



HNB

GUVERNER

Pursuant to Article 101, paragraph (2), item (6), Article 126, paragraph (3), Article 129, paragraph (3), the third indent, Article 140, paragraph (10), Article 143a, paragraph (4) and Article 144, paragraph (2) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020 and 146/2020) and Article 43, paragraph (2), item (10) of the Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020), the Governor of the Croatian National Bank hereby issues the

Decision on capital buffers and capital conservation measures

1 GENERAL PROVISIONS

Subject matter and legal persons subject to the Decision

Article 1

(1) This Decision specifies the manner of calculation of the institution-specific countercyclical capital buffer rate and the manner of calculation of the structural systemic risk buffer, including the scope of relevant exposures, the manner of calculation of the maximum distributable amount (MDA) and the leverage ratio related maximum distributable amount (L-MDA) on an individual and/or consolidated basis and reporting to the Croatian National Bank.

(2) The form, the content and the manner of completing and delivering of the reports under this Decision have been prescribed by the Instructions for uniform implementation of the Decision on capital buffers and capital conservation measures which are attached to this Decision and constitute an integral part thereof.

(3) The provisions of this Decision shall apply to all credit institutions with head offices in the Republic of Croatia that have been authorised by the Croatian National Bank.

(4) The provisions of this Decision shall apply *mutatis mutandis* to branches of third-country credit institutions that have been authorised by the Croatian National Bank to establish a branch of a third-country credit institution.

(5) This Decision transposes into the Croatian legal system Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (Text with EEA relevance) (OJ L 176, 27.6.2013), as amended by Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures (Text with EEA relevance) (OJ L 150/2019).

Scope of application of the Decision

Article 2

(1) A credit institution shall apply the provisions of this Decision in accordance with the scope defined in the decision adopted under Article 119, paragraph (4), Article 124, paragraph (1), Article 125, paragraph (1), Article 129, paragraph (3), the first and the second indent, Article 134, paragraph (1), Article 135, paragraph (7) and Article 137, paragraph (12) of the Credit Institutions Act.

(2) When this Decision is applied on a consolidated basis, the provisions of Article 277 of the Credit Institutions Act shall apply.

3) An RC parent credit institution and an EU parent credit institution having its head office in the RC shall apply the provisions of Articles 8 through 11 of this Decision.

Definitions

Article 3

The terms and definitions used in this Decision shall be interpreted and construed in accordance with Article 3 of the Credit Institutions Act.

2 MANNER OF CALCULATION OF THE STRUCTURAL SYSTEMIC RISK BUFFER

Calculation of the structural systemic risk buffer

Article 4

Credit institutions shall calculate the structural systemic risk buffer as follows:

$$B_{SR} = r_T \cdot E_T + \sum_i r_i \cdot E_i$$

where:

B_{SR} = the structural systemic risk buffer;

r_T = the buffer rate applicable to the total risk exposure amount of an institution;

E_T = the total risk exposure amount of an institution calculated in accordance with Article 92, paragraph (3) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, hereinafter referred to as 'Regulation (EU) No 575/2013');

i = the index denoting the subset of exposures as referred to in Article 131, paragraph (1) of the Credit Institutions Act;

r_i = the buffer rate applicable to the risk exposure amount of the subset of exposures i ; and

E_i = the risk exposure amount of an institution for the subset of exposures i calculated in accordance with Article 92, paragraph (3) of Regulation (EU) No 575/2013.



3 MANNER OF CALCULATION OF THE INSTITUTION-SPECIFIC COUNTERCYCLICAL CAPITAL BUFFER RATE

Calculation of the institution-specific countercyclical capital buffer rate

Article 5

(1) The institution-specific countercyclical capital buffer rate shall be the weighted average of the countercyclical capital buffer rates set and published for the territory of the Republic of Croatia, other Member States and third countries in which a credit institution has relevant credit exposures or which are applied in accordance with Article 125 of the Credit Institutions Act.

(2) The weight for the calculation of the weighted average referred to in paragraph (1) of this Article shall be calculated by dividing own funds requirements for credit risk calculated by applying the capital ratio of 8% in accordance with Part Three, Title II and Title IV of Regulation (EU) No 575/2013 relating to the relevant credit exposures in an individual country by total own funds requirements for credit risk calculated by applying the capital ratio of 8% relating to all relevant credit exposures of a credit institution.

(3) Relevant credit exposures shall include all categories of exposure, other than those referred to in Article 112, items (a) to (f) of Regulation (EU) No 575/2013.

(4) The own funds requirements referred to in paragraph (2) relating to relevant credit exposures shall comprise the following:

1) own funds requirements for credit risk:

a) own funds requirements for credit risk under the Standardised Approach in accordance with Articles 111 to 141 of Regulation (EU) No 575/2013, including the effects of the application of credit risk mitigation techniques in accordance with Articles 192 to 241 of Regulation (EU) No 575/2013,

b) own funds requirements for credit risk under the Internal Ratings Based Approach (the IRB Approach) in accordance with Articles 142 to 191 of Regulation (EU) No 575/2013, including the effects of the application of credit risk mitigation techniques in accordance with Articles 192 to 241 of Regulation (EU) No 575/2013,

c) own funds requirements for counterparty risk arising from a trading book business of a credit institution, in accordance with Articles 271 to 311 of Regulation (EU) No 575/2013;

2) if the relevant exposure arises from a trading book business, the own funds requirements for specific risk in accordance with Articles 326 to 350 of Regulation (EU) No 575/2013 or own funds requirements for incremental default and migration risk (IRC) in accordance with Articles 362 to 376 of Regulation (EU) No 575/2013; and

3) if the relevant exposure is a securitisation, own funds requirements determined in accordance with Articles 242 to 270 of Regulation (EU) No 575/2013.

