PRIVREDNA BANKA ZAGREB
Intesa Sanpaolo Group

PRINCIPLES FOR DETERMINING INTEREST RATES AND THE METHOD AND DYNAMICS OF CALCULATING INTEREST ON LOANS AND DEPOSITS OF PRIVREDNA BANKA ZAGREB – JOINT-STOCK COMPANY

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1. PRINCIPLES FOR DETERMINING INTEREST RATES AND THE METHOD AND DYNAMICS OF CALCULATING INTEREST ON LOANS AND DEPOSITS OF PRIVREDNA BANKA ZAGREB – JOINT-STOCK COMPANY

These Principles define the method of determining interest rates, method of interest calculation, the duration period of interest rates and dates of their change i.e. repricing, as well as maturity dates and payment of interest.
An interest rate is determined by:

- type of product
- customer – Bank business relations
- maturity
- currency
- amount
- market
- other factors (regulations, costs and other).

The Principles shall apply to interest-bearing products:

- taken loans, deposits and securities (liabilities)
- given loans (including B/E discounting, factoring and overdrafts), deposits and securities (claims).

The Principles shall apply to all the Bank's clients (domestic and foreign individuals engaging in an economic activity or operating as self-employed professionals, legal entities and other business entities).

2. REGULATORY FRAMEWORK

The determination of interest rates on loans and deposits in business relations with the clients of PRIVREDNA BANKA ZAGREB – JOINT-STOCK COMPANY (hereinafter: PBZ) is regulated by:

- Civil Obligations Act
- Interest Rates Act
- other Croatian and EU regulations (which are directly applied in the Republic of Croatia)
- Decisions of regulators and supervisory bodies
- Other statutory regulations and by-laws
- PBZ Management Board Decisions
- ALCO Decisions
- PBZ Credit Committee Decisions
- these Principles for determining interest rates and the method and dynamics of calculating interest on loans and deposits of PRIVREDNA BANKA ZAGREB – JOINT -STOCK COMPANY
- Other Decisions of relevant PBZ bodies.

3. INTEREST RATE CATEGORIES

Taking into account the variability of interest rates, PBZ may contract fixed or floating interest rates with its clients:

- **Fixed** interest rate is the rate that remains unchanged throughout the entire life of a facility or deposit **(F)**.
- **Floating** interest rate is the rate which is subject to changes throughout the life of a facility or deposit, and it can be:
  1. **Market indexed (I)** – interest rate is subject to changes in relation to a market index, margin and/or other costs.
  2. Floating pursuant to the decision of a relevant body of the Bank **(P).**
  3. Floating pursuant to **decisions by external authorities i.e. relevant institutions (E).**

3.1 MARKET INDEXED INTEREST RATE (I)

Formula for determining a market indexed interest rate: $I = aX_t\% \pm m \pm z$, where:
I = level of a market indexed interest rate expressed in %
a = percentage value of a market index (if not specified, then it is 100%)
X_t% = market index (Euribor (EUR), ESTR (EUR), Libor[1] (USD), SOFR (USD), Saron (CHF), NIBOR (NOK), STIBOR (SEK), CIBOR (DKK), yield on T-Bills and other), where t denotes a time period
m (% or p.p.) = interest spread
z (% or p.p.) = other costs and risk premiums included in the product price.
All the mentioned components (all elements are variable) influence the change in interest rates.

Market indexed interest rates can have determined **caps and floors**, in which case these denote the maximum or minimum interest rates for the duration of a contractual relationship: $f \leq I \leq c$
f = lower interest rate limit (floor)
c = upper interest rate limit (cap)

[1] USD Libor to be applied until 30.6.2023

3.2 MARKET INDICES change in accordance with movements in the money market or another market where prices are quoted in the manner prescribed by these Principles.

Market indices defined by the PBZ Principles:

CURRENCY	MARKET INDEX[2]	MARKET INDEX TIME REFERENCE
EUR	EURIBOR	1 month, 3 months, 6 months, 12 months
	Yield on MoF Treasury bills	91 days, 182 days, 364 days
	ESTR	Overnight, 1 month, 3 months, 6 months, 12 months
USD	LIBOR[3] SOFR	1 month, 3 months, 6 months, 12 months
CHF	SARON	1 month, 3 months, 6 months, 12 months
NOK	NIBOR	1 month, 3 months, 6 months
SEK	STIBOR	1 month, 3 months, 6 months
DKK	CIBOR	1 month, 3 months, 6 months
OTHER CURRENCIES	SARON	1 month, 3 months, 6 months, 12 months

4. CHANGES IN INTEREST RATES - REPRICING

Repricing means re-determination of the interest rate level in line with the contracted variability terms.
A repricing period is the period between two successive points of setting the interest rate level.

