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

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1. Notifying national authority

1.1 Name of the notifying authority

National Committee for Macroprudential Oversight (NCMO)

2. Description of the measure

2.1 Concerned institution or group of institutions

The NCMO assessed the Romanian banking system from the perspective of the systemic entities based on data related to December 2019, according to the best practices recommended by EBA, i.e. the Final Peer Review Report on the peer review of the Guidelines on criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs) – November 2017 stating the following: “A best practice might be to use the year-end data of the year preceding the identification assessment of the systemic risk dimension, while allowing some flexibility for the use of other additional reference periods to account for structural changes to the composition of the banking system, to inform supervisory judgement or to account for year-end reference dates that may be of relevance to the jurisdiction”. No structural change of the Romanian banking system occurred since December 2019.

Based on data available as of 31 December 2019, 8 credit institutions Romanian legal entities obtained a score higher than the threshold set for automatic designation of systemically important institutions (275 basis points). The name and LEI code of the systemically important institutions identified in Romania are provided below.

UniCredit Bank S.A. – LEI code 5493003BDYD5VPGUQS04
Banca Transilvania S.A. – LEI code 549300RG3H390KEL8896
Banca Comercială Română S.A. – LEI code 549300ORL65NY8X90
BRD - Groupe Societe Generale S.A. – LEI code 5493008QRHH0XCLJ4238
Raiffeisen Bank S.A. – LEI code 549300RFKNCO58F8591
Alpha Bank Română S.A. – LEI code 529900TKT32Z5LP7XF90
OTP Bank Romania S.A. – LEI code 5299003TM0P7W8DNUF61
CEC Bank S.A. – LEI code 2138008AVF4W7FMW887

An O-SII buffer applicable in 2021 is set for the systemically important institutions which are Romanian legal entities, as mentioned below. The O-SII buffer is applicable at the highest level of consolidation.

2.2 Level of the buffer applied

The levels of the O-SII buffer applicable in 2021 for the systemically important institutions which are Romanian legal entities are the following:

UniCredit Bank S.A. – 1% (sub-consolidated level)
Banca Transilvania S.A. – 2% (consolidated level)
<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Percentage</th>
<th>Level of Buffer</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banca Comercială Română S.A.</td>
<td>2%</td>
<td>(sub-consolidated level)</td>
</tr>
<tr>
<td>BRD - Groupe Societe Generale S.A.</td>
<td>1%</td>
<td>(sub-consolidated level)</td>
</tr>
<tr>
<td>Raiffeisen Bank S.A.</td>
<td>2%</td>
<td>(sub-consolidated level)</td>
</tr>
<tr>
<td>Alpha Bank România S.A.</td>
<td>1%</td>
<td>(individual level)</td>
</tr>
<tr>
<td>OTP Bank Romania S.A.</td>
<td>1%</td>
<td>(sub-consolidated level)</td>
</tr>
<tr>
<td>CEC Bank S.A.</td>
<td>2%</td>
<td>(individual level)</td>
</tr>
</tbody>
</table>

The above mentioned levels of the O-SII buffer are applicable beginning with 1st of January 2021.

2.3 Name of the EU ultimate parent institution

6 out of 8 systemically important institutions in Romania which are Romanian legal entities are subsidiaries of foreign banks, as follows:
- Banca Comercială Română S.A. – subsidiary of Erste Group Bank AG (LEI code PQOH26KWDF7CG10L6792)
- BRD - Groupe Societe Generale S.A. – subsidiary of Societe Generale (LEI code O2RNE8IBXP4R0TD8PU41)
- UniCredit Bank S.A. – subsidiary of UniCredit S.p.A. (LEI code 549300TRUWO2CD2G5692)
- Raiffeisen Bank S.A. – subsidiary of Raiffeisen Bank International AG (LEI code 9ZHRY6F4373Qj60U9G59)
- Alpha Bank România S.A. – subsidiary of Alpha Bank (LEI code 5299009N55YRQC69CN08)
- OTP Bank Romania S.A. – subsidiary of OTP Bank Nyrt. (LEI code 529900W3MOO00A18X956)

2.4 Names of subsidiaries

N/A

3. Timing of the measure

3.1 Timing of the Decision

The National Committee for Macroprudential Oversight (NCMO) issued the Recommendation no.8/2020, according to which the National Bank of Romania is recommended to implement the O-SII buffer applicable in 2021 for the systemically important institutions identified based on data available as of December 2019.