(5) The institution-specific countercyclical capital buffer rate shall be calculated by multiplying the weight referred to in paragraph (2) of this Article relating to a specific country by the relevant countercyclical capital buffer rate set and published for that particular country and by summing up the rates thus obtained.

(6) A credit institution shall identify the geographical location of a relevant credit exposure in accordance with a relevant regulatory technical standard.

4 MANNER OF CALCULATION OF THE MAXIMUM DISTRIBUTABLE AMOUNT

Manner of calculation of the maximum distributable amount Article 6

(1) The maximum distributable amount shall be calculated by multiplying the sum of profits referred to in paragraph (2) of this Article by the factor determined in accordance with paragraph (3) of this Article. The maximum distributable amount shall be reduced by any amount resulting from any of the actions referred to in Article 140, paragraph (3), items (1) to (3) of the Credit Institutions Act.

(2) The sum of profits shall be calculated as the sum of the amounts referred to in items (1) and (2) of this paragraph, reduced by the amount referred to in item (3) of this paragraph:

- 1) any interim profits not included in common equity tier 1 capital pursuant to Article 26, paragraph (2) of Regulation (EU) No 575/2013 net of any distribution of profits or any payment resulting from the actions referred to in Article 140, paragraph (3) of the Credit Institutions Act;
- 2) any year-end profits not included in common equity tier 1 capital pursuant to Article 26, paragraph (2) of Regulation (EU) No 575/2013 net of any distribution of profits or any payment resulting from the actions referred to in Article 140, paragraph (3) of the Credit Institutions Act;
- 3) amounts which would be payable by a credit institution related to tax for items referred to in items (1) and (2) of this paragraph.

(3) The factor shall be determined depending on the quartile attributable to the common equity tier 1 capital not used by a credit institution to meet any of the own funds requirements under Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013 and the additional own funds requirement addressing risks other than the risk of excessive leverage under Article 224, paragraph (1), item (20) of the Credit Institutions Act, with the common equity tier 1 capital being expressed as a percentage of the total risk exposure amount in accordance with Table 1 given in paragraph (4) of this Article.

(4) The common equity tier 1 capital not used by a credit institution to meet the own funds requirements under Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013 and the additional own funds requirement addressing risks other than the risk of excessive leverage under Article 224, paragraph (1), item (20) of the Credit Institutions Act (shown as "x" in Table 1), expressed as a percentage of the total risk exposure amount, shall be deemed to belong to a certain quartile if it is within the range of that quartile as determined in Table 1.

Table 1 Quartile range

Quartile	Quartile range	Factor
First quartile	$0 \leq x \leq (\text{CBR} \times 1/4)$	0
Second quartile	$(\text{CBR} \times 1/4) < x \leq (\text{CBR} \times 1/2)$	0.2
Third quartile	$(\text{CBR} \times 1/2) < x \leq (\text{CBR} \times 3/4)$	0.4
Fourth quartile	$(\text{CBR} \times 3/4) < x < \text{CBR}$	0.6

"CBR" refers to the amount of the combined buffer requirement which is expressed as a percentage of the total risk exposure amount. If, for the calculation of a capital buffer requirement, a base is prescribed that is different from the total risk exposure amount, a credit institution shall, when calculating the CBR, express the amount of the common equity tier 1 capital used to meet that capital buffer requirement as a percentage of the total risk exposure amount.

(5) For the purposes of Article 140, paragraph (2) of the Credit Institutions Act, a credit institution shall base the maximum distributable amount on the data for own funds and own funds requirements for the date for which it determined that it does not meet the combined buffer requirement.

(6) For the purposes of Article 142 of the Credit Institutions Act, a credit institution shall base the maximum distributable amount on the data as they stood on the reporting date for which it compiled the last reports on own funds and own funds requirements submitted to the Croatian National Bank or as they stood on the date referred to in paragraph (5) of this Article, depending on which is more recent.

5 MANNER OF CALCULATION OF THE LEVERAGE RATIO RELATED MAXIMUM DISTRIBUTABLE AMOUNT

Manner of calculation of the leverage ratio related maximum distributable amount

Article 7

(1) The leverage ratio related maximum distributable amount shall be calculated by multiplying the sum of profits referred to in paragraph (6), paragraph (2) of this Decision by the factor determined in accordance with paragraph (2) of this Article. The leverage ratio related maximum distributable amount shall be reduced by any amount resulting from any of the actions referred to in Article 140, paragraph (8), items (1) to (3) of the Credit Institutions Act.

(2) The factor shall be determined depending on the quartile attributable to the common equity tier 1 capital not used by a credit institution to meet the requirements under Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013 and the additional own funds requirement under Article 224, paragraph (1), item (20) of the Credit Institutions Act addressing the risk of excessive leverage not sufficiently covered by Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013, with the common equity tier 1 capital being expressed as a percentage of the total exposure measure calculated in accordance with Article 429, paragraph (4) of Regulation (EU) No 575/2013 in accordance with Table 2 given in paragraph (3) of this Article.