- In the case of market indexed interest rates tied to Euribor, ESTR, Libor[4], SOFR, Saron, NIBOR, STIBOR, CIBOR and yields on Treasury bills of the Ministry of Finance of the Republic of Croatia, if not otherwise agreed / defined, the frequency of a change in the interest rate level shall correspond to the time reference of the market index and [the change] shall be made in accordance with the contracted date of the interest rate change.
- Changes in interest rates which are dependent on the Bank's Management Board decisions or on external decisions shall occur in accordance with relevant bodies' decisions or contracts.

4.1 MARKET INDICES FORMATION

1. For loans whose interest rate is tied to market indices Euribor, ESTR, Libor[5], SOFR, Saron, NIBOR, STIBOR, CIBOR or to yields on Treasury bills of the Ministry of Finance of the Republic of Croatia, the standard setting is the interest rate formed on informative platform Refinitiv according to prescribed schedule for each individual market index one or two working days prior to the beginning of the repricing period in which the disbursement of funds took place, and the same rate shall be valid till the end of the repricing period, unless otherwise specified by the contract or for a particular product. If in a single repricing period there are several disbursements of loan tranches or multiple drawdowns, to each drawdown within that same repricing period the interest rate valid at the first drawdown shall be applied, unless contracted / defined otherwise.
2. For certain loans and for received deposits whose market index is tied to Euribor, ESTR, Libor[6], SOFR, Saron, NIBOR, STIBOR, CIBOR or to yields on Treasury bills of the Ministry of Finance of the Republic of Croatia**,** the relevant interest rate shall be the one formed on informative platform Refinitiv according to prescribed schedule for each individual market index one or two working days prior to the loan disbursement or receipt of deposit funds, and the same rate shall be valid till the end of the repricing period. If in a single repricing period there are several disbursements of loan tranches or multiple drawdowns, for each drawdown the interest rate shall be formed in the manner described above, unless otherwise contracted / defined.
3. In the case of other market indices**,** the updating shall be done in accordance with instructions and procedures applicable to respective indices and/or types of products.
4. The interest rate based on a market index shall be valid until the end of the current repricing period, when a new value shall be determined for the next period.
5. EURIBOR is the interest rate at which banks in the European Union (hereinafter: EU) and the European Free Trade Association (hereinafter: EFTA) can obtain funds in the unsecured interbank market. The administrator of EURIBOR is the European Money Markets Institute (hereinafter: EMMI).

   EURIBOR is published each business day according to the calendar for the euro currency (each TARGET business day – a business day for the "Trans-European Automated Real-time Gross settlement Express Transfer" system), at or shortly after 11:00 a.m. Brussels time (CET, Central European Time), being effective on a spot date basis (T+2) i.e. two business days after it has been determined for each of its defined maturities (1 week, 1 month, 3 months, 6 months and 12 months).

   A detailed definition and the methodology of EURIBOR calculation are published on the administrator's website https://www.emmi-benchmarks.eu/euribor-org/about-euribor.html.

   In the event of a significant change in EURIBOR, the Bank will undertake activities in accordance with the policies and procedures that will be published on its website by the administrator and in accordance with the provisions of the BMR Regulation.

[2] The Bank may determine also other market indices and market indeks time references.
[3] USD Libor to be applied until 30.6.2023
[4] USD Libor to be applied until 30.6.2023
[5] USD Libor to be applied until 30.6.2023
[6] USD Libor to be applied until 30.6.2023

In the event of a change in the formula and/or (mathematical or other) methodology used to calculate EURIBOR, the reference EURIBOR is determined according to the valid formula and/or methodology as defined by the provisions of the BMR Regulation.

In case of temporary unavailability of EURIBOR, the reference value of EURIBOR will be the last recorded value.

