



Notification template for Article 131 of the Capital Requirements Directive (CRD) – Other Systemically Important Institutions (O-SIIs)

Template for notifying the European Central Bank (ECB) and the European Systemic Risk Board (ESRB) of the setting or resetting of an O-SII buffer under Article 131(7) CRD and of the identity of O-SIIs under Article 131(12) CRD

Please send/upload this template to:

- macropru.notifications@ecb.europa.eu when notifying the ECB (under Article 5 of the Single Supervisory Mechanism (SSM) Regulation¹);
- [DARWIN/ASTRA](#) when notifying the ESRB.

The ESRB will forward this notification to the European Commission, to the European Banking Authority (EBA) and to the competent and designated authorities of the Member States concerned without delay and will publicly disclose the names of the O-SIIs on its website. This notification will be made public by the ESRB once the relevant authorities have adopted and published the notified macroprudential measure².

E-mailing/uploading this template to the above addresses constitutes official notification; no further official letter is required. To facilitate the work of the notified authorities, please send the notification template in a format that allows the information to be read electronically.

1. Notifying national authority			
1.1 Name of the notifying authority	Magyar Nemzeti Bank		
1.2 Country of the notifying authority	Hungary		
2. Description of the measure			
2.1a Institution or group of institutions concerned	Name of institution	LEI	Consolidation level
	OTP Bank Nyrt.	529900W3MOO00A18X956	highest level of consolidation
	MKB Bank Nyrt.	3H0Q3U74FVFED2SHZT16	highest level of consolidation
	UniCredit Bank Hungary Zrt.	Y28RT6GGYJ696PMW8T44	highest level of consolidation
	Kereskedelmi és Hitelbank Zrt.	KFUXYFTU2LHQFQZDQG45	highest level of consolidation

¹ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63).

² On request by the notifying authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

	ERSTE BANK HUNGARY Zrt.	549300XWJHRKLHU 2PS28	highest level of consolidation																								
	Raiffeisen Bank Zrt.	5493001U1K6M7JOL 5W45	highest level of consolidation																								
	CIB Bank Zrt.	549300MSY5NIVC0B ME80	highest level of consolidation																								
2.1b Changes to the list of institutions concerned	No further change has been made since the last notification about a change of institutions in April of 2022.																										
2.2 Level of the buffer applied	<table border="1"> <thead> <tr> <th>Name of institution</th> <th>New O-SII buffer</th> <th>Previous O-SII buffer</th> </tr> </thead> <tbody> <tr> <td>OTP Bank Nyrt.</td> <td>2%</td> <td>2%</td> </tr> <tr> <td>MKB Bank Nyrt.</td> <td>1%</td> <td>1%</td> </tr> <tr> <td>UniCredit Bank Hungary Zrt.</td> <td>1%</td> <td>1%</td> </tr> <tr> <td>Kereskedelmi és Hitelbank Zrt.</td> <td>1%</td> <td>1%</td> </tr> <tr> <td>ERSTE BANK HUNGARY Zrt.</td> <td>0.5%</td> <td>0.5%</td> </tr> <tr> <td>Raiffeisen Bank Zrt.</td> <td>0.5%</td> <td>0.5%</td> </tr> <tr> <td>CIB Bank Zrt.</td> <td>0.5%</td> <td>0.5%</td> </tr> </tbody> </table>			Name of institution	New O-SII buffer	Previous O-SII buffer	OTP Bank Nyrt.	2%	2%	MKB Bank Nyrt.	1%	1%	UniCredit Bank Hungary Zrt.	1%	1%	Kereskedelmi és Hitelbank Zrt.	1%	1%	ERSTE BANK HUNGARY Zrt.	0.5%	0.5%	Raiffeisen Bank Zrt.	0.5%	0.5%	CIB Bank Zrt.	0.5%	0.5%
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	OTP Bank Nyrt.	SKB d. d. (Slovenia)	549300H7CCQ6BSQ BGG72			
3. Timing for the measure						
3.1 Timing for the decision	28/10/2022					
3.2 Timing for publication	30/11/2022					
3.3 Disclosure	The names of the institutions and their effective and expected O-SII capital buffer requirements will be published on the webpage of the MNB.					
3.4 Timing for application	01/01/2023					
3.5 Phasing in	Date1: from 2023					
	Date2: from 2024					
	Name of institution	Date1	Date2	Date3	Date4	Date5
	OTP Bank Nyrt.	1%	2%	%	%	%
	MKB Bank Nyrt.	0.5%	1%	%	%	%
	UniCredit Bank Hungary Zrt.	0.5%	1%			
	Kereskedelmi és Hitelbank Zrt.	0.5%	1%			
	ERSTE BANK HUNGARY Zrt.	0.25%	0.5%			
	Raiffeisen Bank Zrt.	0.25%	0.5%			
CIB Bank Zrt.	0.25%	0.5%				
3.6 Review of the measure	The MNB shall annually review the group of institutions identified as O-SIIs and their respective O-SII buffer requirements. The next identification exercise is expected to be carried out in the Autumn of 2023. (Sections 89 (3) and 90 (3) b) of the Hungarian Banking Act					
4. Reason for O-SII identification and activation of the O-SII buffer						
4.1 Scores of institutions or group of institutions concerned, as per EBA guidelines on the assessment of O-SIIs (Article 131.3 CRD)	Name of institution	Size	Substitutability	Complexity	Interconnectedness	Overall Score
	OTP Bank Nyrt.	1048	852	779	729	3408
	MKB Bank Nyrt.	373	286	98	329	1085
	UniCredit Bank Hungary Zrt.	175	241	219	292	927
	Kereskedelmi és Hitelbank Zrt.	198	227	296	262	983
	ERSTE BANK HUNGARY Zrt.	162	192	129	203	687

