

Notification template for Articles 133 and 134(5) of the Capital Requirements Directives (CRD) – Systemic risk buffer (SyRB)

Template for notifying the European Central Bank (ECB) and European Systemic Risk Board (ESRB) of the setting or resetting of one or more systemic risk buffer rates pursuant to Article 133(9) CRD and to request that the ESRB issue a recommendation to other Member States to reciprocate the measure under Article 134(5) 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 the notification to the European Commission, the European Banking Authority (EBA) and the competent and designated authorities of the Member States concerned without delay. 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 and scope of the notification	
1.1 Name of the notifying authority	Hrvatska narodna banka (HNB)
1.2 Country of the notifying authority	Croatia
1.3 Type of measure (also for reviews of existing measures)	<p>Which SyRB measure do you intend to implement?</p> <p><input type="checkbox"/> Activate a new SyRB</p> <p><input type="checkbox"/> Change the level of an existing SyRB</p> <p><input type="checkbox"/> Change the scope of an existing SyRB (incl. changes to a subset of institutions or exposures)</p> <p><input type="checkbox"/> De-activate an existing SyRB</p> <p><input checked="" type="checkbox"/> Reset an existing SyRB (review)</p>

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authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.

2. Description of the measure

2.1 Institutions covered by the intended SyRB

Please indicate whether the SyRB applies to:

- All institutions authorised in the Member State
- One or more subsets of credit institutions in the sector (please provide the names and identifiers (Legal Entity Identifier (LEI) code) of institutions covered)

Name of institution	LEI code	Consolidation level

- A subsidiary whose parent is established in another Member State. (Please provide the names and identifiers (LEI code) of subsidiaries)

Name of subsidiary	Name of the parent	LEI code of the subsidiary

If the SyRB applies to a subset of institutions, please describe the criteria for selection of the relevant institutions.

2.2 Exposures covered by the SyRB (Article 133(5) CRD)

All exposures.

2.3 Subsets of sectoral exposures

Not applicable. SyRB applies to all exposures.

Where the systemic risk buffer applies to subsets of any of the sectoral exposures identified (see point 2.2 (c)), please specify:

- The elements of the dimensions and subdimensions that were used to identify the subset(s) of sectoral exposures as laid down in the EBA Guidelines on the appropriate subsets of exposures in the application of SyRB:

Dimensions/subdimensions	Elements
1. Type of debtor or counterparty sector	
1.a Economic activity	
2. Type of exposure	
2.a Risk profile	
3. Type of collateral	
3.a Geographical area	