The National Committee for Macroprudential Oversight is the macroprudential authority in Romania, which was established as a non-legal entity for inter-institutional cooperation between the National Bank of Romania, the Financial Supervisory Authority and the Government. The mission of the NCMO is to coordinate the macroprudential oversight of the national financial system by defining the macroprudential policy and determining the adequate instruments for its implementation.

3.2 Timing of the Publication

The intended date of publication of the notified measure is November 2020.

3.3 Disclosure

The National Committee for Macroprudential Oversight, as designated authority and the National Bank of Romania (NBR), as competent authority, will publish on their official website (i) the names of the identified systemically important institutions based on data available for December 2019, (ii) the scores obtained according to the methodology harmonized with the EBA Guidelines and (iii) the capital requirements consisting in the O-SII buffer applicable starting with 1st of January 2021. In addition, the NBR will communicate the decision to each systemic bank which is subject to the O-SII buffer.

3.4 Timing of Application

The intended date of activation for the O-SII buffer is 1st of January 2021.

3.5 Phasing in

The measure is not subject to phasing in.

3.6 Review of the measure

According to Article 131(6) and 131(12) of CRD IV (which was implemented in the national legal framework by the NCMO Regulation No. 2 of 9 October 2017 on the methodology and procedures used for setting capital buffers and the scope of these
The overall scores of the banks identified as systemically important institutions based on data available as of December 2019 are listed below:

UniCredit Bank S.A. – 1672 basis points
Banca Transilvania S.A. – 1586 basis points
Banca Comercială Română S.A. – 1251 basis points
BRD - Groupe Societe Generale S.A. – 1087 basis points
Raiffeisen Bank S.A. – 757 basis points
Alpha Bank România S.A. – 569 basis points
OTP Bank Romania S.A. – 411 basis points
CEC Bank S.A. – 325 basis points

The indicator values of the identified O-SIIs are provided in the attached Excel files (Annex no.1a – Mandatory indicators December 2019).

The methodology for identifying the systemic banks is implemented by the National Bank of Romania, as competent authority. The methodology is harmonized with the EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs), using a 275 basis points threshold. The above mentioned O-SIIs were designated using the mandatory criteria and indicators, i.e.:

a. size;
b. importance for the economy of the relevant Member State or the Union, capturing substitutability/financial institution infrastructure;
c. complexity, including the additional complexities from cross-border activity;
d. interconnectedness of the institution or (sub-)group with the financial system.

In order to calculate the mandatory indicators, the harmonized definitions are used according the specifications in Table 2 of Annex 1 in the EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs) based on FINREP reports compiled according the implementing technical standard on an EU-wide common supervisory reporting framework.

The highest level of consolidation was used for compilation of the mandatory indicators.

The National Bank of Romania, as competent authority, employs a two-step methodology: 1) calculation of scores based on mandatory indicators recommended by EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs); 2) calculation of optional indicators (supervisory judgement).

All the systemically important institutions listed in the Section 2.1. were identified using the mandatory indicators recommended by the EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs).
<table>
<thead>
<tr>
<th>Size</th>
<th>Total assets</th>
<th>25.00%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Importance (including substitutability/financial system infrastructure)</td>
<td>Value of domestic payment transactions</td>
<td>8.33%</td>
</tr>
<tr>
<td></td>
<td>Private sector deposits from depositors in the EU</td>
<td>8.33%</td>
</tr>
<tr>
<td></td>
<td>Private sector loans to recipients in the EU</td>
<td>8.33%</td>
</tr>
<tr>
<td>Complexity/cross-border activity</td>
<td>Value of OTC derivatives (notional)</td>
<td>8.33%</td>
</tr>
<tr>
<td></td>
<td>Cross-jurisdictional liabilities</td>
<td>8.33%</td>
</tr>
<tr>
<td></td>
<td>Cross-jurisdictional claims</td>
<td>8.33%</td>
</tr>
<tr>
<td>Interconnectedness</td>
<td>Intra-financial system liabilities</td>
<td>8.33%</td>
</tr>
<tr>
<td></td>
<td>Intra-financial system assets</td>
<td>8.33%</td>
</tr>
<tr>
<td></td>
<td>Debt securities outstanding</td>
<td>8.33%</td>
</tr>
</tbody>
</table>

For all the evaluations performed in 2015 - 2020, the National Bank of Romania, as competent authority, used the threshold of 275 basis points, based on discretions provided by the EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs). The threshold of 275 basis points takes into account the specificities of the Romanian banking sector and the resulting statistical distribution of the scores, thereby ensuring the homogeneity of the group of designated O-SIIs.

