



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

Notified bodies:

- ESRB (notifications@esrb.europa.eu)
- ECB (macropru.notifications@ecb.europa.eu)
- EBA (notifications@eba.europa.eu)
- EC (FISMA-E-3-NOTIFICATIONS@ec.europa.eu)
- Designated and competent authorities in the member states of the O-SII's parent institutions

1. Notifying national authority																																	
1.1 Name of the notifying authority	Hrvatska narodna banka																																
2. Description of the measure																																	
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3. Timing of the measure																																	
3.1 Timing of the Decision	Our intention is that each of the banks identified as O-SII receives an individual decision about its O-SII status and corresponding buffer rate by the end of 2016.																																
3.2 Timing of the Publication	Intended timing of publication: by December 31 st 2016																																
3.3 Disclosure	Intended timing of publication: by December 31 st 2016 Form of communication: Individual decisions and HNB's web page																																

3.4 Timing of Application	Please see 3.1. - Intended timing of application will be upon the delivery of the decision to each of the banks in question.																																																												
3.5 Phasing in	None																																																												
3.6 Review of the measure	At least on annual basis																																																												
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4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3)	<p>Table 2. Scoring procedure</p> <table border="1" data-bbox="427 577 1417 927"> <thead> <tr> <th>Name of the institution</th> <th>Size</th> <th>Importance (including substitutability / financial system infrastructure)</th> <th>Complexity / Cross-border</th> <th>Interconnectedness</th> <th>Score</th> </tr> </thead> <tbody> <tr> <td>Zagrebačka banka d.d., Zagreb</td> <td>2902</td> <td>2490</td> <td>3813</td> <td>1640</td> <td>2711</td> </tr> <tr> <td>Erste&Steiermärkische Bank d.d. Rijeka</td> <td>1550</td> <td>1363</td> <td>1702</td> <td>4269</td> <td>2221</td> </tr> <tr> <td>Privredna banka banka Zagreb d.d., Zagreb</td> <td>1802</td> <td>1822</td> <td>920</td> <td>594</td> <td>1285</td> </tr> <tr> <td>Raiffeisenbank Austria d.d., Zagreb</td> <td>788</td> <td>928</td> <td>800</td> <td>351</td> <td>717</td> </tr> <tr> <td>Société Générale-Splitska banka d.d., Split</td> <td>628</td> <td>807</td> <td>350</td> <td>340</td> <td>531</td> </tr> <tr> <td>Addiko Bank d.d.</td> <td>580</td> <td>529</td> <td>590</td> <td>359</td> <td>515</td> </tr> <tr> <td>OTP banka Hrvatska d.d., Zagreb</td> <td>361</td> <td>468</td> <td>470</td> <td>364</td> <td>416</td> </tr> <tr> <td>Sberbank d.d., Zagreb</td> <td>221</td> <td>338</td> <td>482</td> <td>582</td> <td>406</td> </tr> <tr> <td>Hrvatska poštanska banka d.d., Zagreb</td> <td>408</td> <td>398</td> <td>52</td> <td>152</td> <td>253</td> </tr> </tbody> </table> <p>Source: HNB</p>	Name of the institution	Size	Importance (including substitutability / financial system infrastructure)	Complexity / Cross-border	Interconnectedness	Score	Zagrebačka banka d.d., Zagreb	2902	2490	3813	1640	2711	Erste&Steiermärkische Bank d.d. Rijeka	1550	1363	1702	4269	2221	Privredna banka banka Zagreb d.d., Zagreb	1802	1822	920	594	1285	Raiffeisenbank Austria d.d., Zagreb	788	928	800	351	717	Société Générale-Splitska banka d.d., Split	628	807	350	340	531	Addiko Bank d.d.	580	529	590	359	515	OTP banka Hrvatska d.d., Zagreb	361	468	470	364	416	Sberbank d.d., Zagreb	221	338	482	582	406	Hrvatska poštanska banka d.d., Zagreb	408	398	52	152	253
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4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)	<p>The identification process followed the mandatory indicators set out in the EBA's Guidelines (EBA/GL/2014/10). Data used: revised data for 31.12.2015., consolidated level, all credit institutions (including ones not exceeding 0.02% of relative total assets and branches for purpose of calculating system-wide aggregates - denominators).</p> <p>Threshold: 275 basis points. Lower threshold is used to account institutions with scores lower than 350 basis points, but still distinctively higher from scores of other institutions. According to their size, complexity and potential impact on the economy they belong to the group of institutions with systemic importance. One additional institution (Hrvatska Poštanska Banka d.d.) was identified as O-SII institution due to relative significance of size and importance indicators for this institution, complemented with supervisory assessment. For further details, please also see 4.3.</p> <p>Optional indicators: No</p> <p>Non-banks: Not included</p>																																																												
4.3 Supervisory judgement	Institutions listed in 2.1 have been identified through two-step procedure as laid down in EBA guidelines on the assessment of O-SIIs. First, through scoring methodology and second through supervisory assessment. The latter involved quantitative and qualitative judgment. This step complemented scoring process and helped determine the range of relevant sub-scores and total scores as explained in 4.2.																																																												
4.4 Calibrating the O-SII buffer	<p>HNB used the method of "equal expected impact", recommended by <i>The ESRB Handbook on Operationalising Macro-prudential Policy in the Banking Sector</i>. Equilibrating the potential impact of O-SII and non-SII institutions in distress via adjusting the probability of distress for O-SII in relation to the probability of distress of a (reference) non-SII on basis of the historical distribution of the ratio of income to RWAs (return on RWA, or RORWA).</p> <p>Empirical findings confirm that in case of six banks identified as O-SII the optimal requirement exceeds the legal maximum capital requirement of 2% (thus 2% O-SII buffer rate is applied),</p>																																																												

