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Trg hrvatskih velikana 3, HR-10002 Zagreb · T. +385 1 4564 555 · F. +385 1 4610 551
www.hnb.hr

Decision on the solvency ratio of credit unions
(Official Gazette 71/2007 and 51/2009 – unofficial consolidated version)

Zagreb, March 2023

Decision on the solvency ratio of credit unions

(1) The solvency ratio of credit unions is the ratio of regulatory capital to the net assets of the credit union multiplied by 100.

(2) Regulatory capital of credit unions shall include the following items:

1. paid in membership shares;
2. credit union reserves formed under Article 37 of the Credit Unions Act;
3. other reserves formed by the credit union against income after tax in accordance with the Articles of Association;
4. retained earnings;
5. current year profit under the criteria referred to in item (3) of this Decision.

The following items shall be deducted from regulatory capital:

1. losses of previous years;
2. current year loss;
3. loans directly or indirectly granted for the purpose of paying membership shares;
4. loans directly or indirectly granted contrary to the provisions of Article 13, paragraph (1) of the Credit Unions Act; and
5. membership shares paid from loan or credit granted by a third party, if the credit union issued a guarantee for the repayment of such a loan or credit.

The granted loans mentioned in sub-items (3) and (4) of the second section of this item represent the deduction from regulatory capital of the credit union in the outstanding amount of the above loans, and the amount of membership shares paid in from loan or credit by a third party represents the deduction mentioned in sub-item (5).

The second section of item (2) was amended and the third section was added by the provision of item (1) of the Decision on amendments to the Decision on the solvency ratio of credit unions (Official Gazette 51/2009).

(3) When calculating regulatory capital in the course of the year or at year-end based on provisional reports, credit unions may also include a part of current year profit in current year retained earnings, exclusively if both of the following criteria are met:

- if the general meeting of the credit institution has decided to allocate its profit to reserves, retained earnings or to increase the initial capital in the realised or lower amount; and
- if it has been approved by the Croatian National Bank.

Provided that the criteria referred to in the previous paragraph are met, when calculating regulatory capital in the course of the year, credit unions may include maximum up to 50% of the current year realised profit in regulatory capital.

(4) When calculating regulatory capital at year-end, if the management board of the credit union has proposed the allocation of a part of the current year profit to reserves, retained earnings or to increase the initial capital and if the supervisory board has accepted such a proposal, that part may be included in the

calculation even before the adoption of the decision of the general meeting. Then under the term of the current year profit credit union shall also include the part of the current year profit for which the decision has been adopted to allocate it to reserves, retained earnings or to increase the initial capital, deducted by the calculated income tax in the calculation of regulatory capital.

(5) For the purposes of the calculation of the solvency ratio, the assets of the credit union shall be in the net amount, i.e. deducted by the value adjustment for the identified losses on the individual basis and provisions for the identified losses on a group basis.

(6) Credit unions shall report to the Croatian National Bank on the basis of this Decision, in the manner and within the time limits provided for in the Decision on supervisory reports of credit unions.

(7) This Decision shall enter into force on the eighth day after the day of its publication in the Official Gazette.

Decision on amendments to the Decision on the solvency ratio of credit unions

(Official Gazette 51/2009)

(2) This Decision shall enter into force on the eighth day after the day of its publication in the Official Gazette.
