

Pursuant to Article 161, paragraph (1), item (8) 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 LARGE EXPOSURES OF CREDIT INSTITUTIONS

1 GENERAL PROVISIONS

Article 1

(1) This Decision prescribes:

- 1) the method of calculating and monitoring the credit institution's large exposures and concentration risk of exposures to collateral issuers and providers of unfunded credit protection;
- 2) the items included in exposures;
- 3) the indicators used to determine connected persons;
- 4) the exemptions from large exposure limits;
- 5) the rules on exceeding large exposure limits; and
- 6) the method of reporting on large exposures, exposures to persons in a special relationship and collateral issuers and providers of unfunded credit protection.

(2) This Decision shall apply to:

- 1) credit institutions with registered offices in the Republic of Croatia, authorised by the Croatian National Bank; and
- 2) branches of third-country credit institutions, authorised by the Croatian National Bank to provide services.

(3) By way of derogation from paragraph (2) of this Article, this Decision shall not apply to electronic money institutions.

(4) Credit institutions shall comply with the provisions of this Decision on a consolidated basis if they are required to comply with the requirements on supervision on a consolidated basis for their groups of credit institutions in the RC as set out in Article 127 of the Credit Institutions Act.

Article 2

(1) A credit institution's exposure to a single person or group of connected persons shall be considered a large exposure where its value is equal to or exceeds 10% of its own funds.

(2) The large exposure referred to in paragraph (1) of this Article shall be calculated before the application of credit risk mitigation techniques and exemptions set out in this Decision.

(3) Exposure limits shall be the limits set out in Articles 150 to 152 of the Credit Institutions Act.

(4) For the purpose of this Decision, the term 'own funds' shall be used as defined in Article 2, paragraph (3) of the Decision on own funds of credit institutions.

2 MONITORING OF LARGE EXPOSURES AND CONCENTRATION RISK OF EXPOSURES TO COLLATERAL ISSUERS AND PROVIDERS OF UNFUNDED CREDIT PROTECTION

Article 3

(1) Credit institutions shall establish and implement policies and procedures for identifying, recording and monitoring of large exposures to a single person or group of connected persons which arise on their non-trading books and trading books.

(2) Credit institutions shall establish sound administrative and accounting procedures, adequate information systems and adequate internal control systems for the implementation of policies and procedures referred to in paragraph (1) of this Article.

(3) Credit institutions shall establish internal control systems to prevent the temporary transfer of the exposures in question to another person and the undertaking of artificial transactions to close out the exposure and create a new exposure.

(4) Credit institutions shall establish a system that will enable them to notify the Croatian National Bank without delay of the transfer of exposures referred to in paragraph (3) of this Article.

(5) The internal audit shall assess the efficiency and implementation of policies and procedures and the efficiency of internal control systems referred to in this Article on an ongoing basis.

Article 4

(1) For the purpose of determining the potential concentration risk, credit institutions shall establish and implement policies and procedures for identifying, analysing and monitoring of exposures to collateral issuers and providers of unfunded credit protection and exposures referred to in Article 6, paragraph (1) of this Decision, and prescribe the procedures if such risk is determined.

(2) The terms used shall mean the following for the purpose of calculating the concentration risk referred to in paragraph (1) of this Article:

- 1) 'collateral' means credit protection set out in Article 338, paragraph (1) of the Decision on the capital adequacy of credit institutions, regardless of the credit quality step and the minimum requirements for recognition, and other types of funded credit protection recognised by credit institutions;
- 2) 'unfunded credit protection' means guarantees, counter-guarantees and credit derivatives set out in Article 404, paragraph (3) of the Decision on the capital adequacy of credit institutions, regardless of the credit quality step and the minimum requirements for recognition, and other types of unfunded credit protection recognised by credit institutions;

- 3) 'collateral issuer' means any person who issues and pledges securities to the credit institution, any person who pledges its deposits or any credit institution in which deposits are held, and any person who pledges real estate or other forms of collateral to the credit institution or allows fiduciary transfer of ownership; and
- 4) 'provider of unfunded credit protection' means any person set out in Articles 407 and 409 of the Decision on the capital adequacy of credit institutions, regardless of the credit quality step of the provider.