Raiffeisen Bank Zrt.	145	184	147	122	598
CIB Bank Zrt.	106	95	85	102	388

The MNB identified the O-SII institutions according to its methodology determined and published in 2015. First, the scoring methodology described in EBA/GL/2014/10 Title II (6-8) was carried out, applying only the mandatory indicators of Annex 1 of the guidelines (see the above table for the results). Second, the scores calculated in the first step according to Title II were reweighted and according to Title III weighted optional indicators were added resulting in the final complete indicator set. The final scores are derived from the equally weighted (i.e., a 20 percent weight for each) arithmetic mean of the indicator category scores.

Table 2:

Institution	Size	Importance	Complexity	Inter-connectedness	Addition al optional indicators (Title III)	Final overall score
OTP Bank Nyrt.	838	681	623	584	640	3366
MKB Bank Nyrt.	298	228	78	263	221	1089
UniCredit Bank Hungary Zrt.	140	193	175	233	224	966
Kereskedelmi és Hitelbank Zrt.	158	182	237	209	149	936
ERSTE BANK HUNGARY Zrt.	130	154	103	163	134	684
Raiffeisen Bank Zrt.	116	147	118	98	104	582
CIB Bank Zrt.	84	76	68	82	113	423

4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)

- a. The MNB followed the EBA/GL/2014/10 guidelines on the assessment of O-SIIs. FINREP data were used for every available case following the guidelines' instructions, but it had to be supplemented by supervisory data reported to MNB for a significant number of institutions (these are typically the non-O-SII banks).
- b. In 2020 the threshold was lowered from 350 bps to 275 bps in accordance with EBA/GL/2014/10 Title II. For more detailed reasoning, see the notification on the decision that was taken by the Financial Stability Board of the MNB on 29 November 2020. With the merger of MKB Bank Nyrt. from 2021, there is no bank with an O-SII score between 275 and 350 bps.
- c. No credit institution domiciled in Hungary has been excluded because of its total asset size.
- d. See the annexed excel file.
- e. Non-bank institutions have not been included in the calculation, because their sectoral and institutional-level systemic importance has been assessed as marginal.

