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Decision on capital buffers and capital conservation measures

**(Official Gazette 8/2014, 61/2014 and 24/2018
– unofficial consolidated version)**

Zagreb, March 2018

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, including the scope of relevant exposures, the manner of calculation of the Maximum Distributable Amount 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, authorised by the Croatian National Bank.

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

Scope of application of the Decision

Article 2

(1) A credit institution shall apply the provisions of Articles 4, 5, 6, 7 and 8 of this Decision on an individual basis.

(2) An RC parent credit institution and an EU parent credit institution having its head office in the RC shall apply the provisions of Articles 4 and 6 through 8 of this Decision on a consolidated basis in the manner prescribed in Part One, Title II of Regulation (EU) 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: Regulation (EU) 575/2013).

(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 5.a through 5.d of this Decision.

Article 2 has been amended pursuant to the provision of Article 1 of the Decision on amendments to the Decision on capital buffers and capital conservation measures, Official Gazette 24/2018, which entered into force on 17 March 2018.

Terms and 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.

Article 3 has been amended pursuant to the provision of Article 2 of the Decision on amendments to the Decision on capital buffers and capital conservation measures, Official Gazette 24/2018, which entered into force on 17 March 2018.

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

Calculation of the institution-specific countercyclical capital buffer rate

Article 4

(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) 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 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) Institution-specific countercyclical capital buffer rate is 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.

Paragraph (3) has been amended pursuant to the provision of Article 3 of the Decision on amendments to the Decision on capital buffers and capital conservation measures, Official Gazette 24/2018, which entered into force on 17 March 2018.

3 MANNER OF CALCULATION OF THE MAXIMUM DISTRIBUTABLE AMOUNT

Manner of calculation of the Maximum Distributable Amount Article 5

(1) The Maximum Distributable Amount shall be calculated by multiplying the sum of profits referred to in paragraph (3) of this Article by the factor determined in accordance with paragraph (4) of this Article.

(2) By way of derogation from paragraph (1) of this Article, where a credit institution has acted contrary to the prohibition referred to in Article 140, paragraph (3) of the Credit Institutions Act, the Maximum Distributable Amount shall be deemed to be the Maximum Distributable Amount calculated in accordance with paragraph (1) of this Article, reduced by the amount by which a credit institution has, contrary to the prohibition referred to in

Article 140, paragraph (3) of the Credit Institutions Act, undertaken any of the following actions:

- 1) made a distribution in connection with common equity tier 1 capital,
- 2) created an obligation to pay variable remuneration or discretionary pension benefits or paid variable remuneration if the obligation to pay was created at a time when a credit institution failed to meet the combined buffer requirement, and
- 3) made payments on additional tier 1 instruments.

(3) 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) interim profits not included in common equity tier 1 capital pursuant to Article 26, paragraph (2) of Regulation (EU) No 575/2013 that have been generated since the most recent decision by the general assembly of a credit institution on the distribution of profits or any of the actions referred to in paragraph (2) of this Article,
- 2) year-end profits not included in common equity tier 1 capital pursuant to Article 26, paragraph (2) of Regulation (EU) No 575/2013 that have been generated since the most recent decision by the general assembly of a credit institution on the distribution of profits or any of the actions referred to in paragraph (2) of this Article,
- 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.

(4) The factor shall be determined depending on the quartile attributable to common equity tier 1 capital not used by a credit institution to meet the own funds requirements under Article 92, paragraph (1) item (c) of Regulation (EU) No 575/2013 and the requirements under Articles 220, 224 and 228 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 (5) of this Article.

(5) The common equity tier 1 capital not used by a credit institution to meet the own funds requirements under Article 92, paragraph (1), item (c) of Regulation (EU) No 575/2013 and the requirements under Articles 220, 224 and 228 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	$0 \leq x \leq (CBR \times 1/4)$	0
Second quartile	$(CBR \times 1/4) < x \leq (CBR \times 1/2)$	0.2
Third quartile	$(CBR \times 1/2) < x \leq (CBR \times 3/4)$	0.4
Fourth quartile	$(CBR \times 3/4) < x < CBR$	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 common equity tier 1 capital used to meet that capital buffer requirement as a percentage of the total risk exposure amount.