3 EXPOSURE

Article 5

(1) For the purpose of this Decision, 'exposure of a credit institution' means the amount of all on-balance sheet items and off-balance sheet liabilities related to a single person or group of connected persons and includes:

- 1) the on-balance sheet items;
- 2) the off-balance sheet liabilities set out in Article 18 of the Decision on the capital adequacy of credit institutions, before the application of the degrees of risk; and
- 3) the exposures due to the transactions, agreements and contracts set out in Article 480 and Article 483, paragraph (1) of the Decision on the capital adequacy of credit institutions.

(2) Credit institutions shall disclose on-balance sheet items and off-balance sheet liabilities in accordance with this Decision, International Financial Reporting Standards, regulations and professional standards.

(3) Partly and fully irrecoverable placements and off-balance sheet liabilities referred to in paragraph (1), items (1) and (2) of this Article shall be disclosed in the amount which represents their carrying value impaired by value adjustments or provisions for losses arising from off-balance sheet liabilities. Placements and off-balance sheet liabilities classified into risk category A shall not be impaired by value adjustments or provisions for losses arising from off-balance sheet liabilities, unless otherwise provided for in this Decision.

(4) The exposures referred to in paragraph (1), item (3) of this Article shall be disclosed in the amount calculated in the manner set out in Part 6 of Title II of the Decision on the capital adequacy of credit institutions.

(5) By way of derogation from paragraph (1) of this Article, the exposure shall not include any of the following:

- 1) in the case of spot foreign exchange transactions, exposures incurred in the ordinary course of settlement during the two working days following payment;
- 2) in the case of spot transactions for the purchase or sale of securities, exposures incurred in the ordinary course of settlement during five working days following payment or delivery of the securities, whichever the earlier;
- 3) in the case of the provision of money transmission including the execution of payment services, clearing and settlement in any currency and correspondent banking or financial instruments clearing, settlement and custody services to clients, delayed receipts in

funding and other exposures arising from client activity which do not last longer than the following working day; or

- 4) in the case of the provision of money transmission including the execution of payment services, clearing and settlement in any currency and correspondent banking, intra-day exposures to institutions providing those services.

(6) For the purpose of this Article, working days shall be days from Monday to Friday, unless there is a national or bank holiday.

(7) Credit institutions shall calculate the overall exposure to a single person or group of connected persons by summing the exposures which arise on the non-trading book and the exposures which arise on the trading book.

Article 6

(1) In order to determine the existence of a single person or group of connected persons, in respect of exposures referred to in Parts 2.2.13, 2.2.14 and 2.2.15 of Title II of the Decision on the capital adequacy of credit institutions, where there is an exposure to underlying assets, credit institutions shall assess each scheme, its underlying exposures, or both, depending on the economic substance and the risks inherent in that exposure.

(2) Where the share of the single underlying asset in the underlying assets of the scheme exceeds 5% and where the share of the single underlying asset has not changed significantly between the reporting periods, credit institutions shall identify these single underlying assets and include them in the overall exposure to a single person or group of connected persons. Credit institutions shall include these single underlying assets in the overall exposure in the amount proportionate to their share in the assets of the scheme.

(3) By way of derogation from paragraph (2) of this Article, where credit institutions prove that the exposure to an individual scheme shall not result in the exceeding of the permitted exposure limits referred to in Articles 150 to 155 of the Credit Institutions Act, they shall not be required to identify single underlying exposures.

(4) Where the structure of the underlying assets in the scheme is subject to frequent changes or where the share of the single underlying asset in the underlying assets of the scheme does not exceed 5% and where credit institutions prove that the exposure to an individual scheme shall not result in the exceeding of the permitted exposure limits referred to in Articles 150 to 155 of the Credit Institutions Act, they shall not be required to identify single underlying exposures.

