

Pursuant to Article 101, paragraph (2), item (2) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) and Article 43, paragraph (2), item (9) and Article 77 of the Act on the Croatian National Bank (Official Gazette 75/2008 and 54/2013), 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 41A/2014), in Article 15, paragraph (3) after the words: "in the risk category A until the following assessment", the words: "provided these placements contain no materially significant past due liabilities older than 90 days" are inserted.

After paragraph (8), a new paragraph (9) is added which reads:

"(9) A credit institution shall not be obligated to increase value adjustments for placements referred to in paragraph (5) of this Article by 5% for each 180 days above the amount of 80% of receivables based on placement principal only if it can prove that placement recoverability based on discounted estimated future cash flows is greater than 20% of receivable based on placement principal."

### **Article 2**

In Article 22, paragraph (2), the following sentence is deleted:

"These receivables shall remain in the balance sheet accounts until they are collected or until legal actions are taken concerning the termination of the debtor's liability, in accordance with the credit institution's policies and procedures and the law regulating civil obligations."

### **Article 3**

In Article 23, paragraph (5) is deleted.

### **Article 4**

In Article 24, paragraph (1), in the first indent, the words: "paragraphs (2), (3) and (6)" are replaced by the words: "paragraphs (2) and (3)".

In the second indent, the words: "paragraphs (4), (5) and (7)" are replaced by the words: "paragraphs (4), (5) and (6)".

Paragraphs (4) to (7) are replaced by new paragraphs (4) to (6) which read:

"(4) The restructured placement referred to in paragraphs (2) and (3) of this Article may be classified into risk category A and be considered a fully recoverable placement after expiry of the period of at least 12 months and subject to fulfilment of the following conditions:

- 1) the debtor's financial position is based on reliable cash flows;
- 2) the regular repayment of the restructured placement within a period of at least 12 months has been established and during that period the debtor has made a significant payment;
- 3) there are no past due liabilities under the placement based on the repayment plan applicable in accordance with the restructuring arrangement;
- 4) for the purposes of this Article, regular repayment, or regular settlement of due liabilities under a placement shall mean no delay in payment by the debtor longer than 30 days.

(5) The period of at least 12 months referred to in the previous paragraph of this Article shall begin on the last of the following events:

- 1) the moment of introduction of placement restructuring measures;
- 2) the end of the grace period included in the placement restructuring arrangement.

(6) Following the period referred to in the previous paragraph, a new 24-month period shall begin during which none of the exposures to the debtor shall be more than 30 days past-due in a materially significant amount. Otherwise, a credit institution shall reclassify the restructured placement into risk subcategory B-1 or worse."

## **Article 5**

The title of Article 43 is amended to read:

*„Application of provisions on increase in value adjustments and restructured placements"*

In Article 43, after paragraph (1), paragraphs (2) and (3) are added which read:

"(2) By way of derogation from Article 24, paragraphs (4) and (5) of this Decision, in the case of restructured placements which were in the status of restructured placements on 1 January 2017 or those restructured at the latest by 30 September 2017, the period of at least 12 months shall be shortened by 6 months.

(3) By way of derogation from Article 24, paragraph (5) of this Decision, the period of at least 6 months referred to in the previous paragraph of this Article shall begin:

1) for placements already in the status of restructured placements on 1 January 2017, from the end of the grace period if it is included in placement restructuring measures, and at the earliest from 1 January 2017;

2) for placements restructured between 1 January and 30 September 2017, from the end of the grace period if it is included in placement restructuring measures or from the moment when placement restructuring measures are introduced."

### **Article 6**

In Appendix 1, in the notes below the table, the following sentences are deleted:

"\*\*\* a combination of all the three methods should be applied (I – cost method, II – comparison method and III – yield evaluation or profit capitalisation method)"

and

"For residential and commercial buildings with the residential and/or commercial surface area of more than 5 thousand square meters, the credit institution is obliged to apply all the three methods (\*\*\*) together with the related factors and years for the particular types of area referred to in the Table".

### **Article 7**

This Decision shall be published in the Official Gazette and shall enter into force on 1 April 2017.

No.: -/-/BV

No.: 79-020/03-17/BV

Zagreb, 17 March 2017

Croatian National Bank  
Governor  
**Boris Vujčić**