4.3 Supervisory judgement

The scores resulting from the weighted aggregate of the optional indicators are listed in Table 2 of 4.1 for every institution (see column Additional optional indicators (Title III)). There is no institution which has been identified as O-SII solely as a result of the inclusion of the Optional indicators and which has not been identified as an O-SII based on the standard (Title II) indicators and scores in step 1 (see point a. about the two-phases identification process followed by the MNB). The inclusion of Optional indicators is motivated by their contribution to the accuracy of the representation of relative systemic importance as the buffer calibration is based on the final scores.

- a. The MNB followed a two-step identification methodology in accordance with the guidelines. First, all of the institutions which scored equal or higher than 350 bps using the 10 mandatory indicators following the standard identification methodology described in EBA/GL/2014/10 Title II were selected as O-SIIs. Second, a supplementary method was applied in accordance with Title III (13-14) to include the 5 Optional indicators listed below in point d. These indicators were included in order to provide a more robust and relevant country-specific representation of systemic risks in relation to systemic importance. Optional indicators have been quantitatively assessed by aggregating the indicators in a supplementary, additional criterion group. The supplementary criterion group was added to the 4 standard criterion groups with an equal weighting amongst the groups (i.e., a 20-percent group weight for every mandatory and for the one supplementary group). In the supplementary criterion group weights for Optional indicators were assigned according to a sum of squares type concentration index. Higher weights were assigned to the Optional indicators which were characterized by higher values of the concentration index. In this way critical activities pursued by fewer important institutions with considerable market shares are deemed to be more important systemically.
- b. The optional indicators taken from Annex 2 of the guidelines which have been found relevant are the following:
 - d1. Off-balance sheet items – market share based indicator aggregating outstanding credit facilities, guarantees and other off-balance sheet items carrying credit risk.
 - d2. Share in clearing and settlement system – summarizes information about the market share of retail customers' transactions in the clearing system (based on the volume and number of transactions).
 - d3. Assets under custody – market share in outstanding assets under custody.
 - d4. Interbank claims and/or liabilities – centrality-based analysis transformed into an additive indicator of unsecured interbank loans and deposits.
 - d5. Market transaction volumes or values – centrality-based analysis transformed into an additive indicator of FX swap transactions between credit institutions.
- c. The Optional indicators add substantial information about critical financial activities which are the least likely to be represented by the mandatory indicators. These indicators were selected based on analysis of correlations between basic and supplementary indicators and further expert judgement. Also these indicators proxy critical functions with high country specific importance and problematic substitutability for agents of the real economy (d1. and d2.) or the financial system (d3.) and help to describe financial interconnectedness of credit institutions including