If in accordance with the provisions of Article 23.b. BMR Regulation EURIBOR (i) is officially declared no longer representative by the competent authority or (ii) ceases to be available (by order of the administrator or competent authority or in some other way) or usable, from the date of actual unavailability, unusability or loss of representativeness, use will be Alternative index. Alternative Index means the reference rate (including any spread or adjustment) intended for the type of relevant transaction and/or product which (i) in accordance with the BMR Regulation, will be officially recommended, designated or otherwise identified to replace EURIBOR (a) by law, or (b) by the European Central Bank, or other competent authority or (c) by a working group or committee officially appointed or engaged by the administrator or other competent authority, or (d) by EMMI (or other entity that will be appointed as a substitute for the purposes of calculating/publishing EURIBOR) or in the absence of calculating/publishing EURIBOR, (ii) will be recognized as a market parameter that replaces EURIBOR, about which the Bank will inform the client in a timely manner.

6. ESTR is a short-term rate in EUR (€STR) that reflects the costs of unsecured overnight borrowing in euros of banks in the Eurozone. €STR is published every TARGET2 business day at 08:00 on the basis of transactions executed and settled on the previous TARGET2 business day which are considered to have been executed under market conditions and reflect market rates in an unbiased manner. The European Central Bank (ECB) is the administrator of the €STR interest rate (https://www.ecb.europa.eu).

7. LIBOR (London Interbank Offered Rate) is the interest rate at which credit institutions can obtain funds in the London unsecured interbank market.

   LIBOR (for USD) is calculated each business day (London business day) at 11:00 a.m. and is published at or shortly after 11:55 a.m. London time, being effective on a spot date basis (T+2) i.e. two business days after it has been determined for a defined currency and maturity (1 week, 1 month, 2 months, 3 months, 6 months and 12 months).

   ICE Benchmark Administration Limited (IBA) is the official administrator of LIBOR. A detailed definition and the methodology of LIBOR calculation are published on the administrator's website https://www.theice.com/iba/libor, while LIBOR values are available also on information platforms such as Thomson Reuters or Bloomberg as well as on the website www.global-rates.com .

   In the event that the index administrator ceases to provide LIBOR (either on the basis of its own decision or on the basis of the request of a regulatory body) and unless otherwise provided for by a loan agreement/deposit agreement, PBZ shall undertake adequate activities in accordance with the procedure published by the index administrator pursuant to Article 28, par. 1 of the Benchmarks Regulation (BMR), https://www.theice.com/publicdocs/LIBOR_Changes_and_Cessation_Procedure.pdf, taking into account the indications that may be derived from market practice and/or national or EU regulations on this matter.

8. The SOFR (secured overnight funding rate) represents the overnight secured money market interest rate for the US dollar (USD) administered by the Federal Reserve Bank of New York.

   The SOFR is published on the Administrator's website at https://www.newyorkfed.org/markets/reference-rates/sofr.

   In the event of a significant change to the SOFR, the Bank will undertake activities in accordance with the policies and procedures that will be published on its website by the administrator https://www.newyorkfed.org/medialibrary/media/markets/IOSCO-statement-of-compliance-jul2021

   In the event of a change in the formula and/or (mathematical or other) methodology used to calculate the SOFR, the reference SOFR is determined according to the valid formula and/or methodology as defined by the provisions of the applicable law/regulation.

   In case of temporary unavailability of SOFR, the reference value of SOFR will be the last recorded value.

   If in accordance with the provisions of Article 23.b. BMR Regulations, SOFR (i) is officially declared no longer representative by the competent authority or (ii) ceases to be available (by order of the administrator or competent authority or in some other way) or usable, from the date of actual unavailability, unusability or loss of representativeness, the Alternate index will be used. Alternative Index means a reference rate (including any spread or adjustment) intended for the type of relevant transaction and/or product which (i) will, in accordance with applicable legislation, be officially recommended, designated or otherwise identified to replace the SOFR (a) by law, or (b) by a competent central bank, or other competent authority, or (c) by a task force or committee formally appointed or engaged by the Administrator or other competent authority, or (d) by the New York Fed (or another entity that will be appointed as a substitute for the purposes of SOFR calculation/publication) or in the absence of SOFR calculation/publication, (ii) will be recognized as a market parameter that replaces SOFR, about which the Bank will inform the client in a timely manner.

9. SARON (Swiss Average Overnight Rate) represents the overnight secured money market interest rate for the Swiss franc (CHF) managed by the administrator SIX Swiss Exchange Financial Information AG (SIX).

