

Pursuant to Article 161, paragraph (1), item (4) 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 the classification of placements and off-balance sheet liabilities of credit institutions**

### **Article 1**

In the Decision on the classification of placements and off-balance sheet liabilities of credit institutions (Official Gazette 1/2009 and 75/2009), in Article 10, paragraph (2), after the word "exposure" a comma is inserted and is followed by the words "unless otherwise provided for by the provisions of this Decision."

### **Article 2**

Article 17 is amended to read:

"(1) The collective impairment of placements classified into risk category A is performed in the amount of latent losses established by a credit institution by applying its internal methodology, prepared and tested in advance, based on its historical loss experience.

(2) Until the beginning of application of the internal methodology for the assessment of latent losses arising from a portfolio of placements graded A, a credit institution shall maintain the level of impairment (value adjustment) of these placements equal to the amount that is not below 0.85% or above 1.20% of the total balance of placements graded A.

(3) Impairment (value adjustment) of placements graded A shall be accounted for by debiting expenses of a credit institution for the period when the losses are identified and by crediting the corresponding value adjustment accounts of placements that are subject to classification under this Decision.

(4) A credit institution shall re-examine its internal methodology for risk assessment, at least once a year, and shall revise it as appropriately, for the purpose of reducing the differences between the estimated and actual latent losses that exist in the credit portfolio of a risk category A."

### **Article 3**

In Article 20, paragraph (1), the words "Decision on the Uniform Disclosure" are replaced by the words "decision governing the manner of calculating".

#### **Article 4**

Article 32 is amended to read:

"(1) Provisions for losses on a collective basis arising from off-balance sheet liabilities graded A shall be made in the amount determined by a credit institution by applying its internal methodology, prepared and tested in advance, for an individual category of similar off-balance sheet liabilities within category A.

(2) Until the beginning of application of the internal methodology for the assessment of latent losses arising from off-balance sheet liabilities graded A, a credit institution shall maintain the level of provisions for these off-balance sheet liabilities in the amount that is not below 0.85% or above 1.20% of the balance of total off-balance sheet liabilities graded A.

(3) The amount of provisions for losses on a collective basis, arising from off-balance sheet liabilities graded A, shall be accounted for by debiting expenses of a credit institution for the period when these losses are identified and by crediting the corresponding provisions accounts in the balance sheet liabilities.

(4) A credit institution shall re-examine its internal methodology for the assessment of credit risk arising from off-balance sheet liabilities, at least once a year, and shall revise it as appropriately, for the purpose of reducing the differences between the estimated and actual latent losses associated with off-balance sheet liabilities classified into risk category A."

#### **Article 5**

In Article 37, paragraph (6) is amended to read:

"(6) For placements exceeding 5% of own funds of a credit institution or exceeding HRK 20m (whichever is the lower), the credit institution shall ensure property valuation by an independent valuer at least every three years. The credit institution shall ensure that an independent property valuation for these placements is not older than 3 years from the date of entry into force of this Decision."

#### **Article 6**

In Article 39, after the words "bills of exchange," the words "promissory notes," are inserted.

#### **Article 7**

Article 42 is amended to read:

"The internal methodology for the assessment of losses, referred to in Article 17, paragraph (1) and Article 32, paragraph (1) of this Decision shall be established and tested by the credit institution no later than on the date of the accession of the Republic of Croatia to the European Union."

### **Article 8**

This Decision shall be published in the Official Gazette and shall enter into force on 31 March 2010, with the exception of Article 17, paragraph (1) of the Decision on the classification of placements and contingent liabilities of credit institutions (Official Gazette 1/2009 and 75/2009) amended by Article 2 of this Decision and Article 32, paragraph (1) of the Decision on the classification of placements and contingent liabilities of credit institutions (Official Gazette 1/2009 and 75/2009) amended by Article 4 of this Decision, which will enter into force on the date of accession of the Republic of Croatia to the European Union.

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Zagreb, 4 January 2010

Croatian National Bank  
Governor  
**Željko Rohatinski**