	<p>network analysis approach highlighting the most important inter-bank market segments (d4. and d5.).</p> <p>d. To see how the systemic importance is augmented for each bank and for each indicator, see the Table 2 of Box 4.1. There is no institution which has been identified as O-SII solely as a result of the inclusion of the Optional indicators and which has not been identified as an O-SII based on the standard (Title II) indicators and scores in step 1 (see point c. about the two-phases identification process followed by the MNB). The inclusion of Optional indicators is motivated by their contribution to the accuracy of the representation of relative systemic importance as the buffer calibration is based on the final scores.</p>
<p>4.4 Calibrating the O-SII buffer</p>	<p>The decision of the MNB on 1 April 2020 to temporarily release and gradually build back the O-SII buffers in the period 2022-2024 was calibrated with the aim of providing sufficient lending capacity to the systemically important credit institutions during the economic turbulence caused by the COVID pandemic.</p> <p>The envisaged buffer build-up paths are based on the calibration exercise of the MNB carried out to determine the final buffer rates. The relatively moderate changes in the distribution of the scores observed in the past years has not made it necessary to modify the targeted final buffer rates. For further information on the calibration, see:</p> <p>https://www.esrb.europa.eu/pub/pdf/other/esrb.notification200214_osii_hu~fdad1aa469.en.pdf</p> <p>Since the design and calibration of the buffer build-up path, only the merger of the MKB Bank Nyrt. made it necessary to supplement the calibration to cover the newly established institution. Its buffer rate has been determined based on the distribution of and distance between the O-SII scores.</p> <p>In 2024, buffer rates are expected to be increased by one-half of the expected final buffer rates, reaching their targeted final level on the planned buffer build-up path. The MNB will modify the amount of the final buffer rates and adjust the rates along the build-up path if material future changes in the systemic importance of the credit institutions necessitate it during the annual revisions.</p>
<p>4.5 Effectiveness and proportionality of measure</p>	<p>The O-SII buffer is a targeted prudential instrument provided by CRDV to decrease the probability of failure and the consequent system wide impact of institutions that pose the greatest systemic risk as a combination of their size, the criticality of the financial functions they provide, and their highly connected positions. The increased resilience may impede the emergence of financial contagion caused by the default of highly interconnected institutions. It can safeguard the continued provision of critical financial services after taking massive losses, as market substitution of critical financial services in case of an O-SII failure may not be feasible in the short run. Moreover, the potential burden imposed by the default of these institutions on depositors and bondholders, the industry and in extreme cases on the government budget also motivates the introduction of a preventive regulatory instrument (complementing the efficient recovery and resolution system).</p> <p>Buffer rates have been assigned to different institutions proportionally by classifying O-SIIs into three groups according to their expected impact represented by their scores (see the link referred in 4.4). The highest buffer rate was assigned to OTP Bank Nyrt., which has a size above one-third of the whole market, plays a prominent role in intermediating funds to and from the real economy, is highly interconnected with the financial system and operates with the greatest degree of cross-border complexity among domestic systemically important institutions. All other institutions identified as O-SIIs contribute significantly to the supply of</p>

	<p>financial products and services to the real economy, are deeply interconnected with other credit institutions, and have considerable shares in financial transactions carried out through the major institutions of the domestic financial infrastructure.</p> <p>The ongoing phase-in has been helping and is expected to improve effectivity as it provides incentives for institutions to plan with and utilize this time interval for lending. Moreover, the phase-in period leaves enough time for the build-up of the capital buffers without hampering the ability of the banking system to sustainably contribute to economic growth while starting to rebuild its loss absorbing capacity.</p>
5. Sufficiency, consistency and non-overlap of the policy response	
5.1 Sufficiency of the policy response	<p>The CRDV framework designates the O-SII capital buffer as a singly available policy instrument to macroprudential authorities to strengthen the resilience and correct misaligned incentives of systemically important banks. The MNB has been prescribing a significant non-zero buffer rate to every identified institution in proportion to their systemic importance represented by the scores covering an extended range of relevant systemic risk indicators. The proportionality of the buffer rates with the scores provides sufficient additional loss absorbing capacity to mitigate the different expected systemic impacts of O-SII banks' failure according to the risk tolerance of the regulator.</p> <p>Rebuilding the buffers following the previously communicated phase-in plans safeguards the availability of solvency capital in the long run, while it promotes credibility and graduality.</p>
5.2 Consistency of application of the policy response	<p>Across Member States consistency is provided by following the relevant European requirements and guidelines, the CRD and the EBA/GL/2014/10, in carrying out the annual O-SII identification and the setting of the buffer rates. The level of the buffer rates is comparable to those set by other Member States for O-SII banks with similar systemic importance scores. Also, the proposed buffer rates are above the ECB O-SII buffer rate floors.</p> <p>Within Hungary, consistency is realized across banks by the proportionality of the buffer rates to the O-SII scores and in time by the stability of the methodology applied.</p>
5.3 Non-overlap of the policy response	<p>O-SIIs are subject to intensified supervisory attention and appropriate resolution planning; however, there are no other macroprudential policy instruments used with a macroprudential approach to preventively address the systemic risks which are targeted by the O-SII buffer.</p>
6. Cross-border and cross-sector impact of the measure	
6.1 Assessment of cross-border effects and the likely impact on the Internal Market (Recommendation ESRB/2015/2³)	<p>a. Based on the assessment of the transmission channels of cross-border risk adjustment and regulatory arbitrage provided by the ESRB Handbook on Operationalising Macro-prudential Policy in the Banking Sector (Chapter 11),</p>