   SARON is published on the website of the administrator: https://www.six-group.com/en/products-services/the-swiss-stock-exchange/market-data/indices/swiss-reference-rates.html.

   In the event of a significant change in SARON, the Bank will undertake activities in accordance with the policies and procedures that will be published on its website by the administrator (https://www.six-group.com/dam/download/market-data/indices/swiss-reference -rates/six-methodology-swiss-reference-rates-rules-en.pdf).

   In the event of a change in the formula and/or (mathematical or other) methodology used to calculate SARON, the reference SARON is determined according to the valid formula and/or methodology as defined by the provisions of the applicable law/regulation.

   In case of temporary unavailability of SARON, the reference value of SARON will be the last recorded value.

   If in accordance with the provisions of Article 23.b. BMR Regulations, SARON (i) is officially declared no longer representative by the competent authority or (ii) ceases to be available (by order of the administrator or competent authority or in some other way) or usable, from the date of actual unavailability, unusability or loss of representativeness, the Alternate index will be used. Alternative Index means the reference rate (including any spread or adjustment) intended for the type of relevant transaction and/or product which (i) will, in accordance with applicable legislation, be officially recommended, designated or otherwise identified to replace the SARON (a) by law, or (b) by the competent central bank, or other competent authority or (c) by a working group or committee formally appointed or engaged by the administrator or other competent authority, or (d) by SIX (or of another entity that will be appointed as a replacement for the purposes of SARON calculation/announcement) or in the absence of SARON calculation/announcement, (ii) will be recognized as a market parameter replacing SARON, about which the Bank will inform the client in a timely manner.

10. NIBOR is the Norwegian interbank money market rate for maturities of one week, one month, two months, three months and six months. NIBOR reflects the interest rate level a bank requires for unsecured money market lending in NOK. NIBOR is calculated and published by Global Rate Set Systems (GRSS) (https://www.nore-benchmarks.com).

11. STIBOR is the Stockholm interbank interest rate, an interest rate benchmark which is calculated and published on each business day in Sweden. It is commonly used in financial contracts, bonds and loans and in most types of interest rate and currency derivatives for the Swedish crown. STIBOR is determined based on the input data contributed by a panel of credit institutions (Panel Banks) that are representative of the Swedish financial market. STIBOR maturities are T/N (Tomorrow/Next), 1 week, 1 month, 2 months, 3 months, 6 months. STIBOR is calculated and published on each business day in Sweden at 11:00 a.m. The Swedish Financial Benchmark Facility (SWFBF) is an independent benchmark administrator, specifically established to administer the Swedish benchmark interest rate STIBOR. (https://swfbf.se/stibor)
12. CIBOR is the abbreviation for Copenhagen Interbank Offered Rate and it represents interest rates at which a panel of credit institutions representing the Danish market (Panel Banks) would lend DKK for a period of 1 week, 1, 2, 3, 6 and12 months' maturity to another bank on an uncollateralized basis (i.e. unsecured interbank loan). CIBOR is calculated and published at 11:00 local (Copenhagen) time every business day. The Danish Financial Benchmark Facility (DFBF) is the official administrator of the Danish benchmark rate (CIBOR). (https://dfbf.dk/dfbf-benchmarks/cibor-tomnext)
13. If a certain market index ceases to exist (either by the index administrator's own decision or based on the request of the regulatory body) and unless otherwise prescribed by the regulatory body or provided for in the loan/deposit agreement, the contracting parties will agree on a new index/interest rate in writing.

