest costs from Q1/2013 will be used)

$KAMATA(TROMJESEČJE-1) =$ interest costs in the quarter which preceded it

⋮

$KAMATA(TROMJESEČJE-\frac{n}{3}+1) =$ interest costs $\frac{n}{3}-1$ quarters before the previous quarter (e.g. for the NRR calculation per 16/5/2013 and if the interest period is 6 months, data on interest costs from the last quarter of 2012 will be used)

$BROJ\_DANA\_n\_MJESECI =$ total number of days in n months (number of days in the period)

$MJESEC =$ last month of the previous quarter with regard to calculation date

$TROMJESEČJE =$ previous quarter with regard to calculation date

EXAMPLE: The NRR of main financing sources of private persons published on 16/5/2013 for the currency EUR and adjustment period of the variable part of the variable interest rate of:

- 3 months

$$NRS = \frac{KAMATNI\_TROŠAK\_3\_MJESECA}{STANJE\_PROSJEK\_3\_MJESECA} * \frac{365}{BROJ\_DANA\_3\_MJESECA}$$

where

$$STANJE\_PROSJEK\_3\_MJESECA =$$

$$= \frac{STANJE(siječanj\ 2013.) + STANJE(veljača\ 2013.) + STANJE(ožujak\ 2013.)}{3}$$

- 6 months

$$NRS = \frac{KAMATNI\_TROŠAK\_6\_MJESECI}{STANJE\_PROSJEK\_6\_MJESECI} * \frac{365}{BROJ\_DANA\_6\_MJESECI}$$

where

$$STANJE\_PROSJEK\_6\_MJESECI =$$

$$= \frac{STANJE(listopad\ 2012.) + STANJE(studeni\ 2012.) + \cdots + STANJE(ožujak\ 2013.)}{6}$$

$$KAMATNI\_TROŠAK\_6\_MJESECI =$$

$$= KAMATA(4.\,tromjesečje\ 2012.) + KAMATA(1.\,tromjesečje\ 2013.)$$

- 12 months

$$NRS = \frac{KAMATNI\_TROŠAK\_12\_MJESECI}{STANJE\_PROSJEK\_12\_MJESECI} * \frac{365}{BROJ\_DANA\_12\_MJESECI}$$

where

$$STANJE\_PROSJEK\_12\_MJESECI =$$

$$= \frac{STANJE(travanj\ 2012.) + STANJE(svibanj\ 2012.) + \cdots + STANJE(ožujak\ 2013.)}{12}$$

$$\begin{aligned} KAMATNI\_TROŠAK\_12\_MJESECI = {} & KAMATA(2.\,tromjesečje\ 2012.) \\ & + KAMATA(3.\,tromjesečje\ 2012.) \\ & + KAMATA(4.\,tromjesečje\ 2012.) \\ & + KAMATA(1.\,tromjesečje\ 2013.) \end{aligned}$$

Supplement 2. Effective Interest Rate (EIR)

The effective interest rate is the rate showing the total costs for which the client is liable to the bank when raising and repaying loans, or the total income of the client payable by the bank on any deposits. The uniform methodology of effective interest calculation, passed by the Croatian National Bank and mandatory for any bank in Croatia, makes this data comparable. The objective of introducing the effective interest rate was to protect bank clients by introducing more transparency into the expression of their loan costs and deposit income regardless of the actual bank.

In lending operations the effective interest rate is calculated by including: the annual interest rate, intercalary interest, any fees payable by the borrower to the Bank, deposit amount (if it is conditional for loan approval), deposit interest paid by the Bank. The interest rate at which the discounted cash revenue is equated to the discounted cash expenditures for the same lending product is expressed through the effective interest rate.
In deposit products the nominal rate equals the effective rate, except for deposits with premium and deposits agreed with annuity disbursement of interests. In deposits with premium the effective interest rate calculation includes: nominal, annual interest rate, size and number of individual deposit payments, and premium percentage.

The effective interest rate (hereinafter: EIR) is a eop interest rate expressed on an annual level by applying a complex interest calculation. The EIR use enables the discounted cash revenue to be equated to the discounted cash expenditures. Apart from the interest, the EIR also includes any other income or expenditure according to the current value.

Pursuant to the CNB (Croatian National Bank) decision with respect to the uniform manner of expressing the effective credit and deposit rates, Raiffeisenbank Austria d.d. calculate the effective interest rate to its clients. In retail loans, as a part of the regular procedure, the Bank present a calculation or repayment schedule with a clearly expressed effective interest rate in the course of agreeing loans and deposits annuity disbursement of interests or deposits with premium.