(3) The common equity tier 1 capital not used by a credit institution to meet the requirements under Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013 and the additional own funds requirement under Article 224, paragraph (1), item (20) of the Credit Institutions Act addressing the risk of excessive leverage not sufficiently covered by Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013 (shown as "y" in Table 2), expressed as a percentage of the total exposure measure calculated in accordance with Article 429, paragraph (4) of Regulation (EU) No 575/2013, shall be deemed to belong to a certain quartile if it is within the range of that quartile as determined in Table 2.

Table 2 Quartile range

Quartile	Quartile range	Factor
First quartile	$0 \leq y \leq (\text{LRBR} \times 1/4)$	0
Second quartile	$(\text{LRBR} \times 1/4) < y \leq (\text{LRBR} \times 1/2)$	0.2
Third quartile	$(\text{LRBR} \times 1/2) < y \leq (\text{LRBR} \times 3/4)$	0.4
Fourth quartile	$(\text{LRBR} \times 3/4) < y < \text{LRBR}$	0.6



"LRBR" refers to the amount of the leverage ratio buffer requirement which is expressed as a percentage of the total exposure measure calculated in accordance with Article 429, paragraph (4) of Regulation (EU) No 575/2013.

(4) For the purposes of Article 140, paragraph (7) of the Credit Institutions Act, a credit institution shall base the leverage ratio related maximum distributable amount on the data for own funds and own funds requirements for the date for which it determined that it does not meet the leverage ratio buffer requirement.

(5) For the purposes of Article 142 of the Credit Institutions Act, a credit institution shall base the leverage ratio related maximum distributable amount on the data as they stood on the reporting date for which it compiled the last reports on own funds and own funds requirements submitted to the Croatian National Bank or as they stood on the date referred to in paragraph (4) of this Article, depending on which is more recent.

6 MANNER OF APPLICATION OF CAPITAL CONSERVATION MEASURES IN CASE THE COMBINED BUFFER REQUIREMENT OR THE LEVERAGE RATIO BUFFER REQUIREMENT IS NOT MET ON A CONSOLIDATED BASIS

Manner of application of Article 140 of the Credit Institutions Act in conjunction with Article 143a, paragraph (1), item (1)

Article 8

(1) An RC parent credit institution and an EU parent credit institution having its head office in the RC which meet the combined buffer requirement or the leverage ratio buffer requirement on a consolidated basis for their group of credit institutions in the RC shall not make a distribution in connection with common equity tier 1 capital on an individual basis to an extent that would decrease their common equity tier 1 capital to a level where the combined buffer requirement or the leverage ratio buffer requirement is no longer met on a consolidated basis.

(2) An RC parent credit institution and an EU parent credit institution having its head office in the RC that fail to meet the combined buffer requirement or the leverage ratio buffer requirement applicable to them on a consolidated basis shall not undertake any of the following actions on an individual basis before calculating the maximum distributable amount or the leverage ratio related maximum distributable amount in accordance with Article 9 of this Decision:

- 1) make a distribution in connection with common equity tier 1 capital;
- 2) create an obligation to pay variable remuneration or discretionary pension benefits or pay variable remuneration if the obligation to pay was created at a time when the institutions failed to meet the combined buffer requirement on a consolidated basis; and
- 3) make payments on additional tier 1 instruments.

(3) An RC parent credit institution and an EU parent credit institution having its head office in the RC that fail to meet the combined buffer requirement or the leverage ratio buffer requirement applicable to them on a consolidated basis shall not, when undertaking actions referred to in paragraph (2) of this Article on an individual basis, exceed the amount higher than the maximum distributable amount or the leverage ratio related maximum distributable amount calculated in accordance with Article 9 of this Decision.



Manner of calculation of the maximum distributable amount and the leverage ratio related maximum distributable amount if the combined buffer requirement or the leverage ratio buffer requirement is met on an individual, but not on a consolidated basis

Article 9

(1) If an RC parent credit institution and an EU parent credit institution having its head office in the RC meet the combined buffer requirement on an individual basis, but do not meet the combined buffer requirement applicable to a group of credit institutions in the RC on a consolidated basis, the maximum distributable amount shall be calculated by multiplying:

- 1) the sum of profits referred to in Article 6, paragraph (2) of this Decision, with the data on profits referring to the relevant parent credit institution on an individual basis; and
- 2) the factor determined in accordance with paragraph (3) of this Article.

(2) The maximum distributable amount shall be reduced by any amount by which the relevant parent credit institution, contrary to the prohibition referred to in Article 8, paragraph (2) of this Decision, undertook any of the actions referred to in Article 140, paragraph (3), items (1) to (3) of the Credit Institutions Act.

(3) The factor shall be determined depending on the quartile attributable to the consolidated common equity tier 1 capital not used by an RC parent credit institution or an EU parent credit institution having its head office in the RC on a consolidated basis to meet the own funds requirements under Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013 and the additional own funds requirement addressing risks other than the risk of excessive leverage under Article 224, paragraph (1), item (20) of the Credit Institutions Act, with the consolidated common equity tier 1 capital being expressed as a percentage of the total risk exposure amount on a consolidated basis in accordance with Table 1 given in Article 6, paragraph (4) of this Decision.