	<ul style="list-style-type: none"> - Assessment conducted in accordance with Section 5 of the EBA Guidelines on the systemic relevance of the risks stemming from this subset, taking into account: <ul style="list-style-type: none"> (i) size (ii) riskiness (iii) interconnectedness. - Why it would not have been appropriate to set the systemic risk buffer at the level of a sector (as in point 2.2(b)) to cover the risk targeted? 																																																																										
2.4 Exposures located in other Member States and in third countries	The SyRB is applicable to all exposures (domestic and foreign).																																																																										
2.5 Buffer rate (Article 133(9)(e) CRD)	<p>Specify the intended SyRB rate. If different buffer requirements apply to different exposures or subsets of exposures, please specify for each exposure indicated under 2.2.</p> <p>Please indicate any changes to the list in 2.1 of institutions concerned and in the buffer rates given in point 2.5 as compared to the last notification, and provide an explanation, if applicable.</p> <table border="1" data-bbox="630 846 1474 1794"> <thead> <tr> <th rowspan="2">Exposures</th> <th colspan="2">New SyRB rate</th> <th colspan="2">Previous SyRB rate</th> </tr> <tr> <th>All institutions (SyRB rate)</th> <th>Set of institutions (range of SyRB rates)</th> <th>All institutions (SyRB rate)</th> <th>Set of institutions (range of SyRB rates)</th> </tr> </thead> <tbody> <tr> <td>(a) All exposures located in the Member State that is setting the buffer</td> <td>1.5%</td> <td>% - %</td> <td>1.5%</td> <td></td> </tr> <tr> <td colspan="5"><i>(b) The following sectoral exposures located in the Member State that is setting the buffer:</i></td> </tr> <tr> <td>(i) All retail exposures to natural persons that are secured by residential property</td> <td>%</td> <td>% - %</td> <td></td> <td></td> </tr> <tr> <td>(ii) All exposures to legal persons that are secured by mortgages on commercial immovable property</td> <td>%</td> <td>% - %</td> <td></td> <td></td> </tr> <tr> <td>(iii) All exposures to legal persons excluding those specified in point (ii)</td> <td>%</td> <td>% - %</td> <td></td> <td></td> </tr> <tr> <td>(iv) All exposures to natural persons excluding those specified in point (i)</td> <td>%</td> <td>% - %</td> <td></td> <td></td> </tr> <tr> <td>(c) All exposures located in other Member States</td> <td>1.5%</td> <td>% - %</td> <td>1.5%</td> <td></td> </tr> <tr> <td>(e) Exposures located in third countries</td> <td>1.5%</td> <td>% - %</td> <td>1.5%</td> <td></td> </tr> <tr> <td colspan="5"><i>(f) Subsets of any of the sectoral exposures identified in point (b):</i></td> </tr> <tr> <td>(i) Please specify the subset [Dimension/subdimensions]</td> <td>%</td> <td>% - %</td> <td></td> <td></td> </tr> </tbody> </table> <p>If different buffer requirements apply to different subsets of institutions, please specify for each institution mentioned under 2.1.</p> <table border="1" data-bbox="630 1888 1474 1993"> <thead> <tr> <th colspan="5">Set of institutions</th> </tr> <tr> <th>Exposures</th> <th>Name of institution</th> <th>LEI code</th> <th>New SyRB rate</th> <th>Previous SyRB rate</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Exposures	New SyRB rate		Previous SyRB rate		All institutions (SyRB rate)	Set of institutions (range of SyRB rates)	All institutions (SyRB rate)	Set of institutions (range of SyRB rates)	(a) All exposures located in the Member State that is setting the buffer	1.5%	% - %	1.5%		<i>(b) The following sectoral exposures located in the Member State that is setting the buffer:</i>					(i) All retail exposures to natural persons that are secured by residential property	%	% - %			(ii) All exposures to legal persons that are secured by mortgages on commercial immovable property	%	% - %			(iii) All exposures to legal persons excluding those specified in point (ii)	%	% - %			(iv) All exposures to natural persons excluding those specified in point (i)	%	% - %			(c) All exposures located in other Member States	1.5%	% - %	1.5%		(e) Exposures located in third countries	1.5%	% - %	1.5%		<i>(f) Subsets of any of the sectoral exposures identified in point (b):</i>					(i) Please specify the subset [Dimension/subdimensions]	%	% - %			Set of institutions					Exposures	Name of institution	LEI code	New SyRB rate	Previous SyRB rate					
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3. Timing for the measure					
3.1 Timing for the decision	<p>What is the date of the official decision? <u>For SSM countries when notifying the ECB</u>: provide the date on which the decision referred to in Article 5 of the Single Supervisory Mechanism Regulation (SSMR) will be taken.</p> <p>There will be no new decision, as the Decision on the application of the structural systemic risk buffer adopted in December 2020 remains in force. The HNB will publish only an announcement on the performed review and the continued application of the SyRB rate. Date of announcement:</p> <p>23/12/2022</p>				
3.2 Timing for publication	<p>What is the proposed date of publication of the notified measure?</p> <p>23/12/2022</p>				
3.3 Disclosure	<p>Announcement on maintaining the SyRB rate at 1.5% will be published on the HNB website.</p>				
3.4 Timing for application	<p>Not applicable - continued application of the existing SyRB rate.</p>				
3.5 Phasing in	<p>Not applicable.</p>				
3.6 Review/deactivation of the measure	<p>The SyRB is in place until further notice and its level is reviewed at least every two years, in accordance with the Credit Institutions Act.</p>				
4. Reasons for the notified SyRB					
4.1 Description of the macroprudential or systemic risk in your Member State (Article 133(9)(a) of the CRD)	<p>The SyRB rate of 1.5% is applied to all credit institutions and all exposures since December 2020, addressing the identified systemic risks in Croatia that primarily relate to structural imbalances and vulnerabilities such as:</p> <ol style="list-style-type: none"> 1) relatively high level of public debt, that together with a relatively high risk premium makes the domestic economy highly sensitive to the likely further worsening of the global financing conditions 2) high banking sector exposure to the government 3) persisting imbalances in the labour market, as reflected in low activity rate, and negative demographic and migration trends 4) small size and openness of the economy, making it highly susceptible to the spillovers from the international environment 				
4.2 Reasons why the dimension of the macroprudential or systemic risks threatens the stability of the financial system in your Member State (Article 133(9)(b) CRD)	<p>Moderately elevated structural imbalances outlined in 4.1. make the financial system vulnerable and increase the probability for potential shocks to threaten the system's stability and create adverse feedback loops between the real economy and the performance of the financial sector.</p> <p>These vulnerabilities are amplified by the fact that Croatia is a small open economy with a bank-centred financial system, highly exposed to global and regional economic and financial developments.</p>				

