

Pursuant to Article 161, paragraph (1), item (9) of the Credit Institutions Act (Official Gazette 117/2008) 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 limits on credit institutions' holdings in non-financial institutions
and holdings of tangible assets

1 GENERAL PROVISIONS

Subject matter
Article 1

This Decision prescribes in detail the method of and the conditions for holdings of credit institutions in capital of non-financial institutions and holdings of tangible assets, and in particular:

- 1) the calculation of limits on holdings in capital of non-financial institutions and holdings of tangible assets and exemptions from this calculation, and
- 2) the procedures to be followed by credit institutions in case of exceeding such limits on holdings in capital of non-financial institutions.

Legal persons subject to the application of the Decision
Article 2

This Decision shall apply to credit institutions authorised by the Croatian National Bank and to branches of credit institutions from a third country, authorised by the Croatian National Bank to provide services, excluding electronic money institutions.

2 HOLDINGS IN NON-FINANCIAL INSTITUTIONS

Non-financial institution
Article 3

For the purpose of this Decision, a "non-financial institution" means all legal persons with the exception of:

- 1) credit or financial institutions,
- 2) ancillary services undertakings, and
- 3) insurance and reinsurance undertakings.

Credit institution's holdings in non-financial institutions
Article 4

(1) A credit institution shall comply with the provisions of this Decision, regulating holdings in capital of non-financial institutions, on an individual basis.

(2) Notwithstanding paragraph (1) of this Article, a credit institution included in a group of credit institutions in the Republic of Croatia shall not be obliged to comply with the provisions of this Decision, regulating holdings in capital of non-financial institutions, on an individual basis, provided it has the following status in the Republic of Croatia:

1. parent of a credit institution, i.e.
2. credit institution which is a subsidiary of a parent credit institution in the Republic of Croatia or of a parent financial holding company in a group of credit institutions in the Republic of Croatia.

(3) A parent credit institution in the Republic of Croatia in a group of credit institutions in the Republic of Croatia shall comply with the provisions of this Decision, regulating holdings in capital of non-financial institutions, on a consolidated basis.

(4) Where a credit institution with a registered office in the Republic of Croatia is a subsidiary of a parent financial holding company in a group of credit institutions in the Republic of Croatia, it shall comply with the provisions of this Decision, regulating holdings in capital of non-financial institutions, on the basis of a consolidated financial situation of that financial holding company.

(5) Where a subsidiary credit institution or a parent financial holding company in a group of credit institutions in the Republic of Croatia is a parent of or holds a participation in another credit or financial institution, an asset management company, in accordance with the law regulating the pursuit of business of investment funds (hereinafter: asset management company) or in a pension company, with a registered office in a third country, it shall comply with the provisions of this Decision, regulating holdings in capital of non-financial institutions, on a sub-consolidated basis.

(6) A credit institution which is not included in the group of credit institutions in the Republic of Croatia, pursuant to the Credit Institutions Act, shall comply with the provisions of this Decision, regulating holdings in capital of non-financial institutions, on an individual basis.

Limits on Holdings

Article 5

(1) Holdings of a credit institution in the capital of a single non-financial institution shall not exceed 15 percent of the credit institution's own funds.

(2) Total holdings of a credit institution in the capital of all non-financial institutions may not exceed 30 percent of the credit institution's own funds.

(3) Holdings referred to in paragraphs (1) and (2) of this Article shall imply direct holdings on the basis of which a credit institution has acquired a share in capital or voting rights in a non-financial institution.

(4) Any credit institution's holdings of shares, other equity securities or participation in capital of non-financial institutions, with the exception of holdings referred to in Article 6 of this Decision, shall be included in the calculation of limits referred to in paragraphs (1) and (2) of this Article, regardless of whether these are holdings on the basis of which a credit institution exercises neither control of nor a significant influence over a legal person whose shares, other

equity securities or holdings it has acquired (holdings classified as available-for-sale financial assets and financial assets initially recognised as assets measured at fair value through profit or loss), or these are holdings in associates, subsidiaries, i.e. other investments accounted for in accordance with the International Accounting Standards (hereinafter: IAS) 27, 28 and 31.

Exemptions from limits on holdings

Article 6

When calculating the limits on credit institution's holdings in capital of non-financial institutions referred to in Article 5 of this Decision, the following shall not be included:

- 1) holdings of capital for the first two years after acquisition, which a credit institution acquired in exchange for its claims during the process of financial reconstruction or in the course of bankruptcy or foreclosure proceedings, or through the realisation of collateral received pursuant to the Foreclosure Act,
- 2) shares and other equity securities held by a credit institution in the course of underwriting of financial instruments and placing of financial instruments on a firm commitment basis for a maximum period of 12 months following the acquisition date,
- 3) shares, other equity securities or holdings acquired in a credit institution's own name on behalf of others; and
- 4) shares, other equity securities or holdings held in the trading book.

Breaches of limits on holdings

Article 7

A credit institution may exceed the limits referred to in Article 5 of this Decision, where the amount of a holding in excess of these limits is fully covered by own funds. In that case, the excess amount shall be accounted for as a deduction item in the calculation of own funds, in accordance with the Decision on own funds of credit institutions, in the following manner:

- 1) where a credit institution has exceeded the limit referred to in Article 5, paragraph (1) of this Decision, a deduction item shall be a sum of all individual amounts in excess of the limits on holdings in capital of non-financial institutions,
- 2) where a credit institution has exceeded the limit referred to in Article 5, paragraph (2) of this Decision, a deduction item shall be the amount in excess of the total limit on holdings in capital of non-financial institutions, i.e.
- 3) where a credit institution has exceeded both limits, referred to in Article 5 of this Decision, a deduction item shall be the greater of the amounts calculated in accordance with items (1) and (2) of this paragraph.

