

Announcement of the Governing Board of the Bank of Slovenia
8 December 2015

Macro-prudential instrument:

CAPITAL BUFFER FOR OTHER SYSTEMICALLY IMPORTANT INSTITUTIONS

Pursuant to a resolution adopted by the Governing Board of the Bank of Slovenia at its 546th meeting of 8 December 2015, the Bank of Slovenia is introducing the macro-prudential measure of a capital buffer for other systemically important institutions (hereinafter: O-SIIs). Banks that the Bank of Slovenia has identified as O-SIIs will be required to meet the buffer as of 1 January 2019.

The Bank of Slovenia identified O-SIIs pursuant to the Banking Act (the ZBan-2; Official Gazette of the Republic of Slovenia, No. 25/15). It made the identification on the basis of the EBA Guidelines, whose application is set out by the Regulation on application of the Guidelines on the criteria to determine the conditions of application of Article 131(3) of Directive 2013/36/EU (CRD) in relation to the assessment of other systemically important institutions (O-SIIs) (Official Gazette of the Republic of Slovenia, No. 66/15).

In the identification process it took full account of the mandatory indicators prescribed by the EBA, which are illustrated in the table below.

Table 1: Mandatory indicators of systemic importance of banks

Category	Weight	Criterion	Weight
Size	25%	Total assets	25.00%
Importance (including substitutability-/ financial system infrastructure)	25%	Value of domestic payment transactions	8.33%
		Private sector deposits from depositors in the EU	8.33%
		Private sector loans to recipients in the EU	8.33%
Complexity / cross-border activity	25%	Value of OTC derivatives (notional)	8.33%
		Cross-jurisdictional liabilities	8.33%
		Cross-jurisdictional claims	8.33%
Interconnectedness	25%	Intra-financial system liabilities	8.33%
		Intra-financial system assets	8.33%
		Debt securities outstanding	8.33%

Source: EBA Guidelines

The score was calculated in accordance with the guidance set out in point 8 of the EBA Guidelines:

- (a) by dividing the indicator value of each individual relevant entity by the aggregate amount of the respective indicator values summed across all institutions in the Member State (the “denominators”);
- (b) by multiplying the resulting percentages by 10,000 (to express the indicator scores in terms of basis points);

- (c) by calculating the category score for each relevant entity by taking a simple average of the indicator scores in that category;
- (d) by calculating the overall score for each relevant entity by taking a simple average of its four category scores.

The Bank of Slovenia did not take account of additional indicators in its identification of O-SIBs. The defined threshold of systemic importance is 350 basis points (point 9 of the EBA Guidelines).

The Bank of Slovenia simultaneously set out the buffer for O-SIIs in accordance with Article 221 of the ZBan-2. Banks are required to meet the buffer for O-SIIs as of 1 January 2019.

In the definition of the buffer rate and the length of the transition period, the Bank of Slovenia took particular account of the score calculated on the basis of the EBA Guidelines, and additionally took account of the buffer rates defined by other EU Member States and the state of the credit cycle in Slovenia. The thresholds for the bands for which a specific buffer rate is defined are set out by the Regulation on the determination of the buffer for other systemically important institutions (Official Gazette of the Republic of Slovenia, No. 96/15). They are also illustrated in the table below.

Table 2: Capital buffer rate

SCORE	CAPITAL BUFFER
5250 and higher	2.00%
4550-5249	1.75%
3850-4549	1.50%
3150-3849	1.25%
2450-3149	1.00%
1750-2449	0.75%
1050-1749	0.50%
350-1049	0.25%

Source: Regulation on the determination of the buffer for other systemically important institutions

The scores in relation to the indicators of systemic importance and the capital buffer rates that must be met by banks as of 1 January 2019 are illustrated in the table below. Each bank must meet the buffer at the highest level of consolidation in Slovenia, through common equity Tier 1 capital.

Table 3: Scores in assessment of systemic importance and capital buffer rates

	SYSTEMIC IMPORTANCE SCORE (EBA GUIDELINES)	CAPITAL BUFFER RATE AS OF 1 JANUARY 2019 (as proportion of total risk exposure amount)
NLB d.d.	2824	1.00%
SID banka d.d., Ljubljana	1365	0.50%
UniCredit Banka Slovenija d.d.	1191	0.50%
Abanka d.d.	839	0.25%
Nova KBM d.d.	706	0.25%
SKB d.d.	464	0.25%
Sberbank d.d.	433	0.25%
Banka Koper d.d.	429	0.25%

Source: Bank of Slovenia