

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authority, it may be agreed with the Head of the ESRB Secretariat that this notification, or a part thereof, should not be published for reasons of confidentiality or financial stability.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">(b) <i>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">(f) <i>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 2000"> <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%		(b) <i>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%		(f) <i>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>30/12/2024</p>				
3.2 Timing for publication	<p>What is the proposed date of publication of the notified measure?</p> <p>30/12/2024</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 exposure of the domestic financial system to systemic risks has remained moderately elevated.</p> <p>The most significant sources of risk to financial stability stem from the international environment. Republic of Croatia, being a small and open economy, is highly susceptible to spill overs from global developments. Rising geopolitical tensions and geoeconomic fragmentation, including intensification of deglobalization, strengthening of protectionist tendencies, and tensions between major trading blocs, could pose substantial disruptions to the global economy and financial system, with negative implications for the domestic economy and financial stability. Significant share of tourism-related activities in total economic activity (revenues from foreign tourists as a share of GDP stood at 18.7% in 2023, with 2012-2023 average around 16% of GDP), which is particularly sensitive to the potential materialization of geopolitical risks, increases the vulnerability of domestic economy.</p> <p>Key structural weaknesses of domestic economy include shortfalls in the labour market and the banking sector's relatively high exposures to government. The labour market continues to be characterized by a low labour participation rate and unfavourable demographic trends, which, under conditions of strong economic growth and demand for labour, can constrain the long-term growth potential of domestic economy. While unemployment has fallen to historically low levels (5.6% in q4 2023), the activity rate of the</p>				

	<p>working-age population, although slightly increased, remains among the lowest compared to other euro area and EU member states (72% as of q2 2024, in comparison to euro area median of 77.4%). Structural shortfalls in the labour market are also reflected in a significant mismatch between the supply and demand for workers.</p> <p>The exposure of banks to the general government (16.9% of total assets as of q2 2024) is significantly above the median value for the euro area (4.4%) and the EU (4.9%) and is among the highest compared to other euro area and EU member states. Although a multi-year trend of reducing the government's relative indebtedness (the ratio of public debt to GDP decreased from 86.1% in 2020 to 63% in 2023), mitigates risks to financial stability, still relatively high level of interdependence between the banking sector and the government increases the risk stemming from government-bank nexus.</p> <p>Although economic developments in the Republic of Croatia are currently favourable (strong growth in economic activity, coupled by slowdown in inflation, with expected annual average inflation rate 4.0% in 2024, compared to 8.4% in 2023), and the banking system is highly capitalized (total capital ratio stood at 22.9% as of q2 2024), profitable (ROA 2.1% and ROE 18.5% as of q2 2024), and liquid (LCR 220.2 as of q2 2024), potential economic shocks could negatively impact the stability of the financial system. In such circumstances, particularly given the pronounced bank-centric nature of the domestic financial system, where banks accounted for 65% to 70% of financial sector assets over the past decade, it is crucial to continue maintaining strong resilience of the banking sector. This will ensure that, in the event of systemic risks materializing, the sector can withstand potential losses and continue financing the economy. Please see attached Excel document for data.</p>
<p>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>	<p>Moderately elevated structural vulnerabilities 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, amid heightened geopolitical and macroeconomic uncertainty.</p> <p>For more details see the latest Financial Stability Report from June 2024 and Macroprudential Diagnostics No.24 from October 2024.</p>
<p>4.3 Indicators used for activation of the measure</p>	<p>Macroeconomic and financial developments that might result in the disruption of financial stability, as well as related structural vulnerabilities, are assessed using different indicators, that are transformed into several risk categories using statistical methods (based on historical or cross-country distributions), regulatory standards and expert judgement. They are then synthesised in a risk map indicating the level and dynamics of systemic risk, differentiated by the definition of its nature (structural or cyclical) and segment of the system in which it is developing. Please see the Risk map in Macroprudential Diagnostics, Figure 1.</p> <p>Indicators used for activation of the measure comprise a series of structural macroeconomic indicators, including indicators of geopolitical risks, domestic labour market indicators, banking sector indicators, demographic trends, revenues generated from tourism-related activities etc., complemented by expert judgement.</p> <p>Please see attached Excel document.</p>