4.3 Indicators used for activation of the measure	The indicators used for the activation of the measure comprise structural macroeconomic indicators such as the level of public debt (as % of GDP), banking sector indicators, unemployment and activity rate in comparison with peer countries, complemented by expert judgement.
4.4 Effectiveness and proportionality of the measure (Article 133(9)(c) CRD)	<p>The SyRB aims to strengthen the resilience of the Croatian banking sector amid moderately elevated structural imbalances and against potential shocks, as well as to minimize the risk to financial stability over the medium to long term.</p> <p>The proportionality of the measure is ensured by the fact that the buffer is applied to all credit institutions and all exposures at the same rate. Such a macroprudential measure is best suited to target system-wide risks of structural nature.</p> <p>Additionally, the O-SII buffer (applied only to identified O-SII) covers the systemic risk stemming from the size and importance of credit institutions.</p>
4.5 Reason why the systemic risk buffer is not duplicating the functioning of the O-SII buffer provided for in Article 131 CRD (Article 133(9)(f) CRD)	<p>The two buffers address different risks as outlined in 4.4.</p> <p>The SyRB applies to all credit institutions in Croatia regardless of systemic importance of individual credit institutions.</p>
5. Sufficiency, consistency and non-overlap of the policy response	
5.1 Sufficiency of the policy response	Based on the indicators mentioned in 4.3. (combined with expert judgement), the HNB considers the SyRB rate of 1.5% sufficient and appropriate for the level of the systemic risk stemming from observed structural imbalances.
5.2 Consistency of application of the policy response	<p>The SyRB contributes to fulfilling policy objectives outlined in ESRB's Recommendation on intermediate objectives and instruments of macroprudential policy (ESRB/2013/1), particularly the objective of strengthening the resilience of financial infrastructures.</p> <p>The application of the SyRB in Croatia is consistent with the Croatian law.</p>
5.3 Non-overlap of the policy response	- No other policy instruments are used to address the same systemic risk.
6. Cross-border and cross-sector impact of the measure	

