

Information brochure – loans with the NRS

What is the NRS?

The National Reference Rate of the average Croatian banking sector financing cost (NRS) represents the average cost of the source of funds for the Croatian banking sector (banks and savings banks) with regard to a certain previous period of time, source type (deposits by natural persons, deposits by legal entities from the non-finance sector, other sources of funds for banks) and the relevant currency. The NRS therefore represents the average interest rate the banking sector pays in order to obtain the funds necessary for its loan operations.

Three types of NRSs have been formed for the periods of three, six and twelve months. The Croatian Banking Association (CBA) calculates the values of individual NRSs (with regard to the type, interest period and currency), and publishes them on the website (www.hub.hr/NRS) on the first working day after the Croatian National Bank publishes aggregate data on the interest expenses for the main sources of funds in the course of the previous quarter as well as on the status of the sources of funds at the end of each month of the quarter those interest expenses were incurred in (data divided into funds from natural persons, natural persons and the non-finance sector, and all natural persons and physical entities).

The 6-monthly NRS2 for HRK (6m NRS2 for HRK) is calculated as the average cost of the sources of funds for the period of 6 months for deposits by natural persons and the non-finance sector.

The 6-monthly NRS1 for EUR (6m NRS1 for EUR) is calculated as the average cost of the sources of funds for the period of 6 months for deposits by natural persons.

How is the interest rate for the loan determined?

The interest rate for HRK loans represents the sum of 6m NRS2 for HRK and the fixed contractual number of percentage points annually, rounded to three decimal points.

The interest rate for loans with a currency clause in EUR represents the sum of 6m NRS1 for EUR and the fixed contractual number of percentage points annually, rounded to three decimal points.

The initial value of 6m, NRS2 for HRK or 6m NRS1 for EUR is the value set out and last published by the Croatian Banking Association.

The duration of the first interest period is seven months, and each subsequent lasts six months.

Example: loan taken out in HRK on 5 July 2018

The first determination of the interest rate: last published value of 6M NRS2 for HRK set out and published on 24 May 2018 (e.g. 0.44%) + fixed contractual number of percentage points (e.g. 3.6 percentage points), amounting to 4.04%, valid for the first interest period lasting from 1 July 2018 until 31 January 2019.

The second determination of the interest rate: the value of 6M NRS for HRK to be published on 15-30 November 2018 + fixed contractual number of percentage points (e.g. 3.6 percentage points)

- if the value of 6M NRS2 for HRK increases by 0.15 percentage points and amounts to 0.59%, the total interest rate will increase by 0.15 percentage points, i.e. it will amount to 4.19% for the second interest period.
- the new annuity amount will become due on 1 March 2019
- the second interest period lasts from 1 February 2019 until 31 July 2019

The third determination of the interest rate: the value of 6M NRS2 for HRK to be published on 16-31 May 2019 + fixed contractual number of percentage points (e.g. 3.6 percentage points)

- if the value of 6M NRS2 for HRK is reduced by 0.25 percentage points compared to the previous period and now amounts to 0.34%, the total interest rate will be reduced by 0.25 percentage points, i.e. it will amount to 3.94%
- the new annuity amount will become due on 1 September 2019
- the third interest period lasts from 1 August 2019 until 31 January 2020

Every subsequent determination of the interest rate: the last published value of 6M NRS2 for HRK until the regular full repayment of the loan + fixed contractual number of percentage points.

From the above example, it is evident that any change in the value of 6M NRS2 for HRK affects the amount of the contractual interest rate and thus on the amount of the regular repayment.

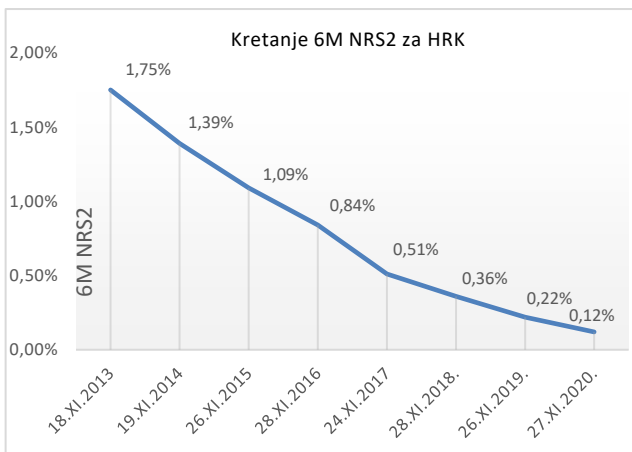
Where can you monitor the NRS values?

The NRS values may be monitored on the website of the Croatian Banking Association: www.hub.hr/hr/nrs

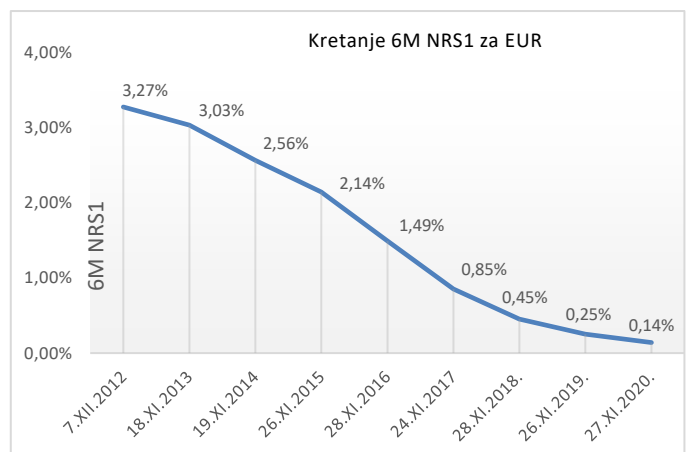
Advice:

Before making a decision on whether to sign a loan agreement with the contractual interest rate pegged to the NRS, please inquire about the meaning and volatility of the NRS, its historical trends and potential risk of changes to the NRS by consulting relevant sources independent of the Bank.

6m NRR2 for HRK fluctuation trend chart



6m NRR1 for EUR fluctuation trend chart



Source: CBA The 6m NRR2 for HRK and 6m NRS1 for EUR fluctuation trend chart on the basis of historical trends is purely informative.