If required under the regulations, the effective interest rate is calculated and declared also during loan repayment period.

Supplement 3. The Highest Rate of Contractual Interests

1. Glossary of terms
   The contractual interest rate is the effective interest rate (EIR) and it is declared as annual interest rate. For agreements between traders, or traders and a public person (for legal entities) the highest contractual interest rate is set under the Civil Obligations Act. For agreements between persons of whom one is not a trader (for private individuals) the highest contractual interest rate is set under the Civil Obligations Act and under the Consumer Lending Act (ZPK).

2. For legal entities
   The highest contractual interest rate is set under the Civil Obligations Act (Section 2 Contractual Interests) and it is dependent on the highest statutory default interest rates (Section 3 Default Interests).
   The contractual interest rate can not be higher than the statutory default interest rates which was valid for such relationships as on the day of contracting the agreement, or as on the day of changing the contractual interest rate, if a variable interest rate was agreed, increased by three quarters of the respective rate.
   The statutory default interest rate is determined, for every half-year, by increasing the average interest rate on the balances of loans approved for a period of over one year to non-financial companies, calculated for the reference period preceding the current half-year by five percentage points.
   The average interest rate on the balances of loans approved for a period of over one year to non-financial commercial companies for the reference period is calculated by the CNB and they are obligated to publish the rate on each 1st January and 1st July in the official gazette Narodne novine. The reference period for the rate published as on the day of 1st July covers the period from 1st November until 30th April.

3. For private individuals
   The highest contractual interest rate for private individuals who are not consumers is calculated according to the method described below under item a.

The highest contractual interest rate for consumers for loans with agreed fixed interest rate is equal to the highest effective interest rate allowed in consumer lending as on the day of contracting the loan agreement, as described below under item b.
The highest contractual interest rate for consumers for loans with agreed variable interest rate is set as the lowest one of the rates calculated according to the three methods described below (a, b and c) for a particular loan type and currency.

a) According to the Civil Obligations Act, the contractual interest rate shall not be higher than the statutory default interest rates valid for such relationships as on the day of contracting the agreement (or as on the day of changing the contractual interest rate if a variable interest rate was agreed), increased for a half of that rate. The default interest rate is determined, for every half-year, by increasing the average interest rate on the balances of loans approved for a period of over one year to non-financial commercial companies and calculated for the reference period preceding the current half-year by three percentage points.

b) According to the Consumer Lending Act, the highest effective interest rate for housing loans is equal to the statutory default interest rates described above under item a. The highest effective interest rate for consumer loans is equal to the statutory default interest rates increased by two percentage points.

Further, as regards consumer housing loans contracted after the Consumer Residential Lending Act came into force (housing, all-purpose and mortgage loans and tourist loans with agreement dates from 20/10/2017 onwards), the effective interest rate save as on the agreement date shall not be higher than the statutory default interest rate even during the loan repayment period. This is applicable for loan restructuring.

c) According to the Consumer Lending Act and Consumer Residential Lending Act, the highest contractual interest rate depends on the loan type (housing and other consumer loans) and on the loan currency. The maximum allowed interest rate for loans with agreed variable interest rate is calculated according to the following rules:

<table>
<tr><th rowspan="2">types of consumer loans</th><th colspan="4">loan currency</th></tr>
<tr><th>in HRK w/o FX clause (HRK)</th><th>in EUR and HRK pegged to EUR</th><th>in CHF and HRK pegged to CHF</th><th>in other currencies</th></tr>
<tr><td>housing
- base</td><td colspan="3">average interest rates on balances of such loans approved in the Republic of Croatia, determined for every currency</td><td rowspan="2">the lowest average weighted interest rates on loan balances by three basic currencies (HRK, EUR and CHF) increased for 1/3</td></tr>
<tr><td>- base increase</td><td colspan="3">one third of the base</td></tr>
<tr><td>other consumer loans
- base</td><td colspan="3">average interest rates on balances of such loans approved in the Republic of Croatia, determined for every currency</td><td rowspan="2">the lowest average weighted interest rates on loan balances by three basic currencies (HRK, EUR and CHF) increased for 1/2</td></tr>
<tr><td>- base increase</td><td colspan="3">one half of the base</td></tr>
</table>

Publishing of the average interest rates by consumer loan types for the reference periods is the obligation of the CNB. The average weighted interest rates on loan balances according to the defined methodology and data available as on 31st October must be published by the CNB in the official gazette Narodne novine as on 1st January, and the data available as on 30th April must be published as on 1st July.