

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

Please send this template to

- notifications@esrb.europa.eu when notifying the ESRB;
- macropru.notifications@ecb.europa.eu when notifying the ECB;
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Emailing this template to the above-mentioned addresses constitutes an official notification, no further official letter is required. In order to facilitate the work of the notified authorities, please send the notification template in a format that allows electronically copying the information.

1. Notifying national authority				
1.1 Name of the notifying authority	Hrvatska narodna banka (HNB)			
2. Description of the measure				
2.1 Concerned institution or group of institutions	Name of institution concerned		LEI Code	Firm level for application
	Zagrebačka banka d.d., Zagreb		PRNXTNXHBI0TSY1V8P17	Consolidated and individual level
	Privredna banka banka Zagreb d.d., Zagreb		549300ZHFZ4CSK7V5460	Consolidated and individual level
	Erste&Steiermärkische Bank d.d. Rijeka		549300A2F46GR0UOM390	Consolidated and individual level
	Raiffeisenbank Austria d.d., Zagreb		5299001HUZV70CZRAU55	Consolidated and individual level
	OTP banka Hrvatska d.d., Zagreb		5299005UJX6K7BQKV086	Consolidated and individual level
	Addiko Bank d.d.		RG3IZJKPYQ4H6IQPC08	Individual level
	Hrvatska poštanska banka d.d., Zagreb		529900D5G4V6THXC5P79	Consolidated and individual level
	The list of identified O-SIIs has not changed since the last review.			
2.2 Level of the buffer applied	Name of institution concerned		Level of the O-SII buffer	
	Zagrebačka banka d.d., Zagreb		2.0%	
	Privredna banka banka Zagreb d.d., Zagreb		2.0%	
	Erste&Steiermärkische Bank d.d. Rijeka		2.0%	
	Raiffeisenbank Austria d.d., Zagreb		2.0%	
	OTP banka Hrvatska d.d., Zagreb		2.0%	
	Addiko Bank d.d.		1.0%	
	Hrvatska poštanska banka d.d., Zagreb		0.5%	
O-SII buffer rates for two banks are changed after the recalibration following the equal expected impact approach.				

2.3 Name of the EU ultimate parent institution	Name of institution concerned	Name of the parent institution	LEI Code (parent inst.)				
	Zagrebačka banka d.d., Zagreb	UniCredit S.p.A.	549300TRUWO2CD2G5692				
	Erste&Steiermärkische Bank d.d. Rijeka	Erste Group Bank AG	PQOH26KWDF7CG10L6792				
	Privredna banka banka Zagreb d.d., Zagreb	Intesa Sanpaolo S.p.A.	2W8N8UU78PMDQKZENC08				
	Raiffeisenbank Austria d.d., Zagreb	Raiffeisen Bank International AG	9ZHRYM6F437SQJ6OUG95				
	OTP banka Hrvatska d.d., Zagreb	OTP Bank Nyrt.	529900W3M0000A18X956				
	Addiko Bank d.d.	Al LAKE (Luxembourg) S.a.r.l.	222100LC9TDJEKDXOQ07				
	Hrvatska poštanska banka d.d., Zagreb	N/A	N/A				
2.4 Names of subsidiaries	n/a						
3. Timing of the measure							
3.1 Timing of the Decision	The decision was taken on the 10th December 2019.						
3.2 Timing of the Publication	The notified measure is foreseen to be published by the 30th December 2019.						
3.3 Disclosure	Official decision to identified O-SI institutions by registered post and publication on HNB's web page.						
3.4 Timing of Application	Timing of application depends on the delivery of the decision (see 3.3) to each of the banks in question.						
3.5 Phasing in	None						
3.6 Review of the measure	At least annually. HNB intends to perform its review each year in autumn, based on reported data as of end-December of the preceding year.						
4. Reason for O-SII identification and activation of the O-SII buffer							
4.1 Scores of concerned institution or group of institutions, as per EBA guidelines on the assessment of O-SIIs (Article 131.3)	Name of institution concerned		Size	Importance (including substitutability / financial system infrastructure)	Complexity / Cross-border	Interconnectedness	Score
	Zagrebačka banka d.d., Zagreb		2886	3077	4141	2457	3140
	Privredna banka banka Zagreb d.d., Zagreb		2338	1792	2531	1401	2016
	Erste&Steiermärkische Bank d.d. Rijeka		1452	1490	1433	3479	1964
	Raiffeisenbank Austria d.d., Zagreb		723	926	841	573	766
	OTP banka Hrvatska d.d., Zagreb		879	793	344	350	592
	Addiko Bank d.d.		383	456	251	278	342
	Hrvatska poštanska banka d.d., Zagreb		482	442	67	208	300
4.2 Methodology and indicators used for designation of the O-SII (Article 131.3)	<p>a. The identification process followed the methodology set out in the <i>EBA Guidelines</i> (EBA/GL/2014/10).</p> <p>b. Threshold: 275 basis points. Lower threshold is used to account for 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 of systemic importance.</p> <p>c. Please see 4.1. above.</p> <p>d. Institutions listed in 2.1 were identified through the standard scoring approach for the assessment of O-SIIs, using exclusively mandatory indicators. In the second step, classification of credit institutions by scoring approach was subject to supervisory assessment, taking into account all available qualitative and quantitative information on systemic importance of individual institutions from the point of view of assessment of potential consequences that possible disturbances in such credit institutions would</p>						

