

Croatian National Bank

22 February 2018

Notification on the review of the identification of other systemically important credit institutions in the Republic of Croatia

The Croatian National Bank, as the authority in charge of identifying other systemically important credit institutions (O-SIIs), is obligated, in accordance with Article 138, paragraph (4) of the Credit Institutions Act (OG 159/2013, 19/2015 and 102/2015; hereinafter: the Act) to review annually the identification of O-SIIs and, in accordance with Article 137, paragraph (8) of the Act, disclose the names of identified institutions on its website.

The review was conducted using the same methodology as in the previous cycle of the identification of O-SIIs in accordance with Article 138 of the Act, which prescribes that systemic importance, for the purposes of identifying O-SIIs, is to be assessed on the basis of at least one of the following conditions: size, importance for the economy of the European Union or of the Republic of Croatia, significance of cross-border activities and interconnectedness of the credit institution or the group with the financial system. The European Banking Authority has issued Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU in relation to the assessment of other systemically important institutions (EBA/GL/2014/10), which have been transposed into internal supervisory procedures of the Croatian National Bank¹.

In the procedure of O-SIIs review, the Croatian National Bank used the standard scoring approach for the assessment of O-SIIs, using exclusively the so-called mandatory indicators in all the four areas (conditions) referred to in Article 138 of the Act, available on a consolidated level on 31 December 2016 (revised data for all authorised credit institutions having a head office in the Republic of Croatia at the moment of scoring) and the adjusted threshold of 275 basis points. The results obtained by the scoring of credit institutions were then subjected to supervisory review comprising all relevant qualitative and quantitative information on the systemic importance of individual credit institutions from the point of view of the assessment of potential consequences that a disturbance in such business entities could generate in the system. Based on the described procedure, irrespective of the adjusted threshold, OTP banka Hrvatska d.d. was identified as an O-SII in line with its importance, as it is the

¹ Available at: http://www.hnb.hr/documents/20182/121030/tf-s-sjo-spo-pdf-e-postupak_osv.pdf/41d3a956-c41b-426b-aab4-24413d35ff93

parent credit institution of a group comprising an O-SII. To be specific, OTP banka Hrvatska d.d. acquired the shares of Soci t  G n rale-Splitska banka d.d. (which changed its company name to Splitska banka d.d. on 15 May 2017) on 2 May 2017, thus acquiring full ownership of Splitska banka d.d., which is an O-SII to which the capital buffer rate of 2% is applied. Sberbank d.d. was not identified as an O-SII since the conditions for systemic importance, as referred to in Article 138 of the Act, were not fulfilled.

In line with the facts stated above, a total of eight O-SIIs was identified in the review (Table 1).

Table 1 List of O-SIIs in the Republic of Croatia

O-SII	Score	O-SII buffer rate
Zagreba�ka banka d.d., Zagreb	3305	2.0%
Erste&Steierm�rkische Bank d.d., Rijeka	2174	2.0%
Privredna banka Zagreb d.d., Zagreb	1420	2.0%
Raiffeisenbank Austria d.d., Zagreb	862	2.0%
Splitska banka d.d., Split	507	2.0%
Addiko Bank d.d., Zagreb	423	2.0%
OTP banka Hrvatska d.d., Zadar	265	2.0%
Hrvatska poštanska banka d.d., Zagreb	276	0.2%

Source: CNB.

An O-SII which is a subsidiary of a global systemically important credit institution (G-SII) or an O-SII of a parent credit institution in the EU to which a G-SII or an O-SII buffer rate is applied on a consolidated basis, is obligated to monitor and apply the G-SII/O-SII buffer rate in accordance with the provisions of Article 137, paragraph (6) of the Act.

Furthermore, pursuant to the Decision on the application of the structural systemic risk buffer (OG 78/2017), O-SIIs are also obligated to maintain a structural systemic risk buffer applicable to all exposures. In accordance with Article 139, paragraphs (1) and (3) of the Act, credit institutions are required to maintain the higher of the structural systemic risk buffer rate or the O-SII buffer rate. Since the structural systemic buffer rate is currently higher of the two capital buffer rates, the structural systemic risk buffer rate continues to be applied.

All O-SIIs are obligated to observe the regulations governing the structural systemic risk buffer and, depending on this buffer's level and exposures to which it applies, apply the provisions of Article 139 of the Act.