(4) The consolidated common equity tier 1 capital not used by an RC parent credit institution and an EU parent credit institution having its head office in the RC on a consolidated basis to meet the own funds requirements under Article 92, paragraph (1), items (a), (b) and (c) of Regulation (EU) No 575/2013 and the additional own funds requirement addressing risks other than the risk of excessive leverage under Article 224, paragraph (1), item (20) of the Credit Institutions Act (shown as "x" in Table 1 given in Article 6, paragraph (4) of this Decision), expressed as a percentage of the total risk exposure amount on a consolidated basis, shall be deemed to belong to a certain quartile if it is within the range of that quartile as determined in Table 1 given in Article 6, paragraph (4) of this Decision. "CBR" refers to the amount of the combined buffer requirement on a consolidated basis which is expressed as a percentage of the total risk exposure amount on a consolidated basis. If, for the calculation of a capital buffer requirement, a base is prescribed that is different from the total risk exposure amount, an RC parent credit institution and an EU parent credit institution having its head office in the RC shall, when calculating the CBR, express the amount of the common equity tier 1 capital used to meet that capital buffer requirement on a consolidated basis as a percentage of the total risk exposure amount on a consolidated basis.

(5) If an RC parent credit institution and an EU parent credit institution having its head office in the RC meet the leverage ratio buffer requirement on an individual basis, but do not meet the leverage ratio buffer requirement applicable to a group of credit institutions in the RC on a consolidated basis, the leverage ratio related maximum distributable amount shall be calculated by multiplying:

- 1) the sum of profits referred to in Article 6, paragraph (2) of this Decision, with the data on profits referring to the relevant parent credit institution on an individual basis; and
- 2) the factor determined in accordance with paragraph (7) of this Article.



(6) The leverage ratio related maximum distributable amount shall be reduced by any amount by which the relevant parent credit institution, contrary to the prohibition referred to in Article 8, paragraph (2) of this Decision, undertook any of the actions referred to in Article 140, paragraph (8), items (1) to (3) of the Credit Institutions Act.

(7) The factor shall be determined depending on the quartile attributable to the consolidated common equity tier 1 capital not used by an RC parent credit institution or an EU parent credit institution having its head office in the RC on a consolidated basis to meet the requirements under Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013 and the additional own funds requirement under Article 224, paragraph (1), item (20) of the Credit Institutions Act addressing the risk of excessive leverage not sufficiently covered by Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013, with the consolidated common equity tier 1 capital being expressed as a percentage of the total exposure measure calculated in accordance with Article 429, paragraph (4) of Regulation (EU) No 575/2013 on a consolidated basis in accordance with Table 2 given in Article 7, paragraph (3) of this Decision.

(8) The consolidated common equity tier 1 capital not used by an RC parent credit institution and an EU parent credit institution having its head office in the RC on a consolidated basis to meet the own funds requirements under Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013 and the additional own funds requirement under Article 224, paragraph (1), item (20) of the Credit Institutions Act addressing the risk of excessive leverage not sufficiently covered by Article 92, paragraph (1), item (d) of Regulation (EU) No 575/2013 (shown as "y" in Table 2 given in Article 7, paragraph (3) of this Decision), expressed as a percentage of the total exposure measure calculated in accordance with Article 429, paragraph (4) of Regulation (EU) No 575/2013 on a consolidated basis, shall be deemed to belong to a certain quartile if it is within the range of that quartile as determined in Table 2 given in Article 7, paragraph (3) of this Decision. "LRBR" refers to the amount of the leverage ratio buffer requirement on a consolidated basis which is expressed as a percentage of the total exposure measure calculated in accordance with Article 429, paragraph (4) of Regulation (EU) No 575/2013 on a consolidated basis.

(9) For the purposes of this Article, an RC parent credit institution and an EU parent credit institution having its head office in the RC shall base the maximum distributable amount or the leverage ratio related maximum distributable amount on the data on consolidated own funds and consolidated own funds requirements for the date for which they determined that they do not meet the combined buffer requirement or the leverage ratio buffer requirement on a consolidated basis.

**Manner of application of Article 142 of the Credit Institutions Act in conjunction with Article 143a,
paragraph (1), item (1)
Article 10**

(1) An RC parent credit institution and an EU parent credit institution having its head office in the RC that fail to meet the combined buffer requirement or the leverage ratio buffer requirement on a consolidated basis and intend to, on an individual basis, distribute any of their distributable profits or undertake an action referred to in Article 140, paragraph (3) of the Credit Institutions Act, shall notify the Croatian National Bank in advance and provide the following information:

- 1) the amount of capital maintained by the group of credit institutions in the RC, subdivided as follows:
 - a) common equity tier 1 capital,
 - b) additional tier 1 capital,



- c) tier 2 capital;
- 2) the amount of interim and year-end profits generated by the RC credit institution or the EU parent credit institution having its head office in the RC for the current year;
- 3) the maximum distributable amount or the leverage ratio related maximum distributable amount, as applicable, calculated in accordance with Article 9 of this Decision;
- 4) the amount of distributable profits they intend to allocate between the following:
 - a) dividend payments,
 - b) share buybacks,
 - c) payments on additional tier 1 instruments,
 - d) the payment of variable remuneration or discretionary pension benefits, whether by creation of a new obligation to pay, or payment pursuant to an obligation to pay created at a time when the institutions failed to meet the combined buffer requirement on a consolidated basis.