(5) Credit institutions shall disclose all underlying exposures in a scheme that have not been identified on a single basis and that have not been included in the overall exposure to a single person or group of connected persons as the exposure to a single unknown person. The exposure of credit institutions to that person shall not exceed 25% of their own funds.

(6) By way of derogation from paragraph (5) of this Article, where credit institutions may prove that underlying exposures of a scheme are not related to other direct or indirect exposures of the credit institution, they shall not be required to include them in the overall exposure to a single unknown person referred to in paragraph (5) of this Article. Instead, they shall disclose the exposure to that scheme as the exposure to a separate unknown client.

(7) Credit institutions shall be required to prove to the Croatian National Bank that the decision to apply one of the approaches referred to in paragraphs (2) to (6) of this Article has been made on the basis of the assessment of the economic substance and the risks inherent in these exposures.

(8) Where credit institutions identify single underlying exposures of a scheme, they shall regularly, and on a monthly basis at a minimum, monitor the structure of assets of the respective scheme.

(9) In addition to assessing the risk inherent in underlying exposures, credit institutions shall also assess the risk inherent in the entire scheme. The exposure of credit institutions to an individual scheme shall not exceed 25% of their own funds.

Article 7

(1) By way of derogation from Article 5 of this Decision, where credit institutions calculate the capital requirement for position risks, they shall calculate the overall exposure to a single person on the trading book by summing the following items:

- 1) the excess – where positive – of a credit institution's long positions over its short positions in all the financial instruments issued by the person in question, the net position in each of the different instruments being calculated in accordance with the methods laid down in Part 3 of Title III of the Decision on the capital adequacy of credit institutions;
- 2) the net exposure of a credit institution, in the case of the underwriting of a debt or an equity instrument, calculated by deducting those underwriting positions which are subscribed or sub-underwritten by third parties on the basis of a formal agreement from the amount of securities it became unconditionally committed to accept at an agreed price and reduced by the factors set out in Table 30 in Article 545 of the Decision on the capital adequacy of credit institutions; and
- 3) the exposures due to the transactions, agreements and contracts set out in Article 480 and Article 483, paragraph (1) of the Decision on the capital adequacy of credit institutions, such exposures being calculated in the manner laid down in Part 6 of Title II of the same Decision.

(2) The exposure to a group of connected persons on the trading book shall be equal to the sum of exposures to individual persons in a group, calculated in accordance with paragraph (1) of this Article.

(3) For the purpose of paragraph (1), item (2) of this Article, credit institutions shall be required to set up systems to monitor and control their underwriting exposures between the time of the initial commitment and working day one in the light of the nature of the risks incurred in the period in question.

(4) For the purpose of paragraph (1), item (3) of this Article, credit institutions shall not apply the provisions referred to in Part 3 of Title II of the Decision on the capital adequacy of credit institutions to the calculation of exposures.

Article 8

For the purpose of this Decision and the calculation of exposures, the term 'credit institution' shall also mean a branch of a third-country credit institution.

4 GROUP OF CONNECTED PERSONS

Article 9

(1) When identifying the group of connected persons in the manner referred to in Article 24 of the Credit Institutions Act, credit institutions shall determine:

- 1) the relationship of control in accordance with Article 21 of the Credit Institutions Act; and
- 2) the economic and financial interconnectedness.

(2) When determining the relationship of control referred to in paragraph (1), item (1) of this Article and where the relationship between the parent undertaking and the subsidiary undertaking is not determined in accordance with Article 18 of the Credit Institutions Act, credit institutions shall also assess the following indicators of control:

- 1) the person has power to decide on crucial transactions such as the transfer of profit or loss;
- 2) the person has power to direct the activities of other entity so as to obtain benefits from its activities;
- 3) the person has power to cast the majority of votes at meetings of the general assembly, management board or other governing body where control of another legal person is exercised by that board or body;
- 4) the person has power to coordinate the management of a legal person with that of other legal persons in pursuit of a common objective;
- 5) when the majority of the members of the management or supervisory board or other governing bodies of these undertakings are the same persons; and
- 6) other relationships that are in their substance similar to indicators stated in items (1) to (5) of this paragraph.

