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Notification on the results of the review of the systemic importance of credit institutions in the Republic of Croatia

In its regular annual review of the systemic importance of credit institutions, the Croatian National Bank confirmed that there are seven other systemically important credit institutions (hereinafter: O-SIIs) and adjusted the buffer rates to be maintained by these institutions in 2023 (Table 1).

Table 1 O-SIIs in the Republic of Croatia

O-SII	Systemic importance scores	Buffer rate set for O-SIIs as of 1 January 2023	Buffer rate to be maintained by O-SIIs as of 1 January 2023*
Zagrebačka banka d.d., Zagreb	2889	2.0%	2.0%
Privredna banka Zagreb d.d., Zagreb	2298	2.0%	1.75%
Erste&Steiermärkische Bank d.d., Rijeka	2006	2.0%	2.0%
Raiffeisenbank Austria d.d., Zagreb	878	1.5%	1.5%
OTP banka Hrvatska d.d., Split	700	1.5%	1.5%
Hrvatska poštanska banka d.d., Zagreb	302	0.5%	0.5%
Addiko Bank d.d., Zagreb	242	0.5%	0.5%

* Taking into account the status of the parent O-SII or G-SII in the EU, where applicable.

Source: CNB.

The review was conducted in September 2022 using the same methodology as in the previous cycles of the identification of OSIIIs, in accordance with Article 138 of the Credit Institutions Act (hereinafter: Act). The Act 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; hereinafter: Guidelines) have been transposed into the [internal supervisory procedures of the Croatian National Bank](#).

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 2021 (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, expert judgement and additional indicators provided in the Guidelines. Addiko Bank d.d., whose summary score of systemic importance was in this review cycle for the first time below the threshold, was identified as an O-SII based on expert judgement supported by individual mandatory and additional indicators of systemic importance. Based on the described procedure, the same seven O-SIIs were identified as in the previous review cycle.

The Croatian National Bank determines the buffer rate for an O-SII, in accordance with Article 137, paragraph (4) of the Act, 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 3%, the O-SII buffer rates may be classified in different classes, in accordance with expert judgement.

In line with the described procedure, the Croatian National Bank adjusted the buffer rates to be maintained by O-SIIs in 2023 for two O-SIIs, while the buffer rates for other O-SIIs remained unchanged (Table 1). Each O-SII, that is a subsidiary of an O-SII or of a global systemically important credit institution (hereinafter: G-SII) that is an EU parent credit institution to which a G-SII/O-SII buffer applies on a consolidated basis, is obligated to continue to monitor and apply the G-SII/O-SII buffer in accordance with the applicable provisions of the Act. This buffer may not be higher than that maintained by the parent O-SII/G-SII increased by one percentage point, and may be maximum 3%.