	while the remaining three institutions identified as O-SII are below that limit and can be grouped to apply 0.2% O-SII buffer rate.																																
4.5 Effectiveness and proportionality of measure	Effectively, the O-SII buffer rates will not be additive to the combined capital requirement consisting of, among others, the SRB buffer rate applied to all exposures (domestic and foreign). However differentiated SRB buffer of 3% and 1,5% (please see <i>The Review of the level of the structural systemic risk buffer</i> at http://www.hnb.hr/documents/20182/735490/e-preispitivanje-visine-zastitnog-sloja-kapitala-strukturni-sistemi-rizik-29-04-2016.pdf/6300c84b-d128-48be-9644-9c771ca690e1) covers risk of highly concentrated market to which O-SIIs contribute to large extent.																																
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)	Effectively no additional regulatory requirement is been induced (please see 4.5 and 6.2).																																
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	No leakages within the market are expected.																																
6. Combinations and interactions with other measures																																	
6.1 Combinations between G-SII and OSII buffers (Article 131.14)	There are no G-SII in Croatia; for EU scope please see 4.5 and 6.2.																																
6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)	<p>Table 3. Combinations with SRB buffers</p> <table border="1"> <thead> <tr> <th>Name of institution concerned</th> <th>Level of the O-SII buffer</th> <th>Other buffer rates (non-cyclical)</th> <th>Scope of application of SRB</th> </tr> </thead> <tbody> <tr> <td>Zagrebačka banka d.d., Zagreb</td> <td>2.0%</td> <td>Conservation buffer rate: 2,5% Systemic risk buffer: 3,0%</td> <td rowspan="9">All exposures</td> </tr> <tr> <td>Erste&Steiermärkische Bank d.d. Rijeka</td> <td>2.0%</td> <td>Conservation buffer rate: 2,5% Systemic risk buffer: 3,0%</td> </tr> <tr> <td>Privredna banka banka Zagreb d.d., Zagreb</td> <td>2.0%</td> <td>Conservation buffer rate: 2,5% Systemic risk buffer: 3,0%</td> </tr> <tr> <td>Raiffeisenbank Austria d.d., Zagreb</td> <td>2.0%</td> <td>Conservation buffer rate: 2,5% Systemic risk buffer: 3,0%</td> </tr> <tr> <td>Société Générale-Splitska banka d.d., Split</td> <td>2.0%</td> <td>Conservation buffer rate: 2,5% Systemic risk buffer: 3,0%</td> </tr> <tr> <td>Addiko Bank d.d.</td> <td>2.0%</td> <td>Conservation buffer rate: 2,5% Systemic risk buffer: 3,0%</td> </tr> <tr> <td>OTP banka Hrvatska d.d., Zagreb</td> <td>0.2%</td> <td>Conservation buffer rate: 2,5% Systemic risk buffer: 1,5%</td> </tr> <tr> <td>Sberbank d.d., Zagreb</td> <td>0.2%</td> <td>Conservation buffer rate: 2,5% Systemic risk buffer: 1,5%</td> </tr> <tr> <td>Hrvatska poštanska banka d.d., Zagreb</td> <td>0.2%</td> <td>Conservation buffer rate: 2,5% Systemic risk buffer: 1,5%</td> </tr> </tbody> </table> <p>Source: HNB</p>	Name of institution concerned	Level of the O-SII buffer	Other buffer rates (non-cyclical)	Scope of application of SRB	Zagrebačka banka d.d., Zagreb	2.0%	Conservation buffer rate: 2,5% Systemic risk buffer: 3,0%	All exposures	Erste&Steiermärkische Bank d.d. Rijeka	2.0%	Conservation buffer rate: 2,5% Systemic risk buffer: 3,0%	Privredna banka banka Zagreb d.d., Zagreb	2.0%	Conservation buffer rate: 2,5% Systemic risk buffer: 3,0%	Raiffeisenbank Austria d.d., Zagreb	2.0%	Conservation buffer rate: 2,5% Systemic risk buffer: 3,0%	Société Générale-Splitska banka d.d., Split	2.0%	Conservation buffer rate: 2,5% Systemic risk buffer: 3,0%	Addiko Bank d.d.	2.0%	Conservation buffer rate: 2,5% Systemic risk buffer: 3,0%	OTP banka Hrvatska d.d., Zagreb	0.2%	Conservation buffer rate: 2,5% Systemic risk buffer: 1,5%	Sberbank d.d., Zagreb	0.2%	Conservation buffer rate: 2,5% Systemic risk buffer: 1,5%	Hrvatska poštanska banka d.d., Zagreb	0.2%	Conservation buffer rate: 2,5% Systemic risk buffer: 1,5%
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6.3 Combined buffer requirement (Article 131.16 and Article 131.17)	Combined buffer requirement applies and it is not above the sum of the buffers described in Article 131-16 and Article 131-17.
6.4 O-SII requirement for a subsidiary (Article 131.8)	For subsidiaries of G-SIBs, Art. 131(8) CRD IV is respected.
6.5 Interaction with other measures	The capital requirements are differentiated as described in 4.5 and 6.2, while there are no overlaps of O-SII buffer rates with Pillar 2 structure.
7. Miscellaneous	
7.1 Contact person(s) at notifying authority	Mr. Tomislav Ridzak Head of Financial Stability department Hrvatska narodna banka Phone: ++385 1 456 50 09 E-mail: tomislav.ridzak@hnb.hr
7.2 Any other relevant information	N/A