

Pursuant to Article 11, paragraph (1) and Article 216f, paragraph (3) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015 and 102/2015) and Article 43, paragraph (2), item (9) of the Act on the Croatian National Bank (Official Gazette 75/2008 and 54/2013), the Governor of the Croatian National Bank hereby issues the

DECISION
specifying the conditions for group financial support

I GENERAL PROVISIONS

Subject matter
Article 1

This Decision specifies in detail:

1. the conditions referred to in Article 216f, paragraph (1), items (2), (4), (6), (7) and (8) of the Credit Institutions Act that must be met when providing financial support by a group of credit institutions in the Republic of Croatia or group of credit institutions in the European Union, and
2. the conditions under which the Croatian National Bank may accept or partially accept the application of a credit institution for authorisation to provide support if the conditions referred to in Article 216f, paragraph (1), items (7) and (8) of the Credit Institutions Act are not met.

Compliance with the Guidelines of the European Banking Authority

Article 2

This Decision transposes into the legal system of the Republic of Croatia the Guidelines of the European Banking Authority (EBA/GL/2015/17) of 9 July 2015: Guidelines specifying the conditions for group financial support under Article 23 of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms.

Legal persons subject to the Decision
Article 3

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

Definitions
Article 4

The individual terms used in this Decision shall have the following meaning:

1. '*provider of the support*' means the group member providing financial support;
2. '*beneficiary of the support*' means the group member receiving financial support;
3. '*group of credit institutions*' shall have the meaning as defined in Article 17 of the Credit Institutions Act;

4. '*combined buffer requirement*' shall have the meaning as defined in Article 3, paragraph (1), item (86) of the Credit Institutions Act;
5. '*subsidiary*' shall have the meaning as defined in Article 4, paragraph (1), item (16) of Regulation (EU) No 575/2013;
6. '*principal*' means the principal of a loan if the financial support is provided in the form of a loan; if financial support is provided in the form of a guarantee or security, or in any other form, the principal means the liability arising for the beneficiary of the support if the guarantee or the security, or other form of financial support is enforced;
7. '*best interest*' means interest in accordance with Article 216a, paragraph (11), item (2) of the Credit Institutions Act.

II PROVIDING FINANCIAL SUPPORT

Authorisation by the Croatian National Bank Article 5

- (1) According to the provisions of Article 216h, paragraph (1) of the Credit Institutions Act, a credit institution may provide support in accordance with a concluded support agreement if it obtained the authorisation to provide financial support from the Croatian National Bank.
- (2) The credit institution intending to provide support shall submit to the Croatian National Bank an application for authorisation to provide support (hereinafter referred to as 'the application for authorisation').
- (3) The credit institution intending to provide support shall, in accordance with the provisions of Article 216h, paragraph (3), item (a) of the Credit Institutions Act, specify in its application the details of the proposed support and explanations thereof, which includes the assessments carried out in accordance with Articles 7, 8, 11, and 12 of this Decision, documents confirming the results of these assessments and the statement referred to in Article 13 of this Decision.

Conditions for providing support Article 6

- (1) In accordance with the provisions of Article 216h, paragraph (5) of the Credit Institutions Act, the Croatian National Bank shall grant the authorisation to provide support to a credit institution where it deems that all of the following conditions have been met:
 1. the support provided will significantly redress the financial difficulties of the beneficiary of the support;
 2. the objective of the support is to preserve or restore the financial stability of the group of credit institutions as a whole or any of the signatories to the agreement and is in the interest of the provider of the support;
 3. the support is provided on terms, including interest rates and other charges, referred to in Article 216a, paragraph (11) of the Credit Institutions Act;
 4. on the basis of the information available to the management board of the provider of the support at the time when the decision to grant support is taken, it is reasonable to expect that the beneficiary of the support will pay the interest rate and charges for the support, or if the support is given in the form of a loan or credit, that the loan or credit will be reimbursed; if the support is

given in the form of a grantee or security or in any other form, the same condition shall apply to the liability arising for the beneficiary of the support if the payment has been executed pursuant to a guarantee, security or enforcement of another form of support;

