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GUVERNER

Pursuant to Article 22, paragraph (19) of the Deposit Insurance Act (Official Gazette 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 the approval procedure for the methodology for determining aggregate risk weights for credit institutions in the calculation of contributions to the deposit guarantee scheme

1 GENERAL PROVISIONS

Subject matter

Article 1

This Decision governs in detail:

- the criteria to be met for the methodology for calculating the aggregate risk weight for a credit institution to be approved;
- the decision-making procedure regarding the application for approval referred to in Article 22, paragraph (11) of the Deposit Insurance Act (Official Gazette 46/2020, hereinafter referred to as ‘Act’);
- the documentation to be enclosed with the application for approval for or amendment to the methodology;
- data that the Croatian National Bank submits to the Agency pursuant to Article 22, paragraph (8) of the Act; and
- reporting to the Croatian National Bank.

Definitions

Article 2

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

- 1) 'Agency' means the Croatian Deposit Insurance Agency;

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- 2) '*contribution*' (*C*) means the contribution that a credit institution shall pay for covered deposits, which is based on the amount of covered deposits and the aggregate risk weight for an individual credit institution;
- 3) '*covered deposits*' (*CD*) means the average amount of covered deposits of a credit institution in the previous quarter, which is calculated as the average on the last day of each month in the quarter;
- 4) '*contribution rate*' (*CR*) stands at 0.08% for each quarter, unless the Agency decides otherwise in accordance with Article 22, paragraph (7) of the Act;
- 5) '*aggregate risk weight*' (*ARW*) means a measure of risk for an individual credit institution assessed by the functional transformation of the aggregate risk score for an individual credit institution, adjusted for an adjustment coefficient (μ);
- 6) '*risk categories*' (*z*) for which individual risk indicators are identified are: capital, liquidity and funding, asset quality, business model and management, and potential losses for the Agency;
- 7) '*adjustment coefficient*' (μ) adjusts the amount of total contributions of credit institutions to the annual target level;
- 8) '*reference year*' means a period in which the calculated aggregate risk weight for a credit institution is applied, which the Agency calculated using the methodology and according to the data of the Croatian National Bank and which lasts for 12 months.

Contribution

Article 3

- (1) The Agency shall each quarter calculate a contribution (*C*) for each credit institution by multiplying the contribution rate (*CR*) by institution's covered deposits (*CD*) and its aggregate risk weight (*ARW*).
- (2) The Agency shall include an adjustment coefficient (μ) in the calculation of the aggregate risk weight for a credit institution, which shall be identical for all credit institutions in a reference year.
- (3) The methodology for calculating the aggregate risk weight for a credit institution shall be developed by the Agency on the basis of the criteria prescribed in this Decision.

2 CRITERIA TO BE MET BY THE METHODOLOGY

Methodology for calculating the aggregate risk weight for a credit institution

Article 4

- (1) The methodology for calculating a contribution based on the aggregate risk weight shall contain the following elements:

- the contribution calculation formula;
- risk categories and risk indicators; and
- risk weights.

(2) The methodology for calculating a contribution based on the aggregate risk weight shall meet the following conditions:

- the methodology meets all criteria under the Act and the Guidelines on methods for calculating contributions to deposit guarantee schemes of the European Banking Authority (EBA/GL/2015/10), including all amendments to the Guidelines;
- the application of the methodology does not result in the payment of disproportionate contributions relative to the aggregate risk weight for a credit institution; and
- the application of the methodology does not have a negative impact on the financial stability of the Republic of Croatia.

(3) The methodology shall ensure that the aggregate risk weight for a credit institution calculated in accordance with the data delivered by the Croatian National Bank is applied for 12 months.

3 DECISION-MAKING PROCEDURE REGARDING THE APPLICATION FOR APPROVAL FOR THE METHODOLOGY AND THE ACCOMPANYING DOCUMENTATION REQUIRED

Application for prior approval

Article 5

(1) The Agency shall submit an application for prior approval to use or make a significant amendment to the methodology for calculating the aggregate risk weight for a credit institution to the Croatian National Bank.

(2) The Agency shall enclose the following with the application for approval:

- a description of the method for calculating the aggregate risk weight for each credit institution, risk indicators, boundaries, weights and the transformation function applied;
- a simulation of the calculation of the aggregate risk weight for each credit institution for the current year in accordance with the submitted methodology; and
- the date from which the methodology is planned to be applied.

(3) The Croatian National Bank may require the Agency to supplement the application and deliver additional documents, data and information that are necessary for deciding on the application for approval of the methodology.

(4) The Croatian National Bank shall complete the approval procedure within 90 days of the submission of the complete application.

(5) The Croatian National Bank may require the Agency to make a presentation on the method for calculating the aggregate risk weight and contributions for credit institutions in accordance with the submitted methodology.

Issuance of approval for the methodology

Article 6

(1) The Croatian National Bank shall issue approval for the methodology for calculating the aggregate risk weight for a credit institution if the methodology submitted meets the criteria under Title 2 of this Decision.

(2) Where in the course of assessing the methodology it establishes that there are deficiencies in the methodology for which the approval is sought, the Croatian National Bank shall invite the Agency to eliminate the deficiencies within a reasonable period, which may not be longer than 60 days.

(3) Where the Agency fails to eliminate the deficiencies as per invitation referred to in paragraph (2) of this Article, the Croatian National Bank shall refuse the application and explain the reasons for refusal.

(4) Where the Croatian National Bank refuses or rejects the application referred to in Article 10 of this Decision, the Agency shall submit a new application within 30 days of receipt of the decision.