The evaluation performed by the NBR, as competent authority, comprised all the credit institutions operating in Romania. The names and scores of institutions included in the evaluation process as of December 2019 are listed below:

UniCredit Bank S.A. – 1672 basis points
Banca Transilvania S.A. – 1586 basis points
Banca Comercială Română S.A. – 1251 basis points
BRD - Groupe Societe Generale S.A. – 1087 basis points
Raiffeisen Bank S.A. – 757 basis points
ING Bank – București Branch – 754 basis points
Alpha Bank România S.A. – 569 basis points
OTP Bank Romania S.A. – 411 basis points
CEC Bank S.A. – 325 basis points
Citibank Europe – România Branch – 224 basis points
Garanti Bank S.A. – 206 basis points
BANCA COMERCIALĂ INTESA SANPAOLO ROMANIA S.A – 170 basis points
Banca Românească S.A. Grupul National Bank of Greece – 159 basis points
Banca de Export-Import a României EXIMBANK S.A. – 152 basis points
First Bank S.A. – 150 basis points
Credit Europe Bank S.A. – 84 basis points
LIBRA INTERNET BANK S.A. – 74 basis points
VISTA BANK (ROMANIA) SA (former MARFIN BANK Romania S.A.) – 55 basis points
Credit Agricole Bank Romania S.A. – 52 basis points
ProCredit Bank S.A. – 46 basis points
IDEA Bank S.A. – 41 basis points
BNP Paribas Paris – București Branch – 39 basis points
Patria Bank SA - 38 basis points
PORSCHE BANK ROMANIA S.A. - 31 basis points
BNP Paribas Personal Finance SA Paris – București Branch – 20 basis points
Banca Centrală Cooperatistă Creditcoop – 16 basis points
No credit institution was excluded from the evaluation process. The evaluation comprised only credit institutions (the independent non-bank institutions were not included in the assessment). The evaluation was performed at the highest consolidation level.

### 4.3 Supervisory judgement

The methodology employed by the National Bank of Romania, as competent authority, comprises the following indicators in the second step of evaluation (supervisory judgement):

1. **The contribution of the credit institution to finance the real economy**, calculated by the volume of loans to nonfinancial companies and the substitution degree of lending to nonfinancial companies;
2. **The contribution of the credit institution to financial intermediation**, calculated by the volume of deposits from households and nonfinancial companies;
3. **The activity of the credit institution on the interbank market and quantifying the contagion effects**;
4. **Assessment of systemically important institutions in the ReGIS payment system**;
5. **Contagion vulnerability from the parent to subsidiary banks through the common lender channel (home country capital)**.

The above mentioned criteria can be found in the list of indicators mentioned in Annex 2 - Optional indicators in the EBA Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs), namely: private sector loans; retail deposits, corporate deposits; interbank claims and/or liabilities; payment services provided to market participants or others; potential contagion through entities in conglomerate/shareholders.

The evaluation performed based on the optional indicators (supervisory judgement), which includes quantitative and qualitative analyses, did not identify systemically important institutions in addition to those already designated as systemic in the first step of calculating the mandatory indicators recommended by the EBA. Consistency of results is achieved by using a minimum threshold of 2.75% for the optional indicators, which is equivalent to 275 basis points threshold set for the first step of analysis (mandatory indicators).

### 4.4 Calibrating the O-SII buffer

The level of the O-SII buffer was set in accordance with the provisions of Article 131 (5) and (8) of CRD IV, stipulating the followings:

1. **The competent authority or designated authority may require each O-SII, on a consolidated, sub-consolidated or individual basis, as applicable, to maintain an O-SII buffer of up to 2 % of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013, taking into account the criteria for the identification of the O-SII. That buffer shall consist of and shall be supplementary to Common Equity Tier 1 capital**;
2. **where an O-SII is a subsidiary of either a G-SII or an O-SII which is an EU parent institution and subject to an O-SII buffer on a consolidated basis, the buffer that applies at individual or sub-consolidated level for the O-SII shall not exceed the higher of: (a) 1 % of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013; and (b) the G-SII or O-SII buffer rate applicable to the group at consolidated level**.