(3) It shall be deemed that the control referred to in this Article exists if credit institutions determine the existence of the indicators of control, regardless whether the person for the time being actually does exercise its control or not.

(4) For the purpose of this Decision, it shall be deemed that the relationship of control also exists between undertakings linked by management on a unified basis referred to in Article 23 of the Credit Institutions Act when they prepare consolidated financial statements.

(5) When determining the economic and financial interconnectedness referred to in paragraph (1), item (2) of this Article, credit institutions shall assess the following indicators:

- 1) in the case when one person guarantees fully or partially the exposure of another person and the exposure is so significant for the issuer that the issuer will be subject to serious financial distress if a claim occurs;

- 2) in the case when the owner of a residential or commercial property receives the majority of the rent from one tenant;
- 3) in the case when the significant part of production is for one single customer;
- 4) in the case when the significant part of receivables or liabilities of a client is to one counterparty;
- 5) in the case when the operation of one person (e.g. producer) depends on one or more vendors which it would take time to replace;
- 6) in the case when legal persons have an identical customer base, consisting of a very small number of customers and where the potential for finding new customers is limited;
- 7) in the case when legal persons use a common source of significant funding which it would take time to replace;
- 8) in the case when operations on the retail market imply the relationship of:
 - the debtor and the co-debtor;
 - the debtor and the guarantor/collateral provider, if the guarantee/collateral is so substantial for the issuer that the collection of the guarantee/collateral would subject the guarantor/collateral provider to serious financial distress; and
- 9) other relationships that are in their substance similar to indicators stated in items (1) to (8) of this paragraph.

Article 10

(1) By way of derogation from Article 9 of this Decision, the exposure to one or more legal persons shall not constitute a single risk if the central government, assigned a 0% risk weight in accordance with Part 2.2.1 of Title II of the Decision on the capital adequacy of credit institutions, is a direct or indirect holder of shares or holdings in these persons.

(2) A natural or legal person may be included in more than one group of connected persons referred to in Article 24, paragraph (2) of the Credit Institutions Act.

5 EXEMPTIONS FROM EXPOSURE LIMITS

Article 11

(1) The exposure limits shall not apply to a credit institution's holdings in credit and financial institutions if such holdings are items which are deducted from own funds referred to in Article 27 of the Decision on own funds of credit institutions.

(2) The provision of paragraph (1) of this Article shall not apply to investments in subordinated and hybrid instruments of credit and financial institutions.

(3) The exposure limits shall not apply to the exposures to credit institutions which arise from minimum reserves required by the Croatian National Bank and allocated by credit institutions to the accounts of other credit institutions, provided that these other credit institutions have allocated the same funds to the accounts held with the Croatian National Bank.

(4) The exposure limits shall not apply to the exposures to credit institutions which arise from funds held by housing savings banks in their giro accounts with credit institutions.

Article 12

The exposure limits shall not apply to the exposures to central governments, central banks, international organisations, multilateral development banks and public sector entities which, unsecured, would be assigned a 0% risk weight in accordance with the provisions of Part 2.2 of Title II of the Decision on the capital adequacy of credit institutions.

Article 13

The exposure limits shall not apply to a part of the exposure secured by guarantees and credit derivatives recognised under Part 4 of Title II of the Decision on the capital adequacy of credit institutions other than credit linked notes provided by central governments, central banks, international organisations, multilateral development banks and public sector entities if the equivalent unsecured exposures to these guarantors are assigned a 0% risk weight in accordance with the provisions of Part 2.2 of Title II of the Decision on the capital adequacy of credit institutions.

Article 14

The exposure limits shall not apply to the exposures to local and regional self-government bodies of Member States if they are assigned a 0% risk weight in accordance with the provisions of Part 2.2 of Title II of the Decision on the capital adequacy of credit institutions and to the exposures secured by guarantees and credit derivatives recognised under Part 4 of Title II of the Decision on the capital adequacy of credit institutions other than credit linked notes of these bodies.

