

Notification template for Article 131 CRD – Other Systemically Important Institutions (O-SII)

Please send this template to

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1. Notifying national authority																														
1.1 Name of the notifying authority	Hrvatska narodna banka																													
2. Description of the measure																														
2.1 Concerned institution or group of institutions	<p>Table 1. Basic information</p> <table border="1"> <thead> <tr> <th>Name of institution concerned</th> <th>LEI Code</th> <th>Level of the O-SII buffer</th> <th>Firm level for application</th> </tr> </thead> <tbody> <tr> <td>Zagrebačka banka d.d., Zagreb</td> <td>PRNXTNXHB10TSY1V8P17</td> <td>2.0%</td> <td rowspan="8">A consolidated level and individual level</td> </tr> <tr> <td>Erste&Steiermärkische Bank d.d. Rijeka</td> <td>549300A2F46GR0UOM390</td> <td>2.0%</td> </tr> <tr> <td>Privredna banka banka Zagreb d.d., Zagreb</td> <td>549300ZHFZ4CSK7VS460</td> <td>2.0%</td> </tr> <tr> <td>Raiffeisenbank Austria d.d., Zagreb</td> <td>529900H1UZV70CZRAU55</td> <td>2.0%</td> </tr> <tr> <td>Splitska banka d.d., Split</td> <td>54930006A7BQRKDHV809</td> <td>2.0%</td> </tr> <tr> <td>Addiko Bank d.d.</td> <td>RG3IZJKPYQ4H6IQPIC08</td> <td>2.0%</td> </tr> <tr> <td>OTP banka Hrvatska d.d., Zagreb</td> <td>5299005UJX6K7BQKV086</td> <td>2.0%</td> </tr> <tr> <td>Hrvatska poštanska banka d.d., Zagreb</td> <td>529900D5G4V6THXC5P79</td> <td>0.2%</td> </tr> </tbody> </table>	Name of institution concerned	LEI Code	Level of the O-SII buffer	Firm level for application	Zagrebačka banka d.d., Zagreb	PRNXTNXHB10TSY1V8P17	2.0%	A consolidated level and individual level	Erste&Steiermärkische Bank d.d. Rijeka	549300A2F46GR0UOM390	2.0%	Privredna banka banka Zagreb d.d., Zagreb	549300ZHFZ4CSK7VS460	2.0%	Raiffeisenbank Austria d.d., Zagreb	529900H1UZV70CZRAU55	2.0%	Splitska banka d.d., Split	54930006A7BQRKDHV809	2.0%	Addiko Bank d.d.	RG3IZJKPYQ4H6IQPIC08	2.0%	OTP banka Hrvatska d.d., Zagreb	5299005UJX6K7BQKV086	2.0%	Hrvatska poštanska banka d.d., Zagreb	529900D5G4V6THXC5P79	0.2%
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3.1 Timing of the Decision	<p>Each of the banks identified as O-SII will receive an individual information about its O-SII status and corresponding buffer rate by the end of 2017.</p> <p>Intended timing of the decision: by January 8th 2018.</p>																													

3.2 Timing of the Publication	Intended timing of publication: by January 11th 2018.																																																						
3.3 Disclosure	Intended timing of publication: by January 11th 2018. Form of communication: Individual decisions by registered post and HNB's web page.																																																						
3.4 Timing of Application	Please see 3.1 Timing of application depends on the delivery of decision to each of the banks in question.																																																						
3.5 Phasing in	None.																																																						
3.6 Review of the measure	At least on annual basis.																																																						
4. Reason for activation of the O-SII buffer																																																							
4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3)	<p>Table 2. Scoring procedure</p> <table border="1"> <thead> <tr> <th>Name of the institution</th> <th>Size</th> <th>Importance (including substitutability / financial system infrastructure)</th> <th>Complexity / Cross-border</th> <th>Interconnectedness</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Zagrebačka banka d.d., Zagreb</td> <td>2928</td> <td>2725</td> <td>4722</td> <td>2847</td> <td>3305</td> </tr> <tr> <td>Erste&Steiermärkische Bank d.d. Rijeka</td> <td>1498</td> <td>1389</td> <td>1746</td> <td>4062</td> <td>2174</td> </tr> <tr> <td>Privredna banka banka Zagreb d.d., Zagreb</td> <td>1889</td> <td>1722</td> <td>1232</td> <td>839</td> <td>1420</td> </tr> <tr> <td>Raiffeisenbank Austria d.d., Zagreb</td> <td>798</td> <td>938</td> <td>1094</td> <td>619</td> <td>862</td> </tr> <tr> <td>Splitska banka d.d., Split</td> <td>631</td> <td>680</td> <td>297</td> <td>421</td> <td>507</td> </tr> <tr> <td>Addiko Bank d.d.</td> <td>482</td> <td>565</td> <td>265</td> <td>379</td> <td>423</td> </tr> <tr> <td>Hrvatska poštanska banka d.d., Zagreb</td> <td>448</td> <td>403</td> <td>74</td> <td>180</td> <td>276</td> </tr> <tr> <td>OTP banka Hrvatska d.d., Zagreb</td> <td>361</td> <td>427</td> <td>173</td> <td>98</td> <td>265</td> </tr> </tbody> </table> <p>Source: HNB</p>	Name of the institution	Size	Importance (including substitutability / financial system infrastructure)	Complexity / Cross-border	Interconnectedness	Score	Zagrebačka banka d.d., Zagreb	2928	2725	4722	2847	3305	Erste&Steiermärkische Bank d.d. Rijeka	1498	1389	1746	4062	2174	Privredna banka banka Zagreb d.d., Zagreb	1889	1722	1232	839	1420	Raiffeisenbank Austria d.d., Zagreb	798	938	1094	619	862	Splitska banka d.d., Split	631	680	297	421	507	Addiko Bank d.d.	482	565	265	379	423	Hrvatska poštanska banka d.d., Zagreb	448	403	74	180	276	OTP banka Hrvatska d.d., Zagreb	361	427	173	98	265
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4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)	<p>The identification process followed the mandatory indicators set out in the EBA's Guidelines (EBA/GL/2014/10). Data used: revised data for 31.12.2016., consolidated level, all credit institutions (including ones not exceeding 0.02% of relative total assets and branches for purpose of calculating system-wide aggregates - denominators).</p> <p>Threshold: 275 basis points. Lower threshold is used to account for institutions with scores lower than 350 basis points, but still distinctively higher from scores of other institutions. According to their size, complexity and potential impact on the economy they belong to the group of institutions with systemic importance. One additional institution (OTP banka Hrvatska d.d.) below the threshold was identified as an O-SII institution, as it became a parent institution of a group comprising an O-SII institution during 2017. The process of integration of these two institutions into one entity is ongoing and relevant data for consolidated entity is expected from q4 2018 onwards. For further details, please also see 4.3</p> <p>Optional indicators: No.</p> <p>Non-banks: Not included.</p>																																																						
4.3 Supervisory judgement	Institutions listed in 2.1 have been identified through the two-step procedure as laid down in EBA guidelines on the assessment of O-SIIs. First, through scoring methodology and second through supervisory assessment. The latter involved quantitative and qualitative judgment. This step complemented scoring process and helped determine the range of relevant sub-scores and total scores as explained in 4.2																																																						