5. the provision of the support will not jeopardise the liquidity or solvency of the provider of the support;

6. the provision of the support will not create a threat to the financial stability of the Republic of Croatia or financial stability of another Member State where the head office is located of another signatory to the agreement;

7. the provider of the support, at the time when the support is provided, complies with the requirements of Regulation (EU) No 575/2013 and Title VII of this Act relating to capital and liquidity and any of the requirements imposed pursuant to Articles 220, 224, 225, 228 and 285 of the Credit Institutions Act and the provision of the support shall not cause infringement of those requirements;

8. the provider of the support at the time when the support is provided complies with the requirements of Regulation (EU) No 575/2013 and this Act relating to large exposures and the provision of the support shall not cause infringement of those requirements; and

9. the provision of the support will not undermine the resolvability of the provider of the support;

(2) By way of derogation from paragraph (1) of this Article, in accordance with the provisions of Article 216h, paragraph (7) of the Credit institutions Act, if the conditions referred to in paragraph (1), item (7) or (8) of this Article are not met, the Croatian National Bank may accept or partially accept the application for authorisation.

Preserving or restoring the financial stability of the group of credit institutions as a whole or any of the signatories to the agreement and interest of the provider of the support

Assessment of preservation or restoration of the financial stability of the group of credit institutions as a whole or any of the signatories to the agreement

Article 7

In assessing whether the provision of financial support has the objective of preserving or restoring the financial stability of the group of credit institutions as a whole, the credit institution intending to provide support and the Croatian National Bank shall take into account and compare the following:

– the direct and indirect overall benefits for the group of credit institutions as a whole, i.e. the sum of the benefits for any group member, resulting from the restoration of the financial soundness of the beneficiary of the support;

– the risks for the group of credit institutions in case the financial support is not provided and the risk of default of the beneficiary of the support in case the support is not provided; and

– the risks for the group of credit institutions resulting from the provision of financial support, including the risk of default of the beneficiary of the support and the loss to the group of credit institutions in case of default after receiving the support.

Assessment of the interest of the provider of the support

Article 8

In assessing whether the provision of financial support is in the interest of the provider of the support, the credit institution intending to provide the support and the Croatian National Bank shall take into account and compare the following:

- the direct and indirect benefits for the provider of the support resulting from the restoration of the financial soundness of the beneficiary of the support;
- the risks for the provider of the support in case the financial support is not provided and the risk of default of the beneficiary of the support in case the support is not provided; and
- the risks for the provider of the support resulting from the provision of financial support, including the risk of default of the beneficiary of the support and the loss to the provider of the support in case of default after receiving the support.

Risk of default by the beneficiary of the support

Article 9

The risk of default by the beneficiary of the support is determined in accordance with the circumstances for the assessment of the redress of financial difficulties of the beneficiary of the support under the Regulatory Technical Standard specifying the conditions for group financial support under Article 23 of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and other information available.

Assessment elements

Article 10

The assessment referred to in Articles 7 and 8 of this Decision shall take into account:

- the requirements of sound capital and liquidity management at group level and at the level of individual members of a group of credit institutions;
- internal policies and procedures to manage and restrict intra-group transactions;
- potential damage to franchise, refinancing and reputation;
- benefits from efficient use and fungibility of the group's capital resources and its refinancing conditions; and
- where possible, the monetary value of the costs and benefits that are not quantified.