(2) For the purposes of this Article, an RC parent credit institution and an EU parent credit institution having its head office in the RC shall base the maximum distributable amount and the leverage ratio related maximum distributable amount on the data as they stood on the reporting date for which they compiled the last reports on consolidated own funds and consolidated own funds requirements submitted to the Croatian National Bank or as they stood on the date referred to in Article 9, paragraph (9) of this Decision, depending on which is more recent.

(3) An RC parent credit institution and an EU parent credit institution having its head office in the RC shall establish and maintain arrangements to ensure that the amount of distributable profits, and the maximum distributable amount and the leverage ratio related maximum distributable amount referred to in Article 9 of this Decision are calculated accurately, and shall be able to demonstrate that accuracy to the Croatian National Bank on request.

Manner of application of Article 143 of the Credit Institutions Act in conjunction with Article 143a, paragraph (1), item (1)

Article 11

1) An RC parent credit institution and an EU parent credit institution having its head office in the RC that fail to meet the combined buffer requirement or the leverage ratio buffer requirement on a consolidated basis shall prepare a capital conservation plan for the group of credit institutions in the RC and submit it to the Croatian National Bank no later than five working days after they identified that they were failing to meet that requirement.

(2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank may, on request of an RC parent credit institution and an EU parent credit institution having its head office in the RC, allow the capital conservation plan to be submitted within a period of up to 10 days, taking into account the scale and complexity of the activities performed by the group of credit institutions in the RC.

- (3) The capital conservation plan referred to in paragraph (1) of this Article shall contain the following:
- 1) estimates of income and expenditure and a forecast balance sheet on a consolidated basis for the group of credit institutions in the RC;
 - 2) measures to increase the capital ratios on a consolidated basis for the group of credit institutions in the RC;
 - 3) a plan and time frame for the increase of own funds with the objective of meeting fully the



combined buffer requirement on a consolidated basis.

(4) An RC parent credit institution and an EU parent credit institution having its head office in the RC obligated to make a capital conservation plan referred to in paragraph (1) of this Article that, at a minimum, entails capital conservation plans of individual members of a group of credit institutions in the RC that do not meet the combined buffer requirement or the leverage ratio buffer requirement on an individual basis, shall, when making a capital conservation plan for an individual member of a group of credit institutions in the RC, apply the provisions of Article 143, paragraph (3) of the Credit Institutions Act on an individual basis.

(5) The Croatian National Bank may request of an RC parent credit institution and an EU parent credit institution having its head office in the RC any other information that it considers to be necessary to carry out the assessment required by paragraph (6) of this Article.

(6) The Croatian National Bank shall assess the capital conservation plan, and shall approve the plan only if it considers that the plan, if implemented, would be reasonably likely to conserve or raise sufficient capital to enable the RC parent credit institution and the EU parent credit institution having its head office in the RC to meet the combined buffer requirement or the leverage ratio buffer requirement for their group of credit institutions in the RC on a consolidated basis within a period which the Croatian National Bank considers appropriate.

(7) If the Croatian National Bank does not approve the capital conservation plan in accordance with paragraph (6) of this Article, it shall impose one or both of the following:

- 1) require the RC parent credit institution and the EU parent credit institution having its head office in the RC to increase own funds to specified levels within specified periods;
- 2) exercise its powers under Article 220 of the Credit Institutions Act to impose more stringent restrictions on distributions than those required by Articles 140 to 142 of that Act, taking into consideration the provisions of Article 143a of the Credit Institutions Act.

7 REPORTING TO THE CROATIAN NATIONAL BANK

Report and reporting periods

Article 12

(1) A credit institution shall compile a report Coverage of own funds requirements and capital buffers (form ZSK).

2) A credit institution shall compile the report referred to in paragraph (1) of this Article on a quarterly basis as at 31 March, 30 June, 30 September and 31 December. These reports shall be titled unconsolidated unaudited preliminary reports ("NP").

(3) A credit institution shall compile the report referred to in paragraph (1) of this Article based on audited data as at 31 December. This report shall be titled unconsolidated audited report ("NR").

(4) An RC parent credit institution and an EU parent credit institution having its head office in the RC shall compile the report referred to in paragraph (1) of this Article as at 31 March, 30 June, 30 September and 31 December on the level of a group of credit institutions in the RC, where prescribed by the Credit



Institutions Act that the requirement for a certain buffer be applied on a consolidated basis. These reports shall be titled consolidated unaudited preliminary reports ("KP").

(5) By way of derogation from paragraph (4) of this Article, consolidated unaudited preliminary reports ("KP") shall also include the reports that the parent credit institution is obligated to compile on the level of a group of credit institutions in the RC, where prescribed by the Credit Institutions Act that the requirement for a certain buffer be applied on a sub-consolidated basis.

(6) An RC parent credit institution and an EU parent credit institution having its head office in the RC shall compile the report referred to in paragraph (1) of this Article as at 31 December on the level of a group of credit institutions in the RC based on audited data, where prescribed by the Credit Institutions Act that the requirement for a certain buffer be applied on a consolidated basis. This report shall be titled consolidated audited report ("KR").

(7) By way of derogation from paragraph (6) of this Article, consolidated audited reports ("KR") shall also include the reports that the parent credit institution is obligated to compile on the level of a group of credit institutions in the RC, where prescribed by the Credit Institutions Act that the requirement for a certain buffer be applied on a sub-consolidated basis.