Article 15

The exposure limits shall not apply to the exposures to a counterparty in the Republic of Croatia which may be a parent undertaking of the credit institution, a subsidiary undertaking of the credit institution, a subsidiary of the credit institution's parent undertaking or an undertaking linked by management on a unified basis in accordance with Article 23, items (1) and (3) of the Credit Institutions Act, provided that it meets the conditions referred to in Article 21 of the Decision on the capital adequacy of credit institutions for the assignment of a 0% risk weight.

Article 16

(1) Where there is neither currency nor maturity mismatch between exposures and credit protection, the exposure limits shall not apply to a part of the exposure secured by the following credit protection:

- 1) the exposures secured by cash on deposit held by the credit institution which calculates the exposure or by its parent or subsidiary credit institution; and
- 2) the exposures secured by certificates of deposit issued by the credit institution or by its parent or subsidiary credit institution and held by one of them.

(2) For the purpose of paragraph (1), item (1) of this Article, the term 'cash on deposit' shall also include:

- 1) cash received under credit linked notes issued by the credit institution which calculates the exposure; and

- 2) loans and deposits received from other counterparties that are subject to on-balance sheet netting in accordance with the provisions of Part 4 of Title II of the Decision on the capital adequacy of credit institutions.

Article 17

The exposure limits shall not apply to off-balance sheet liabilities arising from undrawn credit facilities which in accordance with Article 18 of the Decision on the capital adequacy of credit institutions are considered low risk items, provided that an agreement is concluded with a client or a group of connected clients under which the undrawn amount of the credit facility may be drawn only if it has been ascertained that it will not result in the exceeding of the maximum permitted exposure limits referred to in Articles 150 to 155 of the Credit Institutions Act.

6 APPLICATION OF CREDIT RISK MITIGATION TECHNIQUES

Article 18

(1) In accordance with Articles 19 to 24 of this Decision, credit institutions may mitigate the exposure referred to in Articles 5 to 7 of this Decision by the recognised types of funded and unfunded credit protection which must meet the minimum requirements for the recognition set out in Part 4 of Title II of the Decision on the capital adequacy of credit institutions.

(2) By way of derogation from paragraph (1) of this Article, credit institutions may not mitigate the exposure by the following types of credit protection:

- credit linked notes;
- real estate property referred to in Article 345 of the Decision on the capital adequacy of credit institutions;
- receivables referred to in Article 346 of the Decision on the capital adequacy of credit institutions;
- other physical items referred to in Article 347 of the Decision on the capital adequacy of credit institutions; and
- leases referred to in Article 348 of the Decision on the capital adequacy of credit institutions.

Article 19

(1) For the purpose of calculating the exposure, credit institutions may treat a part of the exposure secured by third-party unfunded credit protection as the exposure to the third party and not to the client, provided that in accordance with Part 2 of Title II of the Decision on the capital adequacy of credit institutions the unsecured exposure to the protection provided is assigned a risk weight that is equal to or lower than the risk weight assigned to the unsecured exposure to the client.

(2) For the purpose of paragraph (1) of this Article:

- 1) where unfunded credit protection is denominated in a currency different from that in which the exposure is denominated, the secured part of exposure has to be adjusted for currency mismatch in accordance with Article 422 of the Decision on the capital adequacy of credit institutions;

- 2) where the residual maturity of the unfunded credit protection is less than that of the secured exposure, the secured part of exposure has to be adjusted for maturity mismatch in accordance with Article 423 of the Decision on the capital adequacy of credit institutions; and
- 3) the partial protection may be recognised in accordance with Part 4.3 of Title II of the Decision on the capital adequacy of credit institutions.

(3) Where credit institutions decide to treat of a part of the exposure to a client secured by third-party unfunded credit protection as the exposure to the third party and not to the client for the purpose of calculating the exposure, they shall apply that approach consistently throughout the duration of the business relationship from which the exposure arises.

Article 20

(1) For the purpose of calculating the exposure, credit institutions may treat a part of the exposure secured by third-party financial collateral, up to the market value of the recognised financial collateral, as the exposure to the third party and not to the client, provided that the exposure is secured by financial collateral and that in accordance with Part 2 of Title II of the Decision on the capital adequacy of credit institutions the secured part of exposure is assigned a risk weight that is equal to or lower than the risk weight assigned to the unsecured exposure to the client.

