

29 December 2016

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 (hereinafter: 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) (hereinafter: the Guidelines), which have also 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 2015 (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 scoring of credit institutions were then subjected to supervisory review which comprises 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 of a possible disturbance in such business entities would generate in the system. Based on the described procedure, Hrvatska poštanska banka d.d. has also been identified as an O-SII, irrespective of the adjusted threshold, based on the scoring criteria of size and importance and supervisory review. Therefore, the said review identified a total of nine OSIIIs (Table 1), the same as identified under the initial identification.

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

¹ Available at: https://www.hnb.hr/documents/20182/121030/tf-s-sjo-spo-pdf-h-postupak_osv.pdf

Credit institution which is an O-SII	Scores	Buffer rate of O-SIIs
Zagrebačka banka d.d., Zagreb	2711	2,0%
Erste&Steiermärkische Bank d.d., Rijeka	2221	2,0%
Privredna banka Zagreb d.d., Zagreb	1285	2,0%
Raiffeisenbank Austria d.d., Zagreb	717	2,0%
Société Générale-Splitska banka d.d., Split	531	2,0%
Addiko Bank d.d., Zagreb	515	2,0%
OTP banka Hrvatska d.d., Zagreb	416	0,2%
Sberbank d.d., Zagreb	406	0,2%
Hrvatska poštanska banka d.d., Zagreb	253	0,2%

Source: CNB.

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

Pursuant to the Decision on the application of the structural systemic risk buffer (Official Gazette 61/2014), O-SIIs are also obligated to maintain a structural systemic risk buffer which is applied to all exposures. In accordance with Article 139, paragraphs (1) and (3) of the Credit Institutions Act, credit institutions are obligated to maintain the higher of the structural systemic risk buffer rate or the buffer rate for O-SIIs. Since the structural systemic buffer rate is currently higher than the other 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.