<p>4.4 Calibrating the O-SII buffer</p>	<p>HNB uses the combination of equal expected impact along with the bucketing approach, recommended by <i>The ESRB Handbook on Operationalising Macro-prudential Policy in the Banking Sector</i>.</p> <p>Potential impact of O-SII and non-SII institutions in distress is equilibrated via adjusting the probability of distress for O-SII in relation to the probability of distress of a (reference) non-SII on the basis of historical distribution of the ratio of income to RWAs (return on RWA, or RORWA).</p> <p>Empirical findings confirm that in case of seven banks identified as O-SII the optimal requirement exceeds the legal maximum capital requirement of 2% (thus 2% O-SII buffer rate is applied). This includes OTP bank as a parent of an institution whose capital requirement is calibrated at 2%, while to the remaining institution identified as O-SII applies 0.2% O-SII buffer rate.</p>
<p>4.5 Effectiveness and proportionality of measure</p>	<p>Effectively, the O-SII buffer rates will not be additive to the combined capital requirement consisting of, among others, the SRB buffer rate applied to all exposures (domestic and foreign).</p>
<p>5. Cross-border and cross-sector impact of the measure</p>	
<p>5.1 Assessment of cross-border effects and the likely impact on the internal market (Recommendation ESRB/2015/2)</p>	<p>The HNB's framework (Decision, OG 60/2017) provides the assessment of cross-border effects (leakages and regulatory arbitrage) for the implementation of Croatian macroprudential policy measures in own jurisdiction, in other Member States and on the Single Market, following the Recommendation/2015/2. Results of this assessment show that cross-border effects of the measure are expected to be non-significant.</p>
<p>5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>See above (5.1).</p>
<p>6. Combinations and interactions with other measures</p>	
<p>6.1 Combinations between G-SII and OSII buffers (Article 131.14)</p>	<p>There are no G-SII in Croatia; for EU scope please see 4.5 and 6.2.</p>
<p>6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)</p>	<p>Table 3. Combinations with SRB buffers</p>

	Name of institution concerned	Level of the O-SII buffer	Other buffer rates (non-cyclical)	Scope of application of SRB
	Zagrebačka banka d.d., Zagreb	2.0%	Conservation buffer rate: 2.5% Systemic risk buffer: 3.0%	All exposures
	Erste&Steiermärkische Bank d.d. Rijeka	2.0%	Conservation buffer rate: 2.5% Systemic risk buffer: 3.0%	
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	OTP banka Hrvatska d.d., Zagreb	2.0%	Conservation buffer rate: 2.5% Systemic risk buffer: 3.0%*	
	Hrvatska poštanska banka d.d., Zagreb	0.2%	Conservation buffer rate: 2.5% Systemic risk buffer: 1.5%	
<p>* Note: Decision on the application of the structural systemic risk buffer (OG 78/2017), (3.8.2017)</p> <p>Source: HNB</p>				
6.3 Combined buffer requirement (Article 131.16 and Article 131.17)	Combined buffer requirement applies and it is not above the sum of the buffers described in Article 131-16 and Article 131-17.			
6.4 O-SII requirement for a subsidiary (Article 131.8)	For subsidiaries of G-SIBs, Art. 131(8) CRD IV is respected.			
6.5 Interaction with other measures	The capital requirements are differentiated as described in 4.5 and 6.2, while there are no overlaps of O-SII buffer rates with Pillar 2 structure.			
7. Miscellaneous				
7.1 Contact person(s) at notifying authority	<p>Mr. Tomislav Ridzak Head of Financial Stability department Hrvatska narodna banka Phone: ++385 1 456 47 61 E-mail: tomislav.ridzak@hnb.hr</p>			
7.2 Any other relevant information	<p>Council of HNB announcement of the approval of the acquisition of Société Générale – Splitska banka by OTP from April 12, 2017</p>			