4.2 REPRICING DATE: PBZ shall apply two ways of repricing:

1. **at the beginning of calendar periods** – interest rate changes at the beginning of a calendar period:
   - in monthly repricing – interest rate is determined at the beginning of the calendar month (1.1.; 1.2.; 1.3. ...) in line with the previously mentioned formation of market indices for the current repricing period
   - in quarterly repricing – interest rate is determined at the beginning of the calendar quarter (1.1.; 1.4.; 1.7. and 1.10.) in line with the previously mentioned formation of market indices for the current repricing period
   - in semi-annual repricing – interest rate is determined at the beginning of the calendar half-year period (1.1. and 1.7.) in line with the previously mentioned formation of market indices for the current repricing period
   - in annual repricing – interest rate is determined at the beginning of the calendar year (1.1.) in line with the previously mentioned formation of market indices for the current repricing period.
2. **on a date defined in the contract or defined in another way** – interest rate changes on a date defined in the contract or defined in another way (repricing date):
   - in monthly repricing – interest rate is determined on a stipulated date for the next monthly repricing period (for example from 17.1. to 17.2., or for example from 30.6. to 31.7.)
   - in quarterly repricing – interest rate is determined on a stipulated date for the next quarterly repricing period (for example from 15.12. to 15.3., or for example from 30.9. to 31.12.)
   - in semi-annual/six-month
   - repricing – interest rate is determined on a stipulated date for the next six-month repricing period (for example from 26.2. to 26.8., or for example from 31.12. to 30.6.)
   - in annual repricing – interest rate is determined on a stipulated date for the next one-year period (for example from 14.7. to 14.7., or for example from 31.12. to 31.12.)
   - following some other frequency pattern, in accordance with the time reference of a market index or as specified in the contract.

5. CHANGE OF SPREAD AND OTHER COSTS AND RISK PREMIUMS

In the event that, at any time for the duration of a contractual relationship, a change in regulations has occurred, including modification or passing of new CNB by-laws, or if the prices of financing in the local or foreign money market change, or in the event of movements in the risk premium for Croatia (defined by CDS spread), in the event of inability to provide financing on the basis of the contracted interest rate and due to changes of other circumstances that affect the costs of financing and/or the relevant business relationship with the client, the Bank shall inform of such occurrences the client and/or other participants involved in the mentioned business relationship, and it shall propose the replacement interest rate, while presenting adequate financial and other documentation that confirms the reasons for the proposed change. The client shall enter into negotiations with the Bank and with other potential participants in a business arrangement with the aim of final identification of the replacement interest rate.

6. INTEREST CALCULATION

6.1 INTEREST RATES may be:

- **Ordinary**:
- **Payable / deposit** rates that are calculated on:

a) demand deposits

b) time deposits

c) loans taken

- **Loan** rates that are calculated on approved credits/loans/borrowings.
- **Interim** interest rates that are calculated in the period of utilization.
- **Default** interest rates that are calculated on overdue unpaid obligations, except to the extent to which this is prevented by relevant legal provisions.

Interest rates shall be determined and contracted as annual nominal rates.

6.2 BUSINESS RULES:

1. Interest shall be calculated according to the contracted calculation method or the method which is applied to a particular PBZ product.
2. Interest shall be calculated on the principal amount not yet due or the utilized portion of a loan / overdraft, i.e. on the deposit amount, in line with Item 1.
3. The period for which the interest is calculated customarily corresponds to the repricing period, unless otherwise stipulated / determined.
4. Depending on the type of product, on the calculation method, and unless it has been otherwise contracted / defined, the counting of days for interest calculation shall be done as follows:
   a) the first day is included, and the last is not included, or
   b) the first day is not included, and the last is included in the calculation.

6.3 INTEREST CALCULATION FREQUENCY

By applying the above-mentioned business rules, interest shall be calculated in one of the below described ways as regards the frequency of calculation:

1. **at the end of calendar periods** – interest shall be calculated for the previous accounting period:
   a. in monthly calculation – interest shall be calculated at the end of a calendar month (31.1. for January; 28.2. for February; 31.3...) for the previous monthly accounting period
   b. in quarterly calculation – interest shall be calculated at the end of a calendar quarter (31.3.; 30.6.; 30.9. and 31.12.) for the previous quarterly accounting period
   c. in semi-annual calculation – interest shall be calculated at the end of a calendar half-year period (30.6. and 31.12.) for the previous semi-annual accounting period
   d. following another frequency pattern, on the last day of the accounting period (daily, bimonthly, annually, etc.)
2. **on a date defined in the contract or defined in another way** – interest shall be calculated according to the frequency pattern specified in the contract or on dates that have been determined in another way:
   a. in monthly calculation – interest shall be calculated on a specified date in a month for the previous monthly accounting period (for example on 17.2. for the period from 17.1. to 17.2.)
   b. in quarterly calculation – interest shall be calculated on a specified date in a quarter for the previous quarterly accounting period (for example on 15.3. for the period from 15.12. to 15.3.)
   c. in semi-annual/six-month calculation – interest shall be calculated on a specified date in a six-month period for the previous semi-annual accounting period (for example on 26.8. for the period from 26.2. to 26.8.)
   d. following another frequency pattern, on the specified day in the accounting period (daily, bimonthly, annually, on a one-off basis, etc.)