(6) 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.

(7) 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 (6) of this Article, depending on which is more recent.

In paragraph (5), the text under Table 1 has been amended pursuant to the provision of Article 4 of the Decision on amendments to the Decision on capital buffers and capital conservation measures, Official Gazette 24/2018, which entered into force on 17 March 2018.

3a THE MANNER OF APPLICATION OF CAPITAL CONSERVATION MEASURES IN CASE THE COMBINED BUFFER REQUIREMENT IS NOT MET ON A CONSOLIDATED BASIS

The manner of application of Article 140 of the Credit Institutions Act in conjunction with Article 143.a, paragraph (1), item (1) Article 5.a

(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 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 its common equity tier 1 capital to a level where the combined 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 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 in accordance with Article 5.b 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 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 maximum distributable amount calculated in accordance with Article 5.b of this Decision.

The title of the chapter and Article 5.a have been added pursuant to the provision of Article 5 of the Decision on amendments to the Decision on capital buffers and capital conservation measures, Official Gazette 24/2018, which entered into force on 17 March 2018.

The manner of calculation of the maximum distributable amount if the combined buffer requirement is met on an individual, but not on a consolidated basis
Article 5.b

(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 5, paragraph (3) 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) By way of derogation from paragraph (1) of this Article, if an RC parent credit institution or an EU parent credit institution having its head office in the RC acts contrary to the prohibition referred to in Article 5.a, paragraph (2) of this Decision, the maximum distributable amount shall be deemed to be the maximum distributable amount calculated in accordance with paragraph (1) of this Article, reduced by the amount by which the relevant parent credit institution undertook any of the following actions contrary to the prohibition referred to in Article 5.a, paragraph (2) of this Decision:

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

(3) The factor shall be determined depending on the quartile of the distribution 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), item (c) of Regulation (EU) 575/2013 and the requirements under Articles 220, 224 and 228 of the Credit Institutions Act, with the consolidated common equity tier 1 capital expressed as a percentage of the total risk exposure amount on a consolidated basis in accordance with Table 1 given in Article 5, paragraph (5) 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), item (c) of Regulation (EU) 575/2013 and the requirements under Articles 220, 224 and 228 of the Credit Institutions Act (shown as "x" in Table 1 given in Article 5, paragraph (5) 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 of distribution if it is within the range of that quartile of distribution as determined in Table 1 given in Article 5, paragraph (5) of this Decision. "CBR" shall refer 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 common equity tier 1 capital used to meet that capital buffer requirement on a consolidated basis as a percentage in the total risk exposure amount on a consolidated basis.

(5) 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 on the data on consolidated own funds and consolidated own funds requirements for the date for which it determined that they do not meet the combined buffer requirement on a consolidated basis.

Article 5.b has been added pursuant to the provision of Article 5 of the Decision on amendments to the Decision on capital buffers and capital conservation measures, Official Gazette 24/2018, which entered into force on 17 March 2018.

**The manner of application of Article 142 of the Credit Institutions Act in
conjunction with Article 143.a, paragraph (1), item (1)
Article 5.c**

(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 on a consolidated basis and intend to, on an individual basis, distribute any of its 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 consolidated own funds 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 calculated in accordance with Article 5.b of this Decision;
- 4) the amount of distributable profits it intends 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 they 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 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 5.b, paragraph (5), 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 referred to in Article 5.b of this Decision are calculated accurately, and shall be able to demonstrate that accuracy to the Croatian National Bank on request.

Article 5.c has been added pursuant to the provision of Article 5 of the Decision on amendments to the Decision on capital buffers and capital conservation measures, Official Gazette 24/2018, which entered into force on 17 March 2018.