Time limits for delivery of reports

Article 13

(1) A credit institution shall deliver unconsolidated and consolidated unaudited preliminary reports to the Croatian National Bank within the following time limits:

- 1) the report as at 31 March no later than 12 May;
- 2) the report as at 30 June no later than 11 August;
- 3) the report as at 30 September no later than 11 November; and
- 4) the report as at 31 December of the previous year no later than 11 February of the following year.

Where the listed dates are non-working days, the time limit for delivery of reports shall be the following working day.

(2) A credit institution and an O-SII shall submit to the Croatian National Bank unconsolidated and consolidated audited reports as at 31 December within the time limits referred to in Article 163, paragraph (1) of the Credit Institutions Act.

(3) A credit institution shall be deemed to have delivered the report within the prescribed time limit if the report has undergone formal and logical control set forth in the instructions for preparing and delivering supervisory reports of credit institutions, including forms compliance controls.

Manner of delivery of reports

Article 14

(1) A credit institution shall deliver to the Croatian National Bank the form prescribed under this Decision in a paper format and through a telecommunications channel (or on a magnetic medium), fully complying with the format of the form prescribed by the Instructions for uniform implementation of the Decision on capital buffers and capital conservation measures.

(2) A credit institution delivering a report through a telecommunications channel (or on a magnetic medium) shall compile its report in the manner prescribed by the instructions for preparing and delivering supervisory reports of credit institutions.

(3) Should the Croatian National Bank detect any errors in the form, a credit institution shall compile and deliver a new, corrected report within the time limit specified by the Croatian National Bank.

(4) The cover page of the report referred to in Article 12, paragraph (1) of this Decision, including any subsequent changes thereto, shall be signed and dated at a designated place by an authorised managing official of a credit institution responsible for reporting and by at least one member of the management board of a credit institution.

8 TRANSITIONAL AND FINAL PROVISIONS

Delivery of the first report Article 15

A credit institution shall deliver the first report referred to in Article 12, paragraph (1) of this Decision as at 31 December 2020 no later than 11 February 2021.

Entry into force Article 16

(1) On the date of the entry into force of this Decision, the Decision on capital buffers and capital conservation measures (Official Gazette 8/2014, 61/2014 and 24/2018) shall cease to have effect.

(2) This Decision shall enter into force on the eighth day after the day of its publication in the Official Gazette, with the exception of the provisions of Article 7 of this Decision and parts of the provisions of Articles 8, 9, 10 and 11 of this Decision related to the leverage ratio related maximum distributable amount, which shall enter into force on 1 January 2023.

No.: 3-020/01-21/BV
Zagreb, 5 January 2021

Croatian National Bank
Governor
Boris Vujčić



Instructions for uniform implementation of the Decision on capital buffers and capital conservation measures

These Instructions prescribe the content, form and manner of compiling reports in connection with capital buffers which a credit institution is obligated to deliver pursuant to the Decision on capital buffers and capital conservation measures.

1 GENERAL PROVISIONS

1.1 The report Coverage of own funds requirements and capital buffers shall be compiled in the form of a ZSK form annexed to these Instructions and constituting an integral part thereof. In the heading of the report the following data shall be given:

Name of credit institution – in unconsolidated reports, indicate the name of the credit institution and in consolidated reports, indicate the name of the parent credit institution, adding the word "Group".

Personal identification number of a credit institution (OIB) – indicate the personal identification number assigned to the credit institution by the Ministry of Finance, pursuant to the Act on the Personal Identification Number.

Type of Report – indicate one of the following types as relevant:

"NP" for unconsolidated unaudited preliminary report

"NR" for unconsolidated audited report

"KP" for consolidated unaudited preliminary report

"KR" for consolidated audited report.

Date – indicate the last day of the reporting period using the following format: DDMMYYYY.

1.2 When reports are delivered through a telecommunications channel (or on a magnetic medium), all the amounts in monetary units shall be reported in their full amount (in kuna and in lipa).

1.3 All monetary amounts in paper format reports compiled pursuant to these Instructions shall be reported in thousand kuna. The balance amounting to HRK 500 or more shall be rounded off to one thousand kuna, while any balance below HRK 500 shall be disregarded. Where an individual report item amounts to below HRK 500, it shall be shown in the report as a zero. As regards rounding off to thousand kuna of the amounts entered into paper format reports, a credit institution shall take particular care to conduct this rounding off with precision. This implies the obligation of the credit institution to first compile the report under these Instructions in full amounts (in kuna and in lipa) and then round off the final amounts that are entered under individual report items.

1.4 All the amounts shown in a form under this Decision shall be in line with other reports delivered to the Croatian National Bank.

1.5 No entries shall be made in the shaded fields.

1.6 A credit institution shall deliver the report in a paper format to the following address:

Hrvatska narodna banka
Sektor bonitetne regulative i metodologije

p. p. 603
10002 Zagreb

2 INSTRUCTIONS FOR COMPLETING THE FORM COVERAGE OF OWN FUNDS REQUIREMENTS AND CAPITAL BUFFERS (form ZSK)

2.1 Reported in the form ZSK shall be the amounts of requirements which a credit institution is obligated to cover by own funds and the manner in which a credit institution has covered these requirements by individual parts of own funds.