<p>6.1 Assessment of cross-border effects and the likely impact on the Internal Market</p> <p>(Article 133(9)(d) of the CRD and Recommendation ESRB/2015/2³)</p>	<p>The HNB's framework (Decision, OG 60/2017) provides the assessment of crossborder 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>6.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</p>	<p>No leakages and regulatory arbitrage are expected within Croatia.</p>
<p>6.3 Request for reciprocation by other Member States</p> <p>(Article 134(5) CRD and Recommendation ESRB/2015/2)</p>	<p>- No</p>
<p>6.4 Justification for the request for reciprocation by other Member States</p> <p>(Article 134(5) CRD and Recommendation ESRB/2015/2)</p>	<p>Not applicable.</p>
<p>7. Combination of the SyRB with other buffers</p>	
<p>7.1 Combination with G-SII and/or O-SII buffers</p> <p>(Article 131(15) CRD)</p>	<p>All credit institutions (both O-SIIs and non O-SIIs) in Croatia apply a systemic risk buffer of 1.5%, while identified O-SIIs also apply an O-SII buffer ranging from 0.5% to 2%.</p> <p>The O-SII buffer and the SyRB should be maintained on both individual and consolidated level where applicable. The two buffer rates are cumulative.</p> <p>The sum of the SyRB and the O-SII buffer rate is below 5% for all institutions.</p> <p>There is no G-SII institution operating in Croatia.</p> <p>The O-SII buffer is currently applied to 7 credit institutions.</p> <p>For more information, see https://www.hnb.hr/en/core-functions/financial-stability/macprudential-measures/systemically-important-institutions-buffer</p> <p>*The table below shows the sums of the SyRB rate of 1.5% and O-SII buffer rates based on the domestic O-SII buffer methodology as of January 1, 2023.</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>Due to the cap for the subsidiaries, Privredna banka Zagreb d.d.* maintains a lower O-SII buffer rate (1.75%) than set by the domestic buffer methodology, thus the sum of SyRB and O-SII rate that this bank has to maintain is lower compared to the rate showed in the table (i.e. 3.25%). The bank is subsidiary of Intesa Sanpaolo S.p.A. that is subject to 0.75% O-SII buffer</p> <table border="1" data-bbox="632 371 1461 853"> <thead> <tr> <th data-bbox="632 371 916 461">Name of institution</th> <th data-bbox="916 371 1075 461">G-SII/O-SII buffer rate</th> <th data-bbox="1075 371 1291 461">O-SII consolidation level</th> <th data-bbox="1291 371 1461 461">Sum of G-SII/O-SII and SyRB rates</th> </tr> </thead> <tbody> <tr> <td data-bbox="632 461 916 517">Zagrebačka banka d.d., Zagreb</td> <td data-bbox="916 461 1075 517">2%</td> <td data-bbox="1075 461 1291 517">Consolidated and individual level</td> <td data-bbox="1291 461 1461 517">3.5%</td> </tr> <tr> <td data-bbox="632 517 916 573">Erste&Steiermärkische Bank d.d. Rijeka</td> <td data-bbox="916 517 1075 573">2%</td> <td data-bbox="1075 517 1291 573">Consolidated and individual level</td> <td data-bbox="1291 517 1461 573">3.5%</td> </tr> <tr> <td data-bbox="632 573 916 629">Privredna banka Zagreb d.d., Zagreb</td> <td data-bbox="916 573 1075 629">2%</td> <td data-bbox="1075 573 1291 629">Consolidated and individual level</td> <td data-bbox="1291 573 1461 629">3.5%*</td> </tr> <tr> <td data-bbox="632 629 916 685">Raiffeisenbank Austria d.d., Zagreb</td> <td data-bbox="916 629 1075 685">1.5%</td> <td data-bbox="1075 629 1291 685">Consolidated and individual level</td> <td data-bbox="1291 629 1461 685">3.0%</td> </tr> <tr> <td data-bbox="632 685 916 741">OTP banka Hrvatska d.d., Zagreb</td> <td data-bbox="916 685 1075 741">1.5%</td> <td data-bbox="1075 685 1291 741">Consolidated and individual level</td> <td data-bbox="1291 685 1461 741">3.0%</td> </tr> <tr> <td data-bbox="632 741 916 797">Hrvatska poštanska banka d.d., Zagreb</td> <td data-bbox="916 741 1075 797">0.5%</td> <td data-bbox="1075 741 1291 797">Consolidated and individual level</td> <td data-bbox="1291 741 1461 797">2%</td> </tr> <tr> <td data-bbox="632 797 916 853">Addiko Bank d.d.</td> <td data-bbox="916 797 1075 853">0.5%</td> <td data-bbox="1075 797 1291 853">Individual level</td> <td data-bbox="1291 797 1461 853">2%</td> </tr> </tbody> </table>	Name of institution	G-SII/O-SII buffer rate	O-SII consolidation level	Sum of G-SII/O-SII and SyRB rates	Zagrebačka banka d.d., Zagreb	2%	Consolidated and individual level	3.5%	Erste&Steiermärkische Bank d.d. Rijeka	2%	Consolidated and individual level	3.5%	Privredna banka Zagreb d.d., Zagreb	2%	Consolidated and individual level	3.5%*	Raiffeisenbank Austria d.d., Zagreb	1.5%	Consolidated and individual level	3.0%	OTP banka Hrvatska d.d., Zagreb	1.5%	Consolidated and individual level	3.0%	Hrvatska poštanska banka d.d., Zagreb	0.5%	Consolidated and individual level	2%	Addiko Bank d.d.	0.5%	Individual level	2%
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7.2 Combination with other systemic risk buffers (Article 133(11) and (12) CRD)	Not applicable.																																
8. Miscellaneous																																	
8.1 Contact person(s)/mailbox at notifying authority	Ms. Lana Ivicic Financial Stability Department Hrvatska narodna banka Phone: ++385 1 456 50 09 E-mail: lana.ivicic@hnb.hr.																																
8.2 Any other relevant information	Announcement on the continued application of the SyRB rate will be available as of 30 December 2022, on the HNB website: https://www.hnb.hr/en/core-functions/financial-stability/macprudential-measures/structural-systemic-risk-buffer .																																
8.3 Date of the notification	Please provide the date on which this notification was uploaded/sent. 23/12/2022																																