**The manner of application of Article 143 of the Credit Institutions Act in
conjunction with Article 143.a of the Credit Institutions Act
Article 5.d**

(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 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) 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 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 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 143.a of the Credit Institutions Act.

Article 5.d has been added pursuant to the provision of Article 5 of the Decision on amendments to the Decision on capital buffers and capital conservation measures, Official Gazette 24/2018, which entered into force on 17 March 2018.

4 REPORTING TO THE CROATIAN NATIONAL BANK

The report and reporting periods

Article 6

(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) A parent credit institution in the Republic of Croatia 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 Republic of Croatia, 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 Republic of Croatia, where prescribed by the Credit Institutions Act that the requirement for a certain buffer be applied on a sub-consolidated basis.

(6) A parent credit institution in the Republic of Croatia 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 Republic of Croatia 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 ("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 Republic of Croatia, where prescribed by the Credit Institutions Act that the requirement for a certain buffer be applied on a sub-consolidated basis.

Paragraphs (4) and (6) have been amended pursuant to the provision of Article 6 of the Decision on amendments to the Decision on capital buffers and capital conservation measures, Official Gazette 24/2018, which entered into force on 17 March 2018.

Time limits for delivery of reports

Article 7

(1) A credit institution shall deliver the unconsolidated and the 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 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 other systemically important credit institution shall submit to the Croatian National Bank unconsolidated and consolidated audited reports with balance 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 compiling and delivering credit institutions' supervisory reports, including forms compliance controls.

Paragraph (2) has been amended pursuant to the provision of Article 7 of the Decision on amendments to the Decision on capital buffers and capital conservation measures, Official Gazette 24/2018, which entered into force on 17 March 2018.

Manner of delivery of reports

Article 8

(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 in a magnetic medium), fully complying with the format of the form prescribed by the Instructions for uniform application 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 compiling and delivering credit institutions' supervisory reports.

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

(4) The cover page of the report referred to in Article 6, 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.

5 TRANSITIONAL AND FINAL PROVISIONS

Delivery of the first report

Article 9

A credit institution shall deliver the first report referred to in Article 6, paragraph (1) of this Decision as at 31 March 2014 no later than 30 June 2014.

Article 9 has been amended pursuant to the provision of Article 1 of the Decision on amendments to the Decision on capital buffers and capital conservation measures, Official Gazette 61/2014, which entered into force on 21 May 2014.

Entry into force

Article 10

This Decision shall enter into force on the eighth day after the day of its publication in the Official Gazette, with the exception of Article 4 which shall enter into force on 1 January 2015.

**Decision on amendments to the Decision on capital buffers and capital conservation
measures
(Official Gazette 61/2014)**

Article 2

This Decision shall enter into force on the day of its publication in the Official Gazette.

**Decision on amendments to the Decision on capital buffers and capital conservation
measures
(Official Gazette 24/2018)**

This Decision shall enter into force on the eighth day after the day of its publication in the Official Gazette.

Instructions for uniform application 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 in 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 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 institutions 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 the 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 the paper format to the following address:

Hrvatska narodna banka
Sektor bonitetne regulative i supervizije
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 Republic of Croatia 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 Republic of Croatia 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, depending on the correlation between these buffers, as determined in Article 139 of the Credit Institutions Act, a structural systemic risk buffer, an O-SII buffer and a G-SII 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 in accordance with Articles 220, 224 and 228 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 in accordance with Articles 220, 224 and 228 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 in accordance with Articles 220, 224 and 228 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 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).

A credit institution shall not use common equity tier 1 capital maintained to meet the requirements referred to in rows 010 to 070 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).

A credit institution shall not use common equity tier 1 capital maintained to meet the requirements referred to in rows 010 to 080 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 080 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 080 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.

130 Total amount of own funds

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



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
(in case of subsequent changes)

Date

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 supervizije, 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							