7. INTEREST MATURITY AND SETTLEMENT

Interest on loans becomes payable on the last day of the accounting period, i.e. on the date specified in the contract/interest note, and the settlement can be made:
a) by direct debiting of the client's account with the Bank, or
b) by payment made by the client or a third party.

8. INTEREST DISBURSEMENT

The amount of accrued interest on funds held in client's accounts with the Bank (demand deposits and non-specific purpose time deposits) shall be credited to client's accounts in accordance with the dynamics and terms defined in the agreement, the relevant decision on interest rates of the Bank and these Principles.
Interest on specific purpose time deposits shall be calculated and disbursed in the manner provided for in the specific purpose time deposit agreement.
If not otherwise stipulated, upon expiry of a time deposit, time deposit funds shall be transferred, together with accrued interest, to the client's demand deposit account. Upon expiry of a time deposit, the Bank shall calculate interest at the rate of interest on demand deposits determined by the relevant decision on interest rates of the Bank, if the client has not contracted the prolongation of a time deposit, i.e. a new time deposit.

9. WORKING AND NON-WORKING DAYS

If not otherwise stipulated / determined, in situations when a maturity date falls on a non-working day and the settlement cannot be made via distribution channels of the Bank, the first succeeding business day shall be regarded as the maturity date, and interest shall be calculated until the contracted maturity date.

10. LOAN PREPAYMENT

In the case of loan prepayment, PBZ shall calculate and collect interest for the period until the day/date on which a loan has been fully or partially prepaid.
On the remaining unrepaid portion, interest shall be calculated in accordance with the agreement.
On the prepaid loan amount, PBZ shall charge the clients a fee for loan prepayment in accordance with the relevant decision on fees charged by PBZ, if not otherwise stipulated / determined, except to the extent to which this is prevented by relevant legal provisions.

11. EARLY TERMINATION OF TIME DEPOSITS

At the client's request, PBZ may terminate a time deposit ahead of expiry of its term, where interest shall be calculated for the relevant time deposit period in accordance with the Bank's Decision on interest rates that is in force at that particular time.
PBZ shall charge the client a fee for early termination i.e. early withdrawal of a time deposit, which fee is charged on the terminated / disbursed deposit amount, in accordance with the Bank's by-laws currently in force, if not otherwise stipulated / determined.

12. INTEREST CALCULATION METHODS

Interest shall be calculated by using the end-of-period, proportional method (simple interest calculation); the equivalent method (compound interest calculation); or by using some other method stipulated in the contract.

Formula for simple interest calculation:

$$K = \frac{G \times d \times p}{g \times 100}$$

Formula for compound interest calculation:

$$K = G \times \left[\left(1 + \frac{p}{100} \right)^{\frac{d}{g}} - 1 \right]$$

where:
K – interest amount
G – calculation base
d – number of days of compounding
p – annual interest rate
g – number of days in a year

and where the compounding period d/g may be calculated in one of the following ways:
a) actual (d) / actual (g)
b) 30 / actual (g)
c) actual / 360
d) 30 / 360
e) actual / 365

13. INTERIM INTEREST

In the loan drawdown period, from the date of the first loan drawdown until the commencement of loan repayment, the interim interest shall be calculated i.e. charged.
If not otherwise stipulated / determined, interim interest shall be calculated using the calculation method contracted for ordinary interest, taking into account the actual number of days.
In the case of single-disbursement loans, interim interest shall be calculated from the drawdown date until the commencement of loan repayment.
If there are multiple disbursements of loan tranches or multiple drawdowns, for each drawdown the rate shall be formed in accordance with these Principles, as specified in chapter 4.1, if not contracted / defined otherwise.
Unless stipulated otherwise or unless interim interest has been separately defined in the contract, the rate of interim interest, the method of its determination and the calculation of interim interest shall be the same as those that apply to ordinary interest.

14. ORDINARY INTEREST

Ordinary interest shall be calculated on the outstanding loan principal, deposit principal, and on the drawn portion of a revolving facility / overdraft.