(2) Where the residual maturity of the financial collateral is less than that of the secured exposure, credit institutions may not exercise the option referred to in paragraph (1) of this Article.

(3) For the purpose of calculating the exposure, credit institutions may use the Financial Collateral Comprehensive Method and the approach referred to in paragraph (1) of this Article only if the Decision on the capital adequacy of credit institutions provides for the concurrent application of the Financial Collateral Simple Method and the Financial Collateral Comprehensive Method.

(4) Where credit institutions decide to use the Financial Collateral Comprehensive Method or the approach referred to in paragraph (1) of this Article for the purpose of calculating an exposure, they shall apply that approach consistently throughout the duration of the business relationship from which the exposure arises.

Article 21

(1) Where credit institutions meet the conditions referred to in Articles 22 and 23 of this Decision, they may use the fully adjusted exposure value referred to in Article 364 of the Decision on the capital adequacy of credit institutions in the calculation of exposure amounts, taking into account the credit risk mitigation techniques, volatility-adjusted values and values adjusted for maturity mismatch.

(2) Credit institutions may use the fully adjusted exposure value referred to in paragraph (1) of this Article only when calculating the amount of those exposures for which they use the fully adjusted exposure value to calculate the effects of financial collateral on capital requirements in accordance with the Decision on the capital adequacy of credit institutions.

(3) Where credit institutions use the AIRB Approach referred to in Part 3 of Title II of the Decision on the capital adequacy of credit institutions for the calculation of risk-weighted exposure amounts for credit risk, they may use their own estimates of the effects of financial collateral on exposures:

- 1) if the conditions referred to in Articles 22 and 23 are met;
- 2) if they are able to estimate adequately the effects of financial collateral on their exposures and separately from other LGD-relevant aspects; and
- 3) if the methodology used for estimating the effects of financial collateral on exposures is in concordance with the methodology used for estimating the LGD for the purpose of calculating risk-weighted exposure amounts for credit risk and complies with the minimum requirements for estimation of risk parameters referred to in Part 3 of Title II of the Decision on the capital adequacy of credit institutions.

(4) By way of derogation from paragraph (3) of this Article, where credit institutions use the AIRB Approach referred to in Part 3 of Title II of the Decision on the capital adequacy of credit institutions for the calculation of risk-weighted exposure amounts for credit risk and do not use their own estimates of the effects of financial collateral on exposures referred to in paragraph (3) of this Article, they may use the Financial Collateral Comprehensive Method referred to in paragraph (1) of this Article or the approach referred to in Article 20 of this Decision in the calculation of exposure amounts.

Article 22

(1) Where credit institutions use the Financial Collateral Comprehensive Method or their own estimates of the effects of financial collateral on exposures referred to in Article 21 of this Decision in the calculation of exposure amounts, they shall conduct periodic stress tests of their credit-risk concentrations, including in relation to the realisable value of any collateral taken.

(2) These periodic stress tests shall address risks arising from potential changes in market conditions that could adversely impact the credit institutions' adequacy of own funds and risks arising from the realisation of collateral in stressed situations.

(3) Credit institutions shall satisfy that the stress tests carried out are adequate and appropriate for the assessment of risks referred to in paragraphs (1) and (2) of this Article.

(4) In the event that a stress test indicates a lower realisable value of collateral taken than would be permitted to be taken into account under the Financial Collateral Comprehensive Method or their own estimates of the effects of financial collateral on exposures referred to in Article 21 of this Decision, credit institutions shall reduce the value of collateral used in the calculation of exposure.

Article 23

Where credit institutions use the Financial Collateral Comprehensive Method or their own estimates of the effects of financial collateral on exposures referred to in Article 21 of this Decision, they shall, at a minimum, adopt the following internal bylaws to address concentration risk:

- 1) policies and procedures to address risks arising from maturity mismatches between exposures and any credit protection on those exposures;
- 2) policies and procedures in the event that a stress test indicates a lower realisable value of collateral than taken into account under the methods referred to in Article 21 of this Decision; and
- 3) policies and procedures relating to concentration risk arising from the application of credit risk mitigation techniques, and in particular large indirect credit exposures, for example to a single issuer of securities taken as collateral.

