

Pursuant to Article 161, paragraph (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 and 75/2009), Article 8, paragraphs (4) and (5) are amended to read:

"(4) Where own funds are calculated on the basis of interim financial statements, the retained earnings item may include profit for the current year in whole or in part, provided that all of the following conditions are met:

- 1) it has been decided at the general meeting that profit for the current year be allocated, in whole or in part, to reserves or retained earnings or to the increase in share capital (with the exception of cumulative preferential shares) or to cover losses brought forward, or if such decision on the allocation of profit for the current year has been adopted by the management and supervisory boards;
- 2) the amount of profit for the current year must be net of profit tax and other foreseeable charges; and
- 3) the profit has been verified by an external auditor.

(5) Where own funds are calculated on the basis of audited financial statements, the retained earnings item may include profit for the current year in whole or in part, provided that all of the following conditions are met:

- 1) it has been decided at the general meeting that profit for the current year be allocated, in whole or in part, to reserves or retained earnings or to the increase in share capital (with the exception of cumulative preferential shares) or to cover losses brought forward, or if such decision on the allocation of profit for the current year has been adopted by the management and supervisory boards; and
- 2) the amount of profit for the current year must be net of profit tax and other foreseeable charges."

In Article 8, after paragraph (5), new paragraphs (6) and (7) are inserted which read:

"(6) In the case referred to in paragraph (4) of this Article, the credit institution shall obtain prior approval from the Croatian National Bank. An application for prior approval shall be delivered together with the documentation evidencing that the conditions referred to in paragraph (4) of this Article have been met.

(7) The Croatian National Bank shall grant the prior approval referred to in paragraph (6) of this Article if it assesses that the conditions referred to in paragraph (4) of this Article have been met and if it is evident from the credit institution's track record that it operated in compliance with standards of safe and sound operation."

The former paragraphs (6) and (7) become paragraphs (8) and (9).

Article 2

In Article 18, paragraph (4), item (3) is amended to read:

"3) they have a fixed maturity of at least six years counting from the payment date;"

Article 3

In Article 19, paragraph (4), item (3) is amended to read:

"3) they have a fixed maturity of at least five years counting from the payment date;"

Article 4

In Article 24, paragraph (1), item (3) is amended to read:

"3) they have a fixed maturity of at least two years counting from the payment date;"

Article 5

This Decision shall be published in the Official Gazette and shall enter into force on 31 March 2010.

No.: 14-020/01-10/ŽR
Zagreb, 4 January 2010

Croatian National Bank
Governor
Željko Rohatinski