Croatian National Bank approval to acquire individual holdings

Article 8

A credit institution shall obtain a prior approval by the Croatian National Bank for acquiring individual holdings in capital of non-financial institutions, as well as for acquiring holdings in capital of other legal persons, in accordance with Article 160 of the Credit Institutions Act.

3 CREDIT INSTITUTIONS' HOLDINGS OF TANGIBLE ASSETS

Scope of application of the provisions of this Decision regulating holdings of tangible assets

Article 9

- (1) A credit institution shall comply with the provisions of this Decision, regulating holdings of tangible assets, on an individual basis.
- (2) A parent credit institution in the Republic of Croatia in a group of credit institutions in the Republic of Croatia shall also comply with the provisions of this Decision, regulating holdings of tangible assets, on a consolidated basis.
- (3) Where a credit institution with a registered office in the Republic of Croatia is a subsidiary of a parent financial holding company in a group of credit institutions in the Republic of Croatia, it shall comply with the provisions of this Decision, regulating holdings of tangible assets, on the basis of a consolidated financial situation of that financial holding company.
- (4) Where a subsidiary credit institution or a parent financial holding company in a group of credit institutions in the Republic of Croatia is a parent of or holds a participation in another credit or financial institution, an asset management company or a pension company with a registered office in a third country, it shall comply with the provisions of this Decision, regulating holdings of tangible assets, on a sub-consolidated basis.

Limits on holdings

Article 10

- (1) Credit institution's total holdings of tangible assets may not exceed 40 percent of the credit institution's own funds.
- (2) In calculating the limits referred to in paragraph (1) of this Article, net amount of tangible assets shall be taken into account, determined by applying the appropriate measurement method, depending on a classification of tangible fixed assets (cost of investment reduced by any accumulated depreciation and reduced or increased by value adjustment as a result of asset impairment or revaluation, and it can also be additionally reduced by costs to sell in the case of tangible assets held for sale).

Holdings of tangible assets

Article 11

- (1) For the purpose of this Decision, tangible assets shall include any immovable and movable property owned or used by a credit institution on the basis of a leasing contract, rental agreement or lease contract, the useful life of which exceeds one year.
- (2) Credit institution's holdings of tangible assets shall encompass:
- 1) holdings of tangible assets under construction or those put into service, including tangible assets used by a credit institution on the basis of a financial leasing, tangible assets held for sale, measured in accordance with the International Financial Reporting Standard 5, and investment property accounted for under IAS 40,

2) subsequent costs of reconstruction, remodelling and restoration of tangible assets owned by a credit institution, i.e. which are used by a credit institution on the basis of a financial leasing, thus extending the useful life and increasing capacity or quality of tangible assets. These subsequent costs are added to the original carrying amount of these assets, in accordance with IAS 16.

3) tangible assets acquired in exchange for outstanding claims of a credit institution, in accordance with Article 12 of this Decision,

4) holdings of intangible assets for the purpose of acquiring the right to use tangible assets which are not owned by a credit institution, under the operating leasing contract, rental agreement or lease contract, and

5) investments in order to improve functional properties, i.e. increasing use value (investment maintenance) of tangible assets used by a credit institution on the basis of the operating leasing, rental agreement or lease contract.

(3) Holdings for the purpose of acquiring the right to use tangible assets, referred to in paragraph (2), item (4) of this Article, shall imply any prepayments, rents or lease payments under operating leasing contracts, rental agreements or lease contracts for tangible assets for the period after the reporting date.

Exemptions from limits on holdings Article 12

Holdings of tangible assets for the first two years after acquisition, which a credit institution acquired in exchange for its claims during the process of financial reconstruction or in the course of bankruptcy or foreclosure proceedings, or through the realisation of collateral received pursuant to the Foreclosure Act shall not be included in the calculation of limits on credit institution's holdings of tangible assets, referred to in Article 10, paragraph (1) of this Decision.

Ban on trade in tangible assets Article 13

(1) A credit institution shall not be permitted to trade in tangible assets.

(2) For the purpose of this Decision, trade shall imply acquisition and disposal of tangible assets for the purpose of earning gain from a difference between their purchase and selling price.

4 REPORTING TO THE CROATIAN NATIONAL BANK

Reporting to the Croatian National Bank Article 14

A credit institution shall report to the Croatian National Bank on holdings in capital of non-financial institutions and holdings of tangible assets, in accordance with the provisions of this Decision, in a manner, within the time limits and on the forms prescribed by the Decision on supervisory reports of credit institutions and by the Instructions for statistical and prudential reporting.

5 TRANSITIONAL AND FINAL PROVISIONS

Entry into force Article 15

This Decision shall be published in the Official Gazette and shall enter into force on 1 July 2009, with the exception of Article 6, paragraph (1), item (4) of this Decision, which shall enter into force on the date of accession of the Republic of Croatia to the European Union.

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Zagreb, 2. January 2009

Croatian National Bank
Governor

Željko Rohatinski m. p.