<p>4.4 Effectiveness and proportionality of the measure (Article 133(9)(c) CRD)</p>	<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>
<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>	<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>
<p>5. Sufficiency, consistency and non-overlap of the policy response</p>	
<p>5.1 Sufficiency of the policy response</p>	<p>Based on the indicators mentioned in 4.3. (combined with expert judgement), the HNB considers that maintaining the SyRB rate of 1.5% is sufficient and appropriate for the level of the systemic risk stemming from observed structural imbalances.</p>
<p>5.2 Consistency of application of the policy response</p>	<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>
<p>5.3 Non-overlap of the policy response</p>	<p>- No other policy instruments are used to address the same systemic risk.</p>
<p>6. Cross-border and cross-sector impact of the measure</p>	
<p>6.1 Assessment of cross-border effects and the likely impact on the Internal Market</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>(Article 133(9)(d) of the CRD and Recommendation ESRB/2015/2³)</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 reciprocity by other Member States (Article 134(5) CRD and Recommendation ESRB/2015/2)</p>	<p>- No</p>
<p>6.4 Justification for the request for reciprocity by other Member States (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 (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 0.25% to 2.5%.</p> <p>The O-SII buffer and the SyRB should be maintained on both individual and subconsolidated 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/cnb-s-macroprudential-policy/systemically-important-institutions</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 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, 2025.</p> <table border="1" data-bbox="632 271 1461 752"> <thead> <tr> <th data-bbox="632 271 916 360">Name of institution</th> <th data-bbox="916 271 1075 360">G-SII/O-SII buffer rate</th> <th data-bbox="1075 271 1291 360">O-SII consolidation level</th> <th data-bbox="1291 271 1461 360">Sum of G-SII/O-SII and SyRB rates</th> </tr> </thead> <tbody> <tr> <td data-bbox="632 360 916 416">Zagrebačka banka d.d., Zagreb</td> <td data-bbox="916 360 1075 416">2.5%</td> <td data-bbox="1075 360 1291 416">Subconsolidated and individual level</td> <td data-bbox="1291 360 1461 416">4%</td> </tr> <tr> <td data-bbox="632 416 916 472">Erste&Steiermärkische Bank d.d. Rijeka</td> <td data-bbox="916 416 1075 472">2%</td> <td data-bbox="1075 416 1291 472">Subconsolidated and individual level</td> <td data-bbox="1291 416 1461 472">3.5%</td> </tr> <tr> <td data-bbox="632 472 916 528">Privredna banka Zagreb d.d., Zagreb</td> <td data-bbox="916 472 1075 528">2%</td> <td data-bbox="1075 472 1291 528">Subconsolidated and individual level</td> <td data-bbox="1291 472 1461 528">3.5%</td> </tr> <tr> <td data-bbox="632 528 916 584">Raiffeisenbank Austria d.d., Zagreb</td> <td data-bbox="916 528 1075 584">1.5%</td> <td data-bbox="1075 528 1291 584">Subconsolidated and individual level</td> <td data-bbox="1291 528 1461 584">3.0%</td> </tr> <tr> <td data-bbox="632 584 916 640">OTP banka Hrvatska d.d., Zagreb</td> <td data-bbox="916 584 1075 640">1.5%</td> <td data-bbox="1075 584 1291 640">Subconsolidated and individual level</td> <td data-bbox="1291 584 1461 640">3.0%</td> </tr> <tr> <td data-bbox="632 640 916 696">Hrvatska poštanska banka d.d., Zagreb</td> <td data-bbox="916 640 1075 696">1%</td> <td data-bbox="1075 640 1291 696">Individual level</td> <td data-bbox="1291 640 1461 696">2.5%</td> </tr> <tr> <td data-bbox="632 696 916 752">Addiko Bank d.d.</td> <td data-bbox="916 696 1075 752">0.25%</td> <td data-bbox="1075 696 1291 752">Individual level</td> <td data-bbox="1291 696 1461 752">1.75%</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	2.5%	Subconsolidated and individual level	4%	Erste&Steiermärkische Bank d.d. Rijeka	2%	Subconsolidated and individual level	3.5%	Privredna banka Zagreb d.d., Zagreb	2%	Subconsolidated and individual level	3.5%	Raiffeisenbank Austria d.d., Zagreb	1.5%	Subconsolidated and individual level	3.0%	OTP banka Hrvatska d.d., Zagreb	1.5%	Subconsolidated and individual level	3.0%	Hrvatska poštanska banka d.d., Zagreb	1%	Individual level	2.5%	Addiko Bank d.d.	0.25%	Individual level	1.75%
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Hrvatska poštanska banka d.d., Zagreb	1%	Individual level	2.5%																														
Addiko Bank d.d.	0.25%	Individual level	1.75%																														
<p>7.2 Combination with other systemic risk buffers (Article 133(11) and (12) CRD)</p>	<p>Not applicable.</p>																																
<p>8. Miscellaneous</p>																																	
<p>8.1 Contact person(s)/mailbox at notifying authority</p>	<p>Ms. Lana Ivicic Financial Stability Department Hrvatska narodna banka Phone: ++385 1 456 50 09 E-mail: lana.ivicic@hnb.hr.</p>																																
<p>8.2 Any other relevant information</p>	<p>Announcement on the continued application of the SyRB rate is available on the HNB website: https://www.hnb.hr/en/core-functions/financial-stability/cnb-s-macroprudential-policy/systemic-risk-buffer</p>																																
<p>8.3 Date of the notification</p>	<p>Please provide the date on which this notification was uploaded/sent. 04/02/2025</p>																																