Meeting of obligations by beneficiary of the support to the provider of the support

Assessment of the meeting of obligations arising from received support

Article 11

(1) When assessing whether there is a reasonable prospect that the interest and charges for the support will be paid and that the principal will be reimbursed on their respective due dates, the credit institution intending to provide support and the Croatian National Bank shall take into account all circumstances which may influence the ability of the beneficiary of the support to meet these obligations and the risk of default by the beneficiary of the support, in particular:

- whether needs for capital and liquidity of the beneficiary of the support, in accordance with its capital and liquidity situation and with a projection of its capital and liquidity needs, are covered for a sufficient period of time, taking into account all relevant sources from which these needs could be met;

– whether measures planned for restructuring of the beneficiary of the support and amendment of its business model and risk management can efficiently support the restoration of the financial situation of the beneficiary of the support in accordance with the planned schedule and whether they permit a full repayment of the principal, interest and charges on their due dates; and

– for the purpose of confirming the assessments of the circumstances referred to in subparagraphs (1) and (2) of this paragraph, the analysis of the financial situation of the beneficiary of the support and of the internal and external causes for financial difficulties, in particular of the business model and the risk management of the beneficiary of the support and of past, present and expected market conditions.

(2) The assessments of the circumstances referred to in paragraph (1) of this Article should be coherent and plausible and take into account the stressed condition of the beneficiary of the support, current market conditions and potential adverse developments.

(3) In the course of the assessment the Croatian National Bank shall take into consideration the information and assessments provided to it at its request by the competent authority of the beneficiary of the support.

Threat to financial stability

Assessment of threat to financial stability

Article 12

(1) The Croatian National Bank and the credit institution intending to provide support shall assess whether the provision of support creates a threat to the financial stability of Republic of Croatia by taking into account the following:

- the significance of the provider of the support for the financial stability of the Republic of Croatia, of other Member States and of the European Union, taking into account the interdependencies between the provider of the support and other entities which are significant for financial stability;
- the financial condition of the provider of the support and of the group's members which are significant for its stability;
- the probability of future developments having a negative impact on the provider of the support or on group members which are significant for the stability of the provider of the support, or on the financial stability of the Republic of Croatia, of other Member States and of the European Union; and
- the risk that the provision of the support will divest the provider of the support of the liquidity or assets which will be necessary to support other group members that are important for the stability of the group and financial stability in the near future.

(2) When assessing the impacts of providing support on financial stability of the Member State where the head office of the beneficiary of the support is located, the Croatian National Bank shall take into account information and assessments provided to it at its request by the competent authority of the beneficiary of the support.

Capital and liquidity requirements

Statement by the credit institution
Article 13

The credit institution intending to provide support shall enclose to the application for authorisation submitted to the Croatian National Bank a reasoned statement that the credit institution meets the capital and liquidity requirements of Regulation (EU) No 575/2013 and Title VII of the Credit Institutions Act, as well as the requirements of Articles 220, 224, 225, 228 and 285 of the Credit Institutions Act, and that the provision of the support shall not cause a breach of these requirements.

Non-compliance with capital requirements
Article 14

(1) By way of derogation from Article 13 of this Decision, if the credit institution intending to provide support does not meet the combined buffer requirement, it shall submit to the Croatian National Bank an application for approval to meet the combined buffer requirement within a certain time-limit and enclose to the application for approval an updated capital conservation plan submitted to the Croatian National Bank in accordance with Article 143 of the Credit Institutions Act.

(2) By way of derogation from Article 13 of this Decision, if the provision of support would cause a breach of the combined buffer requirement by the credit institution intending to provide support, it shall submit to the Croatian National Bank an application for approval to meet the combined buffer requirement within a certain time-limit and enclose to the application for approval a proposal of the capital conservation plan referred to in Article 143 of the Credit Institutions Act.

(3) In the cases referred to in paragraphs (1) and (2) of this Article, the Croatian National Bank shall decide on the application for approval in the light of the capital conservation plan or the proposed capital conservation plan, taking into account the following:

- the plausibility of the capital conservation plan;
- the plan and the timeframe to increase own funds in order to fully meet the combined buffer requirement;
- the amount of the shortfall under the combined buffer requirement or the shortfall arising in case of the provision of the support;
- the best interest of the provider of the support, including indirect benefits resulting from the stability of the group of credit institutions as a whole;
- the purpose of the combined capital buffer; and
- the risks and benefits of the authorisation for financial stability.