Article 24

Credit institutions shall prescribe in their internal bylaws the mitigation techniques and the methods which they shall apply to the calculation of exposures in accordance with this Decision and apply them consistently.

7 REPORTING ON LARGE EXPOSURES

Article 25

(1) Credit institutions shall report to the Croatian National Bank on all large exposure, including large exposures not subject to the exposure limits in accordance with this Decision, and in particular on:

- 1) data on each person or group of connected persons to which credit institutions have a large exposure;
- 2) the value of large exposure before the application of credit risk mitigation techniques, where applicable;
- 3) the type of funded and unfunded credit protection, where applied; and
- 4) the value of exposure after the application of credit risk mitigation techniques.

(2) By way of derogation from paragraph (1), item (2) of this Article, for repurchase agreements and reverse repo agreements and securities or commodities lending agreements and securities or commodities borrowing agreements, credit institutions referred to in Article 7 of this Decision may disclose the value of exposure after the application of credit risk mitigation techniques.

Article 26

(1) Credit institutions shall report to the Croatian National Bank on:

- 1) each collateral issuer and provider of unfunded credit protection for all exposures which constitute large exposures; and
- 2) each collateral issuer and provider of unfunded credit protection when total value of all exposures covered by their collateral or unfunded credit protection exceeds 10% of their own funds.

(2) When reporting on collateral issuers and providers of unfunded credit protection, credit institutions shall disclose the following items:

- 1) the name of providers of funded credit protection or providers of unfunded credit protection;

- 2) the value of exposure covered by funded or unfunded credit protection;
- 3) the type of funded and unfunded credit protection; and
- 4) the market/nominal value of funded credit protection or the contractual value of unfunded credit protection.

(3) The group of connected persons referred to in Article 24 of the Credit Institutions Act shall also be deemed to be a single collateral issuer or provider of unfunded credit protection referred to in paragraph (1) of this Article.

Article 27

(1) In accordance with Articles 25 and 26 of this Decision, credit institutions shall report to the Croatian National Bank within the time limits and in the manner and form prescribed in the Decision on supervisory reports of credit institutions.

(2) Credit institutions shall report to the Croatian National Bank on each excess of the limits laid down in Articles 150 to 151 of the Credit Institutions Act and arising from trading book positions within the time limits and in the manner prescribed in the Decision on supervisory reports of credit institutions. In such cases, credit institutions shall in particular disclose the following items:

- 1) data on each person or group of connected persons in relation to which credit institutions have exceeded the exposure limits;
- 2) the value of exposure which arises on the trading book for each day of the duration of the excess;
- 3) the value of excess for each day of the duration of the excess; and
- 4) the date of exceeding the large exposure limits.

Article 28

(1) Credit institutions referred to in Article 1, paragraph (4) of this Decision shall report to the Croatian National Bank on all large exposures, collateral issuers and providers of unfunded credit protection on a semi-annual and consolidated basis and within the time limits and in the manner and form prescribed in the Decision on supervisory reports of credit institutions.

(2) Where credit institutions use the IRB Approach for the calculation of capital requirements for credit risk, they shall report their 20 largest exposures to a single person or group of connected persons on a consolidated basis referred to in paragraph (1) of this Article, excluding the effect of exemptions referred to in Articles 11 to 17 of this Decision.

8 FINAL PROVISIONS

Article 29

(1) The Decision on large exposures of credit institutions (Official Gazette 1/2009 and 75/2009) shall cease to have effect by virtue of the entry into force of this Decision.

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

(3) The provision referred to in Article 1, paragraph (3) shall cease to have effect on 1 January 2011.

No.: 7-020/01-10/ŽR
Zagreb, 4 January 2010

Croatian National Bank
Governor
Željko Rohatinski