

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

The Croatian National Bank, as the dedicated authority for the identification of other systemically important credit institutions (hereinafter: O-SIIs), is obligated, in accordance with Article 138, paragraph (4) of the Credit Institutions Act (OG 159/2013, 19/2015, 102/2015, 15/2018 and 70/2019; 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 cycles 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 assessed on the basis of at least any of the following criteria: 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's 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) have been transposed into the [internal supervisory procedures of the Croatian National Bank](#).

In the O-SIIs identification process the Croatian National Bank applied the standard scoring approach for the assessment of O-SIIs, using the so-called mandatory indicators in all the four areas (criteria) referred to in Article 138 of the Act, available on 31 December 2018 (revised data for all authorised credit institutions having a head office in the Republic of Croatia at the moment of scoring), the adjusted threshold of 275 basis points and expert judgement. Based on the described procedure, the review established seven O-SIIs (Table 1). The Croatian National Bank determines the buffer rate for an O-SII taking into account the indicators of systemic importance, historical losses in the system and expert judgement, in relation to other macroprudential instruments as a segment of a coordinated central bank policy aimed at achieving and maintaining financial stability. The basis for determining the buffer rate is the equal expected impact method, wherein the level of the O-SII buffer is set with a view to equalising the expected impact of an O-SII's distress on the overall system with the potential impact of a non-O-SII's distress. Within the legally permitted range of 0% to 2% of total risk exposure amount,

O-SII buffer rates may be classified in different classes, in accordance with expert judgement. In line with the abovementioned, O-SII buffer rates were set as shown in Table 1.

Table 1 O-SIIs in the Republic of Croatia

O-SII	Score	O-SII buffer rate
Zagrebačka banka d.d., Zagreb	3140	2.0%
Privredna banka Zagreb d.d., Zagreb	2016	2.0%
Erste&Steiermärkische Bank d.d., Rijeka	1964	2.0%
Raiffeisenbank Austria d.d., Zagreb	766	2.0%
OTP banka Hrvatska d.d., Split	592	2.0%
Addiko Bank d.d., Zagreb	342	1.0%
Hrvatska poštanska banka d.d., Zagreb	300	0.5%

Source: CNB.

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

In addition, 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 that is 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. 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.