(4) If the credit institution intending to provide support is a subsidiary of the beneficiary of the support, or the credit institution intending to provide the support and the beneficiary of the support are subsidiaries in the same group of credit institutions, when deciding on the application for authorisation, the Croatian National Bank shall also analyse whether the provision of financial support is necessary to prevent the likely failure of the beneficiary of the support or the destabilisation of the group of credit institutions as a whole resulting from the failure, and the adverse effects on financial stability resulting from the destabilisation of the group of credit

institutions, taking into account the data submitted to it at its request by the competent authority of the beneficiary of the support.

Non-compliance with liquidity requirements

Article 15

(1) By way of derogation from Article 13 of this Decision, if the credit institution intending to provide support does not meet the liquidity requirements referred to in Article 13 of this Decision or the provision of the support would cause a breach of these requirements, it shall submit to the Croatian National Bank an application for approval to meet the liquidity requirements within a certain time-limit and enclose to the application for approval an updated capital conservation plan submitted to the Croatian National Bank in accordance with Article 414 of Regulation (EU) No 575/2013.

(2) In the cases referred to in paragraph (1) of this Article, the Croatian National Bank shall decide on the application for authorisation in the light of the plan to timely restore compliance, taking into account the following:

- the plausibility of the plan to timely restore compliance;
- the plan and timeframe for meeting the liquidity requirements;
- the amount of the shortfall under the liquidity requirement or the shortfall that would arise in case of the provision of the support;
- the best interest of the provider of the support, including indirect benefits resulting from the stability of the group of credit institutions as a whole;
- the risks and benefits of the authorisation for financial stability.

(3) If the credit institution intending to provide support is a subsidiary of the beneficiary of the support, or the credit institution intending to provide the support and the beneficiary of the support are subsidiaries in the same group of credit institutions, when deciding on the application for authorisation, the Croatian National Bank shall also analyse whether the provision of financial support is necessary to prevent the likely failure of the beneficiary of the support or the destabilisation of the group of credit institutions as a whole resulting from the failure, and the adverse effects on financial stability resulting from the destabilisation of the group of credit institutions, taking into account the data submitted to it at its request by the competent authority of the beneficiary of the support.

Large exposures requirements

Non-compliance with large exposures requirements

Article 16

(1) If the credit institution intending to provide support does not meet the large exposures requirements in accordance with the provisions of Regulation (EU) No 575/2013 and the Credit Institutions Act, or if the provision of support would cause a breach of these requirements, it shall submit to the Croatian National Bank an application for approval to meet the large exposures requirements within a certain time-limit and enclose to the application for approval a plan to timely restore compliance.

(2) In the cases referred to in paragraph (1) of this Article, the Croatian National Bank shall decide on the application for approval in the light of the plan to timely restore compliance, taking into account the following:

- the plausibility of the plan to timely restore compliance;
- the plan and timeframe for meeting the large exposures requirements;
- the amount of the shortfall under the large exposures requirements or the shortfall that would arise in case of the provision of the support;
- the best interest of the provider of the support, including indirect benefits resulting from the stability of the group of credit institutions as a whole;
- the risks and benefits of the authorisation for financial stability.

III FINAL PROVISIONS

Application of the provisions of this Decision

Article 17

In the procedure of reaching a joint decision on the fulfilment of conditions for concluding a group financial support agreement referred to in Article 216f, paragraph (1) of the Credit Institutions Act, in accordance with the provisions of Articles 216b and 216c of the Credit Institutions Act, the Croatian National Bank shall apply the provisions of this Decision as appropriate.

Entry into force

Article 18

This Decision shall be published in the Official Gazette and shall enter into force on the eight day after the day of its publication in the Official Gazette.

No.: 218-020/07-16/BV
Zagreb, 12 July 2016

Croatian National Bank
Governor

Boris Vujčić