Six out of the eight identified systemically important banks in Romania as of December 2019 are subsidiaries of foreign banks from other Member States (AT - BCR, Raiffeisen, IT - UniCredit, EL - Alpha Bank, FR - BRD, HU – OTP Bank).
which were identified as G-SIIs/O-SIIs and have to maintain an G-SII/O-SII buffer at consolidated level. Thus, according to the information published on the ESRB website, the G-SII/O-SII buffer applicable in 2021 is:

(i) O-SII buffer of 2% for Austrian banks Erste Group Bank and Raiffeisen Bank International AG;
(ii) G-SII buffer of 1% and O-SII buffer of 1% for Italian bank UniCredit SpA;
(iii) O-SII buffer of 0.75% for the Greek bank Alpha Bank;
(iv) G-SII/O-SII buffer of 1% for the French bank Societe Generale Group;
(v) O-SII buffer of 0% in case of OTP Bank group in Hungary.

In this respect, the level of the O-SII buffer applicable to the subsidiaries in Romania of the above mentioned banks takes into account the provisions of Article 131 (5) and (8) of CRD IV.

Considering that the largest credit institutions in Romania are subsidiaries of foreign EU banks which have the status of G-SIIs/O-SIIs, the National Committee for Macroprudential Oversight recommended to the National Bank of Romania to implement starting January 1, 2021 an O-SII buffer for the Romanian legal entities identified as systemic which is correlated with the capital requirements applicable to parent banks.

The above mentioned decision regarding the O-SII buffer also accounted for:
(i) the role of the O-SII buffer in both increasing the capacity of systemically important institutions to absorb losses from potential exogenous shocks and reducing their negative impact on the banking system if the risks would materialize;
(ii) the systemically important institutions hold voluntary buffers which may cover both the capital requirements applicable in 2020 and necessary amounts for developing the lending activity in a sustainable manner.

Is to be mentioned that, amid the COVID-19 pandemic, the National Bank of Romania, as a sectoral supervisory authority, has decided to allow banks to temporarily use (until a date to be communicated later) the previously constituted capital buffers (including the O-SII buffer), while maintaining compliance with the legal framework requirements regarding these flexibilities. Adapting the capital buffers to the new operating conditions supports banks in maintaining their role in the financial intermediation process to the real economy.

The measures decided by the NBR, as competent authority, in the context of the COVID-19 pandemic, are likely to support credit institutions in maintaining an appropriate financial and prudential position, ensuring in the same time maintenance of the financial intermediation process, respectively the uninterrupted continuation of the financing flow of the real economy. The following measures are important in this context:

a) granting permission to defer the payment of loans to any natural person affected by the COVID-19 pandemic based on the flexibility allowed by the regulations in force; thus, the deferral of payment (following a general measure or through direct negotiations with customers), determined by the situation generated by the health crisis, should not be associated with a financial difficulty of the debtor. Consequently, the loan does not have to be reclassified and the bank does not have to make provisions on the amounts due following the loan restructuring operations;

b) implementation at the level of the Romanian banking sector of the NCMO Recommendation no. R/3/2020 on the implementation of Recommendation ESRB/2020/7 on restrictions on dividend distributions during the COVID-19 pandemic, which recommended that the National Bank of Romania and the Financial Supervisory Authority request financial institutions in their area of supervision to avoid taking any of the following actions at least until 1 January 2021: (i) distribute dividends or make an irrevocable commitment to distribute dividends; (ii) repurchase
4.5 Effectiveness and proportionality of measure

The use of the O-SII buffer as a macroprudential instrument is effective in achieving the intermediate objective of "limiting the systemic impact of misaligned incentives with a view to reducing moral hazard", contributing to strengthening the resilience of large institutions which promotes the consolidation of the resilience of the financial system as a whole.

The business decisions at an institution level have the objective to maximize profits, but negative externalities may occur for both the real economy and the banking sector as a whole. The objectives of imposing additional capital requirements for systemically important institutions consist of:

(i) increasing their capacity to absorb losses, with positive effects on lowering the systemic risk generated by the size of institutions, i.e. the likelihood of facing financial difficulties or lower the severity of their potential negative impact. From this perspective, the O-SII buffer may prove effective;

(ii) correcting the advantages that the entities considered "too big to fail" enjoy due to implicit government guarantees. Therefore, the O-SII buffer may be accounted as a proportional measure as it ensures an equal treatment for all banks in the domestic market.

The macroprudential instrument consisting in higher capital requirements for the systemically important institutions (O-SII buffer) takes into account the structural dimension of systemic risk, i.e. the distribution of risk in the financial system. In the case of large institutions, the systemic risk arises from asset size and varies insignificantly over the economic cycle.