³ Recommendation of the European Systemic Risk Board of 15 December 2015 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures (ESRB/2015/3) (OJ C 97, 12.3.2016, p. 9).

	<p>the possible negative cross-border impact of the measure is expected to be limited.</p> <p>b.</p> <ul style="list-style-type: none"> • Inward spillovers: The possible cross-border impact (leakages and regulatory arbitrage) is expected to be limited in Hungary. A possible channel of circumvention, the extension in systemic importance of branches or systemically less important institutions has not been observed in the previous years. • Outward spillovers and the overall impact on the Single Market: The MNB still does not expect material negative cross-border effects on other Member States or on the Single Market. The increased resilience of the O-SIIs is beneficial for their stakeholders in other Member States and contributes to the functioning, financial integration and harmonized regulation of the single market. Within the identified O-SIIs only OTP Group has substantial cross-border activity. As the O-SII buffers are applied on the highest level of consolidation, the realised O-SII buffer of the OTP Group does not incentivize the cross-border reallocation of banking activities from or to other Member States. Five of the seven identified O-SIIs are foreign parents' subsidiaries operating in Hungary. The relatively limited size of these subsidiaries within their respective banking groups does not make a significant impact likely. The share of the subsidiaries in the total capital, the CET1 capital or the total risk exposure amount of the ultimate parents is between 1 and 6 percent in every case. Due to the phase-in period which has started in 2022, these subsidiaries have been able to plan compliance and gradually allocate the necessary solvency capital. 												
<p>6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>Although systemically important banks face higher capital buffer requirements than other non-OSII banks, the latter are going to be automatically identified as O-SIIs if they grow significantly in size, in providing critical financial functions or in their interconnectedness. Consequently, if any such non-OSII credit institution grows due to its regulatory advantage of not being covered by the O-SII capital buffer regulation, the O-SII buffer requirements are going to be imposed on it following the regular yearly revision of systemic importance (or in case any unique incidence may render the revision necessary in-between the regular yearly reassessments). Non-bank financial intermediaries play only a limited, systemically non-significant role in substituting for various critical financial intermediary functions that the banking system provides. Furthermore, any cross-sectoral leakage that may increase the systemic relevance of non-bank financial institutions (e.g. investment firms) will be evaluated regularly and taken into account when identifying systemic institutions, but has not been observed so far.</p>												
<p>7. Combinations and interactions with other measures</p>													
<p>7.1 Combinations between G-SII and O-SII buffers (Article 131.14)</p>	<p>The MNB has not identified any institutions as G-SIIs within its jurisdiction.</p> <table border="1" data-bbox="571 1659 1445 1812"> <thead> <tr> <th data-bbox="571 1659 927 1697">Name of institution</th> <th data-bbox="927 1659 1211 1697">O-SII buffer</th> <th data-bbox="1211 1659 1445 1697">G-SII buffer</th> </tr> </thead> <tbody> <tr> <td data-bbox="571 1697 927 1736"></td> <td data-bbox="927 1697 1211 1736" style="text-align: center;">%</td> <td data-bbox="1211 1697 1445 1736" style="text-align: center;">%</td> </tr> <tr> <td data-bbox="571 1736 927 1774"></td> <td data-bbox="927 1736 1211 1774" style="text-align: center;">%</td> <td data-bbox="1211 1736 1445 1774" style="text-align: center;">%</td> </tr> <tr> <td data-bbox="571 1774 927 1812"></td> <td data-bbox="927 1774 1211 1812" style="text-align: center;">%</td> <td data-bbox="1211 1774 1445 1812" style="text-align: center;">%</td> </tr> </tbody> </table>	Name of institution	O-SII buffer	G-SII buffer		%	%		%	%		%	%
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<p>7.2 Combinations with systemic risk buffers (SyRBs) (Article 131.15 CRD)</p>	<p>Currently there are no banks which are required to maintain a systemic risk buffer; the regulation was suspended to mitigate the impacts of the COVID pandemic on the financial intermediary system. Moreover, preceding the pandemic, the SyRB was in place as a backstop measure against any future build-up of problem domestic commercial real estate project loans, but no banks were required to</p>												