2.2 The reporting of relevant requirements shall be made in accordance with the following rules:

- a credit institution shall report the requirements that it is obligated to meet on an individual basis in unconsolidated reports;
- a credit institution shall report the requirements that it is obligated to meet on a consolidated basis for its group of credit institutions in the RC in consolidated reports, with reports "KP" and "KR" being delivered by the credit institution which is obligated to apply these requirements on a consolidated basis; and
- a credit institution shall report the requirements that it is obligated to meet on a sub-consolidated basis for its group of credit institutions in the RC in consolidated reports, with reports "KP" and "KR" being delivered by the credit institution which is obligated to apply these requirements on a sub-consolidated basis.

2.3 A credit institution which is not obligated to meet individual requirements under the Credit Institutions Act shall complete the respective fields with zeros.

2.4 A credit institution shall report in the form and adequately cover by common equity tier 1 capital, an O-SII buffer and a G-SII buffer, depending on the correlation between these buffers, as determined in Article 139 of the Credit Institutions Act, a capital conservation buffer, a countercyclical capital buffer and a structural systemic risk buffer.

2.5 Presented below are the instructions for reporting positions in individual columns of the form:

010 Rate

Report the level of the individual requirement expressed as a percentage of the total risk exposure amount.

020 Amount of requirement

Report the level of the individual requirement in an absolute amount.

030 Coverage by common equity tier 1 capital

Report the amount by which an individual requirement is covered by common equity tier 1 capital (rows 010 to 110) and the amount that has not been used to cover the requirements (row 120).

040 Coverage by additional tier 1 capital

Report the amount by which an individual requirement is covered by additional tier 1 capital (rows 010 to 110) and the amount that has not been used to cover the requirements (row 120).

050 Coverage by tier 1 capital

Report the sum of the amounts in column 030 and column 040.

060 Coverage by tier 2 capital

Report the amount by which an individual requirement is covered by tier 2 capital (rows 010 to 110) and the amount that has not been used to cover the requirements (row 120).

070 Coverage by own funds

Report the sum of the amounts in column 050 and column 060.

2.6 Presented below are the instructions for reporting positions in individual rows of the form:

010 Own funds requirements for common equity tier 1 capital ratio

Report the amount of common equity tier 1 capital (as a percentage of the total risk exposure amount in column 010 and in an absolute amount in column 020) which a credit institution is obligated to maintain in accordance with Article 92, paragraph (1), item (a) of Regulation (EU) No 575/2013, and the manner in which a credit institution has covered this requirement by common equity tier 1 capital (columns 030 to 070).

020 Own funds requirements for tier 1 capital ratio

Report the amount of tier 1 capital (as a percentage of the total risk exposure amount in column 010 and in an absolute amount in column 020) which a credit institution is obligated to maintain in accordance with Article 92, paragraph (1), item (b) of Regulation (EU) No 575/2013, and the manner in which a credit institution has covered this requirement by individual parts of tier 1 capital (columns 030 to 070).

030 Own funds requirements for total capital ratio

Report the amount of own funds (as a percentage of the total risk exposure amount in column 010 and in an absolute amount in column 020) which a credit institution is obligated to maintain in accordance with Article 92, paragraph (1), item (c) of Regulation (EU) No 575/2013, and the manner in which a credit institution has covered this requirement by individual parts of own funds (columns 030 to 070).

040 Own funds requirements for common equity tier 1 capital ratio

Report the amount of common equity tier 1 capital (as a percentage of the total risk exposure amount in column 010 and in an absolute amount in column 020) which a credit institution is obligated to maintain to address risks other than the risk of excessive leverage under Article 224, paragraph (1), item (20) of the Credit Institutions Act in the form of common equity tier 1 capital, and the manner in which a credit institution has covered this requirement by common equity tier 1 capital (columns 030 to 070).

The ratio reported in column 010 shall not contain the prescribed capital ratio referred to in Article 92, paragraph (1), item (a) of Regulation (EU) No 575/2013, but shall instead be reported as a ratio applied in addition to the capital ratio referred to in Article 92, paragraph (1), item (a) of Regulation (EU) No 575/2013.

050 Own funds requirements for tier 1 capital ratio

Report the amount of tier 1 capital (as a percentage of the total risk exposure amount in column 010 and in an absolute amount in column 020) which a credit institution is obligated to maintain to address risks other than the risk of excessive leverage under Article 224, paragraph (1), item (20) of the Credit Institutions Act in the form of tier 1 capital, and the manner in which a credit institution has covered this requirement by individual parts of tier 1 capital (columns 030 to 070).

The ratio reported in column 010 shall not contain the prescribed capital ratio referred to in Article 92, paragraph (1), item (b) of Regulation (EU) No 575/2013, but shall instead be reported as a ratio applied



in addition to the capital ratio referred to in Article 92, paragraph (1), item (b) of Regulation (EU) No 575/2013.

The data reported in this row shall also contain the amounts reported in row 040, i.e. the amounts reported in this row shall not be lower than the amounts reported in row 040.

060 Own funds requirements for total capital ratio

Report the amount of own funds (as a percentage of the total risk exposure amount in column 010 and in an absolute amount in column 020) which a credit institution is obligated to maintain to address risks other than the risk of excessive leverage under Article 224, paragraph (1), item (20) of the Credit Institutions Act in the form of own funds, and the manner in which a credit institution has covered this requirement by individual parts of own funds (columns 030 to 070).