In Romania, the group of systemically important institutions (i) holds 75.3% of total assets of the Romanian banking sector as of December 2019, (ii) provides the bulk of financial services for the real economy: 74.6% of the stock of loans, 76.2% of the deposits from households and companies, 55.1% of payment transactions, (iii) considering the complexity criterion, they trade 90.3% of derivatives in OTC markets, hold 86.1% of total cross-jurisdictional claims and 78.4% of total cross-jurisdictional liabilities of the banking sector, and (iv) considering the interconnectedness criterion, they provide 60.8% of the intra-financial system assets and use 72.91% of intra-financial system liabilities, issuing 98.8% of total debt securities outstanding.

5. Cross-border and cross-sector impact of the measure

5.1 Assessment of cross-border effects and the likely impact on the internal market

(Recommendation ESRB/2015/2)

The higher capital requirements following the implementation of the O-SII buffer will increase the resilience of systemically important banks in Romania, which will positively affect both (i) the stability of the financial system and the real economy at a domestic level and (ii) the soundness of the international banking groups at consolidated level.

With respect to the impact on the internal market, it is to be mentioned that 92% of total exposures in the balance sheet of the Romanian banks as of December 2019 are of a domestic nature. The Romanian banking sector has a relatively modest importance on the foreign markets in terms of both assets and cross-border loans. Direct cross-border loans and through branches sum up 8.68% of the total loans in the balance sheet of the Romanian banking sector, most of them being loans granted to other financial institutions (only 0.33% of total loans are loans granted to household and non-financial companies). Moreover, these figures becomes insignificant when compared to the EU banking sector (according the latest available figures – Consolidated Banking Data - the share of the Romanian banking sector in the total assets of the EU banking sector was only 0.33% as of 31 December 2019). Under
these circumstances, our assessment is that the above-mentioned measure has little potential to generate significant cross-border effects via the risk adjustment spillover channel. Concerning the regulatory arbitrage channel, the structure of the banking groups indicates a marginal contribution of the foreign entities to the own funds of the groups or to their capital ratios.

In addition, we have to mention that six out of eight systemically important banks in Romania are subsidiaries of large EU foreign banks, that are G-SIIs or O-SIIs in their home countries and therefore they are subject to G-SII/O-SII buffers. By implementing the O-SII buffer at the level of the subsidiaries in Romania, a level playing field is ensured both domestically and at the EU level. In the case of subsidiaries of foreign banks, the level of O-SII was set considering the provisions of CRD IV and was correlated with the capital requirements applicable to the mother banks in the home countries.

As the capitalization of large Romanian banks is adequate, the implementation of the O-SII buffer will not require new capital contributions from the shareholders. Even though the O-SII buffer is in place, the banks will still have enough capital reserves to be able to resume lending to the real economy in a sustainable manner.

<table>
<thead>
<tr>
<th>5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State</th>
</tr>
</thead>
<tbody>
<tr>
<td>The scope for leakages and regulatory arbitrage is expected to be limited as:</td>
</tr>
<tr>
<td>(i) the capital requirements consisting in the O-SII buffer should be maintained at the highest level of consolidation (i.e. at consolidated, sub-consolidated or individual level, as applicable) therefore preventing the shifts of activities within groups;</td>
</tr>
<tr>
<td>(ii) the bulk of banking activity (92% of the total assets of the Romanian banking system as of December 2019) concentrates on domestic counterparties;</td>
</tr>
<tr>
<td>(iii) the capitalization of large banks is adequate, hence the institutions are not bound to reduce or transfer their activities.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6. Combinations and interactions with other measures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>6.1 Combinations between G-SII and O-SII buffers (Article 131.14)</strong></td>
</tr>
<tr>
<td>N/A</td>
</tr>
<tr>
<td>The Romanian banking system comprises no G-SII.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currently, a Systemic Risk Buffer (SRB) applicable to all credit institutions Romanian legal persons is in place.</td>
</tr>
<tr>
<td>The implementation of SRB in Romania intends to address the vulnerabilities identified across the national financial system:</td>
</tr>
<tr>
<td>(i) the possibility of a renewed increase in non-performing loan ratios, following the rise in interest rates and the slowdown in the balance sheet clean-up process;</td>
</tr>
<tr>
<td>(ii) the tensions surrounding macroeconomic equilibria</td>
</tr>
<tr>
<td>The rationale behind implementing the systemic risk buffer is circumscribed to the following two perspectives: (i) ensuring an adequate management of credit risk from a macroprudential perspective, amid the possible return of non-performing loans onto an upward path, in the context of unfavourable circumstances related to credit institutions’ potential future efforts to clean up their balance sheets and (ii) preserving financial stability, assuming that the tensions surrounding domestic macroeconomic equilibria and regional and global uncertainties will persist.</td>
</tr>
<tr>
<td>The European initiatives concerning NPL resolution highlight the importance of tackling this issue from a macroprudential perspective, due to the significant negative effects on banking sector activity and, therefore, on the real economy. Moreover, the</td>
</tr>
</tbody>
</table>
tightening on macroeconomic equilibria can lead to significant negative second-round effects on the financial sector, in case of unanticipated external or internal shocks.