15. DEFAULT INTEREST

If not stipulated otherwise, to the calculation and payment of default interest when a client is late in fulfilling financial obligations, a statutory default interest rate shall be applied, variable as per regulations.
Default interest shall be calculated by applying the end-of-period simple interest calculation method to the overdue principal amount, without adding default interest to the principal upon expiry of the calculation period, by using the mathematical formula prescribed by law.
Default interest shall be calculated for the entire period of delay, from the first day after the maturity date, without compounding i.e. calculating interest on interest.
If not stipulated otherwise, the calculation shall be made on a monthly basis, at the end of a month.

16. EFFECTIVE INTEREST RATE

The effective interest rate shall be calculated in accordance with the CNB regulations.

17. INTEREST ON INACTIVE LOAN (GRACE PERIOD)

A loan is inactive if it has been fully drawn and its repayment shall commence upon the expiry of the contracted time period – grace period. If not stipulated otherwise by a contract or a separate decision of a competent PBZ body, in the case of inactive loans, ordinary interest shall be calculated on the amount of a loan principal that has not yet fallen due.
Interest shall be paid at intervals (monthly, quarterly, semi-annually, etc.) in accordance with the concluded contract or the decision of a competent PBZ body.

18. COLLECTION AND ITS SEQUENCE

With regard to the client's overdue unpaid debts, the Bank shall be entitled to directly debit the client's account with the Bank, i.e. depending on authorisations given in the contract and on received security instruments.
Overdue claims, unless it has been otherwise agreed with the client, shall be settled in accordance with legal provisions, following the sequence set out here below:

- costs (including costs of enforcement and litigation proceedings, notarial and legal fees and other expenses), as well as any fees due and payable
- overdue claims related to default interest
- overdue claims related to ordinary interest
- overdue principal amount.

19. LOANS APPROVED AGAINST SPECIFIC PURPOSE TIME DEPOSITS

The Decision on interest rates of PBZ lays down the minimum interest spread applicable to loans which are approved against specific purpose time deposits. Customarily, such spread shall be valid during the entire term of the loan, with equal repricing periods being stipulated for the loan and for the deposit.

20. OVERPAYMENT

The surplus of funds paid (prior to maturity or at debt settlement) in connection with the loan shall be treated as an overpayment made to a loan account. The overpaid amount shall be used at the next maturity, in accordance with the claims settlement sequence, or these funds shall be transferred to the client's account, at the request of the client.

21. EXCHANGE RATE

To loans and deposits with the currency clause, the contracted rate of exchange shall be applied.
All claims related to loans with the currency clause shall be recorded in foreign currency equivalent:

- until the maturity date, and afterwards in the official currency of the Republic of Croatia, if it has been agreed that repayment is to be made at a specific exchange rate on the maturity date, or
- until the repayment date, if it has been agreed that repayment is to be made at a specific exchange rate valid on the payment date.

Claims related to FX loans shall be recorded in foreign currency until the final settlement of obligations.

22. NOTIFICATION

22.1 OF ACCRUED INTEREST

Depending on the type of loan arrangement, the Bank shall notify the client of the amount of the client's obligation in writing or by using other agreed means of notification (repayment schedule, interest sheet, notices or another document).
With regard to deposits, the client shall be informed in writing about the amount of calculated and credited interest (through statements, deal confirmations, etc.) or by using other agreed method of providing information.

22.2 OF A CHANGE IN INTEREST RATES

According to item 5 of these Principles.

23. FINAL PROVISIONS

The Croatian law shall apply to these Principles.
Any dispute arising in connection with these Principles shall be settled before a competent court in Zagreb.
The Bank reserves the right to amend these Principles in accordance with laws and regulations and the Bank's business policy, of which the Bank shall inform clients in writing or by using the means of telecommunication/means of electronic communication at least 15 days before any such amendments enter into force.
It shall be deemed that the client has accepted the amendments to the Principles if, by the date of their entry into force, the client has not informed the Bank in writing of not accepting them.
These Principles shall enter into force on 19 December 2022 and shall be applied as of 1 January 2023.
As of the date of entry into force of these Principles, the Principles for determining interest rates and the method and dynamics of calculating interest on loans and deposits of PRIVREDNA BANKA ZAGREB – JOINT-STOCK COMPANY of 30 June 2009 shall cease to be valid.

In Zagreb, 19 December 2022

PRIVREDNA BANKA ZAGREB – DIONIČKO DRUŠTVO