	<p>maintain a systemic risk buffer because of the decreased amount of CRE problem project exposures at the time.</p> <p>For further information on the systemic risk buffer, see the announcements on the following website:</p> <p>https://www.mnb.hu/en/financial-stability/macprudential-policy/the-macprudential-toolkit/instruments-to-limit-excessive-exposure-concentrations</p> <table border="1" data-bbox="571 427 1422 813"> <thead> <tr> <th>Name of institution</th> <th>SyRB rate</th> <th>SyRB application level</th> <th>Sum of G-SII/O-SII and SyRB rates</th> </tr> </thead> <tbody> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> <tr><td></td><td>%</td><td></td><td>%</td></tr> </tbody> </table>	Name of institution	SyRB rate	SyRB application level	Sum of G-SII/O-SII and SyRB rates		%		%		%		%		%		%		%		%		%		%		%		%		%		%		%		%		%		%
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<p>7.3 O-SII requirement for a subsidiary (Article 131.8 CRD)</p>	<table border="1" data-bbox="571 862 1422 1323"> <thead> <tr> <th>Name of O-SII subsidiary</th> <th>Name of the EU parent of the O-SII subsidiary</th> <th>Buffer applicable to O-SII EU parent</th> </tr> </thead> <tbody> <tr> <td>UniCredit Bank Hungary Zrt.</td> <td>UniCredit S.p.A.</td> <td>1%</td> </tr> <tr> <td>Kereskedelmi és Hitelbank Zrt.</td> <td>KBC Group NV</td> <td>1,5%</td> </tr> <tr> <td>ERSTE BANK HUNGARY Zrt.</td> <td>Erste Group Bank AG</td> <td>1%</td> </tr> <tr> <td>Raiffeisen Bank Zrt.</td> <td>Raiffeisen Bank International AG</td> <td>1%</td> </tr> <tr> <td>CIB Bank Zrt.</td> <td>Intesa Sanpaolo S.p.A.</td> <td>0,75%</td> </tr> </tbody> </table>	Name of O-SII subsidiary	Name of the EU parent of the O-SII subsidiary	Buffer applicable to O-SII EU parent	UniCredit Bank Hungary Zrt.	UniCredit S.p.A.	1%	Kereskedelmi és Hitelbank Zrt.	KBC Group NV	1,5%	ERSTE BANK HUNGARY Zrt.	Erste Group Bank AG	1%	Raiffeisen Bank Zrt.	Raiffeisen Bank International AG	1%	CIB Bank Zrt.	Intesa Sanpaolo S.p.A.	0,75%																						
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8. Miscellaneous																																									
<p>8.1 Contact person(s)/mailbox at notifying authority</p>	<p>Mr. Tamás Nagy, Director Directorate for Financial System Analysis Phone: +36 (1) 428 2600/2639 E-mail: nagyt@mnb.hu</p>																																								
<p>8.2 Any other relevant information</p>																																									
<p>8.3 Date of the notification</p>	<p>29/10/2022</p>																																								