

Pursuant to Article 161, paragraph (1), item (1) of the Credit Institutions Act (Official Gazette 117/2008, 74/2009 and 153/2009) and Article 43, paragraph (2), item (9) of the Act on the Croatian National Bank (Official Gazette 75/2008), the Governor of the Croatian National Bank hereby issues the

Decision on amendments to the Decision on own funds of credit institutions

Article 1

In the Decision on own funds of credit institutions (Official Gazette 1/2009, 41/2009, 75/2009 and 2/2010), in Article 2, paragraph (4) is deleted.

Article 2

In Article 6, paragraph (2) is amended to read:

"(2) A credit institution which granted a credit for the purchase of its shares, excluding cumulative preferential shares, and which has taken in pledge own shares as collateral for that credit, shall calculate its original own funds as follows:

- 1) if the outstanding amount of the credit for the purchase of shares is less than or equal to the amount of own shares taken in pledge as collateral for that credit, the credit institution shall reduce original own funds only by the amount of own shares taken in pledge as collateral for that credit; or
- 2) if the outstanding amount of the credit for the purchase of shares is greater than the amount of own shares taken in pledge as collateral for that credit, the credit institution shall reduce original own funds by the total amount of own shares taken in pledge as collateral for that credit and by the outstanding amount of the credit for the purchase of shares, which is the difference between the total amount of that item and the amount of own shares taken in pledge as collateral for that credit."

Article 3

In Article 11, paragraph (1) is amended to read:

"(1) For the purposes of this Decision, intangible assets shall include items reported as intangible assets in the supervisory report Balance sheet in accordance with the Decision on supervisory reports of credit institutions, including payments on account for intangible assets and positive revaluation reserves from revaluation of intangible assets."

Article 4

In Article 16, paragraph (2) is amended to read:

"(2) A credit institution which granted a credit for the purchase of its cumulative preferential shares, and which has taken in pledge own cumulative preferential shares as collateral for that credit, shall calculate its additional own funds as follows:

- 1) if the outstanding amount of the credit for the purchase of cumulative preferential shares is less than or equal to the amount of own cumulative preferential shares taken in pledge as collateral for that credit, the credit institution shall reduce additional own funds only by the amount of own cumulative preferential shares taken in pledge as collateral for that credit; or
- 2) if the outstanding amount of the credit for the purchase of cumulative preferential shares is greater than the amount of own cumulative preferential shares taken in pledge as collateral for that credit, the credit institution shall reduce additional own funds by the total amount of own cumulative preferential shares taken in pledge as collateral for that credit and by the outstanding amount of the credit for the purchase of cumulative preferential shares, which is the difference between the total amount of that item and the amount of own cumulative preferential shares taken in pledge as collateral for that credit."

Article 5

In Article 18, paragraph (2) is amended to read:

"(2) A credit institution shall notify the Croatian National Bank without delay of the issue of a hybrid instrument."

Paragraph (3), item (3) is amended to read:

"3) a projection of the calculation of own funds as at the day when the credit institution intends to include the hybrid instrument in its additional own funds; and".

Paragraph (7) is amended to read:

"Credit institutions shall notify the Croatian National Bank without delay of any changes in the legal basis referred to in paragraph (4), item (11) of this Article. If the change in the legal basis referred to in paragraph (4), item (11) of this Article relates to the maturity date of the hybrid instrument, credit institutions may include the thus changed hybrid instrument in additional own funds only if there is at least six years remaining to the maturity date of the hybrid instrument counting from the day of the change in the legal basis."

Article 6

In Article 19, paragraph (2) is amended to read:

"(2) A credit institution shall notify the Croatian National Bank without delay of the issue of a subordinated instrument."

Paragraph (3), item (2) is amended to read:

"2) a projection of the calculation of own funds as at the day when the credit institution intends to include the subordinated instrument in its additional own funds; and".

Paragraph (7) is amended to read:

"Credit institutions shall notify the Croatian National Bank without delay of any changes in the legal basis referred to in paragraph (4), item (8) of this Article. If the change in the legal basis referred to in paragraph (4), item (8) of this Article relates to the maturity date of the subordinated instrument, credit institutions may include the thus changed subordinated instrument in additional own funds only if there is at least five years remaining to the maturity date of the subordinated instrument counting from the day of the change in the legal basis."

Article 7

Article 24 is deleted.

Article 8

In Article 25, paragraph (2) the following text is deleted: "Ancillary own funds may be used only to cover the capital requirements for market risks."

Paragraph (3) is amended to read:

"(3) The amount of additional own funds may not exceed the amount of original own funds."

Paragraph (5) is deleted.

Article 9

Article 29 is amended to read:

"The exposure amount of securitisation positions which receive a risk weight of 1250% shall include:

- 1) the exposure amount of securitisation positions which receive a risk weight of 1250% in accordance with Article 460 of the Decision on the capital adequacy of credit institutions, provided that such securitisation positions are not included in the calculation of risk-weighted exposure amounts for credit risk; and
- 2) the exposure amount of securitisation positions in the trading book which would receive a risk weight of 1250% if they were in the non-trading book, provided that such securitisation positions are not included in the calculation of capital requirements for market risks."

Article 10

In the entire text of the Decision, the Croatian word translated as "provision" in various grammatical numbers and cases is replaced by another Croatian word in appropriate grammatical numbers and cases, with no relevance to the English translation.

Article 11

This Decision shall be published in the Official Gazette and shall enter into force on 1 January 2012, with the exception of the provisions of Article 9, which shall enter into force on 30 June 2012, and the provisions of Article 3, which shall enter into force on 31 December 2012.

No. 282-020/10-11/ŽR

Zagreb, 7 October 2011

Croatian National Bank
Governor
Željko Rohatinski