The ratio reported in column 010 shall not contain the prescribed capital ratio referred to in Article 92, paragraph (1), item (c) of Regulation (EU) No 575/2013, but shall instead be reported as a ratio applied in addition to the capital ratio referred to in Article 92, paragraph (1), item (c) of Regulation (EU) No 575/2013.

The data reported in this row shall also contain the amounts reported in row 050, i.e. the amounts reported in this row shall not be lower than the amounts reported in row 050.

070 Capital conservation buffer

Report the amount of common equity tier 1 capital (as a percentage of the total risk exposure amount in column 010 and in an absolute amount in column 020) which a credit institution is obligated to maintain in accordance with Article 117 of the Credit Institutions Act, and the manner in which a credit institution has covered this requirement by common equity tier 1 capital (columns 030 to 070).

The credit institution shall not use common equity tier 1 capital maintained to meet the requirements referred to in rows 010 to 060 and rows 080 to 110 of this form to cover this requirement.

080 Countercyclical capital buffer

Report the amount of common equity tier 1 capital (as a percentage of the total risk exposure amount in column 010 – institution-specific countercyclical capital buffer rate and in an absolute amount in column 020) which a credit institution is obligated to maintain in accordance with Article 118 of the Credit Institutions Act, and the manner in which a credit institution has covered this requirement by common equity tier 1 capital (columns 030 to 070).

The credit institution shall not use common equity tier 1 capital maintained to meet the requirements referred to in rows 010 to 070 and rows 090 to 110 of this form to cover this requirement.

090 Structural systemic risk buffer

Report the amount of common equity tier 1 capital (as a percentage of the total risk exposure amount in column 010 and in an absolute amount in column 020) which a credit institution is obligated to maintain in accordance with Article 130 of the Credit Institutions Act, and the manner in which a credit institution has covered this requirement by common equity tier 1 capital (columns 030 to 070).

The credit institution shall not use common equity tier 1 capital maintained to meet the requirements referred to in rows 010 to 080 and rows 100 to 110 of this form to cover this requirement.

100 O-SII buffer



Report the amount of common equity tier 1 capital (as a percentage of the total risk exposure amount in column 010 and in an absolute amount in column 020) which a credit institution is obligated to maintain in accordance with Article 137 of the Credit Institutions Act, and the manner in which a credit institution has covered this requirement by common equity tier 1 capital (columns 030 to 070).

The credit institution shall not use common equity tier 1 capital maintained to meet the requirements referred to in rows 010 to 090 of this form to cover this requirement.

110 G-SII buffer

Report the amount of common equity tier 1 capital (as a percentage of the total risk exposure amount in column 010 and in an absolute amount in column 020) which a credit institution is obligated to maintain in accordance with Article 135 of the Credit Institutions Act, and the manner in which a credit institution has covered this requirement by common equity tier 1 capital (columns 030 to 070).

The credit institution shall not use common equity tier 1 capital maintained to meet the requirements referred to in rows 010 to 090 of this form to cover this requirement. This row shall be completed in consolidated reports only.

120 Unused own funds

Report the difference between:

– the amount of own funds, or an individual part of own funds maintained by a credit institution (row 130);
and

– the amount of those own funds which a credit institution has used for the coverage of individual requirements which is determined by summing up the amounts reported in row 030 and in rows 060 to 110, increased by the amount of own funds which the Croatian National Bank deems appropriate for that credit institution in accordance with the guidance on additional own funds referred to in Article 228, paragraph (2) of the Credit Institutions Act.

130 Total amount of own funds

Report the total amount of own funds, or an individual part of own funds, which shall be equal to the amount reported in own funds reports.



HNB



Coverage of own funds requirements and capital buffers

(name of credit institution)

(date of delivery and type of report)

Signature of authorised managing official

Date

Signature of a member of the management board

Date

Signature of a member of the management board

Date

(in case of subsequent changes)

Completed and signed report Coverage of own funds requirements and capital buffers is to be delivered to the following address:

Hrvatska narodna banka, Sektor bonitetne regulative i metodologije, p.p. 603, 10002 Zagreb.

Address of the credit institution delivering the report:

Form ZSK – Coverage of own funds requirements and capital buffers									
					Name of credit institution: OIB of credit institution: Type of report: Date:				
No.	Name	Rate	Amount of requirement	Coverage by common equity tier 1 capital	Coverage by additional tier 1 capital	Coverage by tier 1 capital	Coverage by tier 2 capital	Coverage by own funds	
		010	020	030	040	050	060	070	
1	Own funds requirements prescribed by Article 92 of Regulation								
010	1.1 Own funds requirements for common equity tier 1 capital ratio								
020	1.2 Own funds requirements for tier 1 capital ratio								
030	1.3 Own funds requirements for total capital ratio								
2	Own funds requirements referred to in Articles 220, 224 and 228 of the Act								
040	2.1 Own funds requirements for common equity tier 1 capital ratio								
050	2.2 Own funds requirements for tier 1 capital ratio								
060	2.3 Own funds requirements for total capital ratio								
070	3 Capital conservation buffer								
080	4 Countercyclical capital buffer								
090	5 Structural systemic risk buffer								
100	6 O-SII buffer								
110	7 G-SII buffer								
120	8 Unused own funds								
130	9 Total amount of own funds								