The level of the systemic risk buffer is set at 0 percent, 1 percent or 2 percent, according to the 12 months average of the non-performing loans ratio and the coverage ratio of NPL with provisions reported by each individual credit institution, in accordance with the methodology established in the implementation process of the SRB:

<table>
<thead>
<tr>
<th>Non-performing loans ratio</th>
<th>Coverage ratio of NPL with provisions</th>
<th>Buffer rate (% of CET1 capital applied to total RWA)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 5%</td>
<td>&gt; 55%</td>
<td>0%</td>
</tr>
<tr>
<td>&gt; 5%</td>
<td>&gt; 55%</td>
<td>1%</td>
</tr>
<tr>
<td>&lt; 5%</td>
<td>&lt; 55%</td>
<td>1%</td>
</tr>
<tr>
<td>&gt; 5%</td>
<td>&lt; 55%</td>
<td>2%</td>
</tr>
</tbody>
</table>

This approach was implemented in order to support the credit risk management process and to increase the resilience of the banking sector against unanticipated shocks, amid structural unfavourable circumstances.

The SRB is applicable to all exposures. Therefore, according the CRD IV provisions, the higher of O-SII buffer and SRB will apply to systemically important banks. Both O-SII buffer and SRB apply to highest level of consolidation.

6 out of 8 systemically important institutions in Romania which are Romanian legal entities are subsidiaries of foreign banks, as follows:
- Banca Comercială Română S.A. – subsidiary of Erste Group Bank AG
- BRD - Groupe Societe Generale S.A. – subsidiary of Societe
- UniCredit Bank S.A. – subsidiary of UniCredit S.p.A.
- Raiffeisen Bank S.A. – subsidiary of Raiffeisen Bank International AG
- Alpha Bank România S.A. – subsidiary of Alpha Bank
- OTP Bank România S.A. – subsidiary of OTP Bank Nyrt.

Banca Comercială Română S.A., BRD - Groupe Societe Generale S.A., UniCredit Bank S.A., Raiffeisen Bank S.A., Alpha Bank România S.A., OTP Bank România S.A. are subsidiaries of foreign banks which were identified as systemically important in the home countries or as G-SIIs. Therefore, the level of the O-SII buffer applicable in 2021 for the above mentioned subsidiaries in Romania was set in accordance with the capital requirements consisting in G-SII/O-SII buffer applicable to mother banks, observing the provisions of Article 131 (8) of CRD IV, stipulating that where an O-SII is a subsidiary of either a G-SII or an O-SII which is an EU parent institution and subject to an O-SII buffer on a consolidated basis, the buffer that applies at individual or sub-consolidated level for the O-SII shall not exceed the higher of: (a) 1 % of the total risk exposure amount calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013; and (b) the G-SII or O-SII buffer rate applicable to the group at consolidated level.

With respect to other two Romanian banks identified as O-SIIs, is to be mentioned that:
(i) Banca Transilvania S.A. is not a subsidiary of a foreign EU parent institution, therefore the National Bank of Romania is the competent authority;
(ii) CEC Bank S.A. has domestic capital and the National Bank of Romania is the competent authority.

Thus, both the provisions of Article 131 (5) and (8) of CRD IV are observed in the case of the O-SII buffer applied to the systemically important institutions in Romania.

6.3 O-SII requirement for a subsidiary (Article 131.8)
<table>
<thead>
<tr>
<th>6.4 Interaction with other measures</th>
<th>N/A</th>
</tr>
</thead>
</table>

### 7. Miscellaneous

| 7.1 Contact person(s) at notifying authority | Eugen Rădulescu, National Committee for Macroprudential Oversight Secretariat, director of the Financial Stability Department in the National Bank of Romania  
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<td>7.2 Any other relevant information</td>
<td>N/A</td>
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