	<p>generate in the system.</p> <p>e. Supervisory assessment did not change the list of identified O-SIIs in the standard scoring approach.</p> <p>f. /</p> <p>g. All credit institutions were included in calculation (including ones not exceeding 0.02% of relative total assets and branches for purpose of calculating system-wide aggregates - denominators).</p> <p>h. Non-banks were not included.</p>
4.3 Supervisory judgement	Supervisory assessment (quantitative and qualitative) complemented the scoring process. It did not result in identifying any additional O-SII.
4.4 Calibrating the O-SII buffer	<p>HNB uses the combination of equal expected impact approach along with the bucketing approach, recommended by <i>The ESRB Handbook on Operationalising Macro-prudential Policy in the Banking Sector</i>.</p> <p>Potential impact of O-SIIs and non-SIIs in distress is equilibrated via adjusting the probability of distress for O-SII in relation to the probability of distress of a (reference) non-SII based on historical distribution of the ratio of income to RWAs (return on RWA).</p> <p>Recalibration confirmed that in case of five largest banks identified as O-SIIs the optimal requirement exceeds the legal maximum capital requirement of 2% (thus 2% O-SII buffer rate is applied). The remaining two O-SII institutions were assigned new O-SII buffer rates in accordance with their O-SII scores and results of the recalibration exercise (1.0% and 0.5%).</p>
4.5 Effectiveness and proportionality of measure	The O-SII buffer rates are proportional to the higher risk that these institutions pose to the financial system due to their size, complexity and importance for the economy.
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 HNB's framework (Decision, OG 60/2017) provides the assessment of cross-border 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.
5.2 Assessment of leakages and regulatory arbitrage within the notifying Member State	See 5.1 above.
6. Combinations and interactions with other measures	
6.1 Combinations between G-SII and O-SII buffers (Article 131.14)	There are no G-SIIs in Croatia.

<p>6.2 Combinations with SRB buffers (Article 131.14 + Article 133.5)</p>	<p>All banks are subject to systemic risk buffer applied to all exposures (domestic and foreign). Both O-SII buffer and SRB buffers should be maintained on both individual and consolidated level. Where an institution is subject to both O-SII and SRB buffer, only the higher of the two applies. Effectively, for six out of seven identified O-SI banks the O-SII buffer rates will not be additive to the combined capital requirement as their SRB buffer rates are higher than the respective O-SII buffer rates. For one O-SI bank the O-SII buffer rate is higher and will be effectively applied.</p> <table border="1" data-bbox="467 380 1237 646"> <thead> <tr> <th>Name of institution concerned</th> <th>Level of the O-SII buffer</th> <th>Systemic risk buffer rate</th> <th>Scope of the application of the SRB</th> </tr> </thead> <tbody> <tr> <td>Zagrebačka banka d.d., Zagreb</td> <td>2.0%</td> <td>3.0%</td> <td rowspan="7">All exposures</td> </tr> <tr> <td>Privredna banka banka Zagreb d.d., Zagreb</td> <td>2.0%</td> <td>3.0%</td> </tr> <tr> <td>Erste&Steiermärkische Bank d.d. Rijeka</td> <td>2.0%</td> <td>3.0%</td> </tr> <tr> <td>Raiffeisenbank Austria d.d., Zagreb</td> <td>2.0%</td> <td>3.0%</td> </tr> <tr> <td>OTP banka Hrvatska d.d., Zagreb</td> <td>2.0%</td> <td>3.0%</td> </tr> <tr> <td>Addiko Bank d.d.</td> <td>1.0%</td> <td>1.5%</td> </tr> <tr> <td>Hrvatska poštanska banka d.d., Zagreb</td> <td>0.5%</td> <td>1.5%</td> </tr> </tbody> </table>	Name of institution concerned	Level of the O-SII buffer	Systemic risk buffer rate	Scope of the application of the SRB	Zagrebačka banka d.d., Zagreb	2.0%	3.0%	All exposures	Privredna banka banka Zagreb d.d., Zagreb	2.0%	3.0%	Erste&Steiermärkische Bank d.d. Rijeka	2.0%	3.0%	Raiffeisenbank Austria d.d., Zagreb	2.0%	3.0%	OTP banka Hrvatska d.d., Zagreb	2.0%	3.0%	Addiko Bank d.d.	1.0%	1.5%	Hrvatska poštanska banka d.d., Zagreb	0.5%	1.5%
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<p>6.4 Interaction with other measures</p>	<p>There are no interactions with other measures.</p>																										

<p>7. Miscellaneous</p>	
<p>7.1 Contact person(s) 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>7.2 Any other relevant information</p>	