(5) The decision-making procedure regarding the new application shall be carried out in accordance with the provisions of this Article.

4 REPORTING TO THE CROATIAN NATIONAL BANK AND FREQUENCY OF METHODOLOGY UPDATES

Reporting

Article 7

(1) The Agency shall report to the Croatian National Bank at least annually, in the periods in which it is authorised to collect contributions from credit institutions pursuant to Article 15 of the Act, on the application of the methodology by delivering the calculations of the aggregate risk weight for each credit institution for the current year, risk indicators, boundaries and weights it applies as well as the base for the calculation of the aggregate risk weight in an electronic form.

(2) The report shall be delivered by 30 June of the current year at the latest.

(3) Pursuant to paragraph (1) of this Article, the Croatian National Bank shall have the right to make a statement on a report and require the Agency to submit additional documents, additional explanations for the calculations obtained, the recalculation of the aggregate risk weight, risk indicators and/or boundaries should any deficiencies in the application of the methodology be established.

(4) The Agency shall within 14 days of the statement of the Croatian National Bank submit to it its statement, additional documents and required explanations and/or calculations.

Amendments to the methodology and revocation of approval

Article 8

(1) The approval issued in accordance with Article 6 of this Decision shall be valid until the next significant amendment to the methodology is made.

(2) The Agency shall submit an application for renewal of the approval to the Croatian National Bank 90 working days before any significant amendment to the methodology is made.

(3) The procedure for approval renewal shall be carried out in accordance with the provisions governing the procedure for issuing prior approval referred to in Articles 5 and 6 of this Decision.

5 DATA TO BE SUBMITTED TO THE AGENCY BY THE CROATIAN NATIONAL BANK

Croatian National Bank data

Article 9

(1) The Croatian National Bank shall within the time limit prescribed in Article 22, paragraph (9) of the Act, submit to the Agency the data defined in Annex 1 to this Decision in an electronic form.

(2) By way of derogation from paragraph (1) of this Article, the Croatian National Bank shall also submit to the Agency the data that are not defined in paragraph (1) of this Article if all the following conditions are met:

- the Agency needs the data to calculate the aggregate risk weight for the operation of a credit institution;
- the Agency has requested the data in writing from the Croatian National Bank;
- the data have been submitted to the Croatian National Bank in accordance with Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014 (OJ L 97, 19.3.2021), Decision on statistical and supervisory reporting (Official Gazette 85/2018, 47/2019, 14/2020, 53/2020, 122/2020 and 53/2021), Decision on the supervisory reports of credit institutions (Official Gazette 41A/2014, 127/2014, 67/2015, 119/2015, 7/2017, 44/2017, 120/2017, 85/2018, 47/2019, 14/2020, 59/2020 and 122/2020) or the Decision on the IT-solutions for the delivery of reports of credit institutions in accordance with European Union regulations (Official Gazette 9/120, 120/2018 and 96/2021);
- there are no regulatory obstacles for the Croatian National Bank to submit the data to the Agency.

6 DATA CONFIDENTIALITY AND METHODOLOGY DISCLOSURE

Confidentiality of data and information

Article 10

The Croatian National Bank and all employees of the Croatian National Bank as well as the Agency and all employees of the Agency shall protect the confidentiality of all data and information that they mutually exchange for the purpose of developing the methodology for calculating the aggregate risk weight and shall not disclose them or make them available to third parties without prior written consent, which is in accordance with the provisions of the Deposit Insurance Act and the Credit Institutions Act.

Methodology disclosure

Article 11

(1) The Agency shall publicly disclose a description of the calculation methodology, including risk indicators.

(2) The Agency shall, at the request of a credit institution, deliver the results of the risk classification and its components for the credit institution in question.

7 TRANSITIONAL AND FINAL PROVISIONS

Aggregate risk weight before approval of the methodology

Article 12

(1) The Agency shall submit to the Croatian National Bank an application for prior approval for the first use of the methodology for calculating the aggregate risk weight for a credit institution in accordance with this Decision by 31 December 2021 at the latest.

(2) The aggregate risk weight for a credit institution shall be considered to be equal to the last approved calculation until the Croatian National Bank approves the use of the methodology for calculating the aggregate risk weight for the credit institution by the Agency.

Entering into force

Article 13

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

No.: 218-091/09-21/BV
Zagreb, 20 September 2021

Croatian National Bank
Governor
Boris Vujčić



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ANNEX 1

Indicator	References to reports in accordance with Commission Implementing Regulation (EU) 2021/451
Common equity tier 1 ratio	position 00100010 in report C 03.00
Liquidity coverage ratio (LCR)	position 00300010 in report C 76.00.a
Leverage ratio	position 03300010 in report C 47.00 (using a fully phased-in definition of Tier 1 capital) position 03400010 in report C 47.00 (using a transitional definition of Tier 1 capital)
Net stable funding ratio (NSFR)	position 02200040 in report C 84.00.a
Share of non-performing loans	numerator: positions 00050060, 00700060, 01910060 and 02210060 in report F 18.00.a. denominator: positions 00050010, 00700010, 01910010 and 02210010 in report F 18.00.a.
Coverage ratio of non-performing loans	numerator: positions 00050150, 00700150, 01910150 and 02210150 (absolute value amount) in report F 18.00.b. denominator: positions 00050060, 00700060, 01910060 and 02210060 in report F 18.00.a
Return on assets (ROA)	numerator: position 06700010 in report F 02.00 denominator: position 03800010 in report F 01.01 (average of the observed year and the year preceding it)
Unencumbered assets	position 0010060 in report F 32.01