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**Decision implementing the part of Regulation (EU) No 575/2013  
pertaining to credit institutions' qualifying holdings outside the  
financial sector and limits on credit institutions' holdings of tangible  
assets  
(Official Gazette 41A/2014)**

**Zagreb, March 2014**

Pursuant to Article 4, paragraph (1), item (40) and Article 89, paragraph (3) of Regulation (EU) No 575/2013 (OJ L 176, 27.6.2013 and L 208, 2.8.2013), Article 11, paragraph (1), Article 101, paragraph (2), item (6) and Article 175, paragraph (2) of the Credit Institutions Act (Official Gazette 159/2013), 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 implementing the part of Regulation (EU) No 575/2013 pertaining to credit institutions' qualifying holdings outside the financial sector and limits on credit institutions' holdings of tangible assets**

**1 GENERAL PROVISIONS**

**Subject matter**

**Article 1**

For the purpose of implementing Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, hereinafter referred to as: "Regulation (EU) No 575/2013"), this Decision shall prescribe in detail:

- 1) the procedures to be followed by credit institutions in case of exceeding the limits on qualifying holdings outside the financial sector referred to in Article 89, paragraphs (1) and (2) of Regulation (EU) No 575/2013;
- 2) the method of and the conditions for credit institutions' holdings of tangible assets and in particular the calculation of the respective limits and exemptions from this calculation; and
- 3) reporting to the Croatian National Bank on holdings.

**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.

**2 HOLDING OF QUALIFYING HOLDINGS OUTSIDE THE FINANCIAL SECTOR**

**Holding of qualifying holdings outside the financial sector**

**Article 3**

To a qualifying holding in an undertaking which is not one of the undertakings referred to in Article 89, paragraph (1), items (a) and (b) of Regulation (EU) No 575/2013, where the amount of such qualifying holding exceeds the limits prescribed in Article 89, paragraphs (1)

and (2) of Regulation (EU) No 575/2013, a credit institution shall apply the provision of Article 89, paragraph (3), item (a) of that Regulation.

### **3 CREDIT INSTITUTIONS' HOLDINGS OF TANGIBLE ASSETS**

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

##### **Article 4**

(1) A credit institution shall comply with the provisions of this Decision, pertaining to 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 comply with the provisions of this Decision, pertaining to holdings of tangible assets, on a consolidated basis.

(3) Where a credit institution with a head 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 or of a parent mixed financial holding company in a group of credit institutions in the Republic of Croatia, it shall comply with the provisions of this Decision, pertaining to holdings of tangible assets, on the basis of a consolidated financial situation of that financial or mixed financial holding company.

#### **Limits on holdings**

##### **Article 5**

(1) Credit institution's total holdings of tangible assets may not exceed 40 percent of the credit institution's regulatory capital.

(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 6**

(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 7 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 7**

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, other than financial reconstruction under pre-bankruptcy proceedings, 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 holdings referred to in Article 5, paragraph (1) of this Decision.

#### **Ban on trade in tangible assets**

##### **Article 8**

(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 9**

A credit institution shall report to the Croatian National Bank in the manner, within the time limits and on the forms prescribed by the decision governing supervisory reports of credit institutions and the Decision on statistical and prudential reporting on:

- holdings of qualifying holdings outside the financial sector, in accordance with the provisions of Articles 89 to 91 of Regulation (EU) No 575/2013;
- holdings in the capital of other legal persons; and
- holdings of tangible assets, in accordance with the provisions of this Decision.

## **5 TRANSITIONAL AND FINAL PROVISIONS**

### **Decision that shall cease to have effect**

#### **Article 10**

As of the date of entry into force of this Decision, the Decision implementing the part of Regulation (EU) No 575/2013 pertaining to credit institutions' qualifying holdings outside the financial sector and limits on credit institutions' holdings of tangible assets (Official Gazette 1/2009, 75/2009, 67/2013 and 160/2013) shall cease to have effect.

### **Entering into force**

#### **Article 11**

This Decision shall be published in the Official Gazette and shall enter into force on 31 March 2014.