

DECISION OF THE SINGLE RESOLUTION BOARD

Date	01/03/2022
Title	Adoption of a resolution scheme in respect of Sberbank d.d.
Reference	(SRB/EES/2022/21)

THE SINGLE RESOLUTION BOARD,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010¹, and in particular Articles 18(6) and 24 thereof,

Having regard to 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 investments firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and EU No 648/2012, of the European Parliament and of the Council²,

Having regard to the endorsement by the European Commission,

Whereas:

1. The facts and the relevant national law

1.1 The Institution

- (1) Sberbank d.d. (LEI: 529900NQF1UOZPME3N44) (the “**Institution**”) is a credit institution established in Croatia. Its shares are 100% held by Sberbank Europe AG (the “**Parent**”) established in Austria.
- (2) The Parent has also the following material subsidiaries, located in different jurisdictions (EU and third countries):
 - a) Sberbank banka d.d. (Republic of Slovenia);
 - b) Sberbank Magyarország Zrt. (Hungary);
 - c) Sberbank CZ, a.s. (The Czech Republic);

¹ OJ L 225, 30.7.2014, p. 1.

² OJ L 173, 12.6.2014, p. 190.

- d) Sberbank BH d.d. (Bosnia Herzegovina Sarajevo); and
 - e) Sberbank a.d. Banja Luka (Bosnia Herzegovina) (together, the “**Group**”).
- (3) The shares of the Parent are held by Sberbank of Russia (“**Sberbank of Russia**”).
- (4) As at 31 December 2020, the Group’s total assets amounted to EUR 12 942 million. The Group has 187 branches and 773 000 customers³ and it operates in three main segments: large corporates & investment banking (corporate financing, trade finance, transaction banking, acquisition financing, real estate financing), small and medium enterprises (“**SMEs**”) (liquidity financing, investment financing, treasury and trade finance products, transaction business support) and retail banking (mortgage and consumer loans, savings and pension products, digital banking and deposit, current account products).
- (5) The Institution is the eighth largest credit institution in Croatia in terms of assets. As at 31 December 2020, it had a market share of 3% in the national markets for lending and deposit taking, with total assets amounting to EUR 1 466 million.⁴ As at 31 December 2021, the Institution had 31 branches and 478 employees in 22 cities. Between 2017 and 2020, loan share grew in SME, corporate and retail segments, however deposits decreased in the SME and Corporate segment, while retail deposits increased.

1.2 The resolution plan

- (6) On 3 May 2021, the Single Resolution Board (“**SRB**” or “**Board**”) adopted the resolution plan in respect of the Institution (the “**Resolution Plan**”).⁵ In the Resolution Plan, the Board assessed that the liquidation of the Institution under normal insolvency proceedings would not be credible since it would not achieve the resolution objectives, referred to in Article 14(2) of Regulation (EU) No 806/2014, to the same extent as resolution.
- (7) In particular, it was considered that the Institution’s liquidation under normal insolvency proceedings would likely have severe adverse effects on the functioning of the financial market in its entirety and on the real economy of Croatia.
- (8) The Board also concluded that initiating normal insolvency proceedings against the Institution might have significant adverse effects on Croatian financial stability.
- (9) The Resolution Plan indicated the open bank bail-in applied at the level of the Parent as the preferred resolution tool, and sale of business as a variant resolution tool.
- (10) While, as further explained below, conditions for resolution are met at the level of the Institution, the SRB will not apply resolution action at the level of the Parent. This is mainly supported by the fact that the updated public interest assessment at the level of the Parent is negative under the current circumstances and the fact that resolution action at group level is not considered

³ As at 31 December 2020.

⁴ FINREP report as at 31 December 2020.

⁵ RC/JD/2020/22

necessary. Unlike Croatia and Slovenia, the presence of the Group in Austria is not critical for the real economy and financial stability in Austria. In addition, a bail-in at the level of the Parent preceded by a loss upstreaming would not be able to restore the liquidity position of the Institution, in the absence of liquidity support downstream.

- (11) Furthermore, the SRB considers that the services provided to the Institution by the Parent directly and by Sberbank of Russia (via the Parent) are not critical in the present circumstances where both the Institution and the Parent were deemed failing or likely to fail. In that respect, the Institution indicated its readiness to set up local solutions to substitute these services in the immediate term to ensure the continuity of the core business lines on a provisional basis, and to replace them in the context of the sale of business as the chosen resolution tool.
- (12) Therefore, instead of applying resolution actions at the level of the Austrian parent undertaking (as initially envisaged in the resolution plan), it is considered appropriate to apply resolution action at the level of each of the Banking Union subsidiaries that meets the conditions for resolution. As further elaborated below, the SRB considers that the conditions for resolution set out in Article 18(1) of Regulation (EU) 806/2014 are met at the level of the Institution.
- (13) The Board has also examined if the application of the sale of business tool to the Institution and the exercise of the resolution would minimise the impact on other group entities and on the group as a whole action pursuant to Article 15(2) of Regulation 806/2014. In this case, the sale of business tool in the form of transfer of shares in the subsidiary can be carried out directly by the SRB at the level of the subsidiary without needing to place the Parent into resolution.

1.3 The difficulties of the Institution and the attempts to address them

- (14) Following the increase of geopolitical tensions between Russia and Ukraine since November which resulted in the invasion of Russia into Ukraine on 24 February 2022, the European Union (the “EU”) and the United States of America (the “U.S.”) imposed a set of economic sanctions that had a significant impact on the Institution.
- (15) In particular, the U.S. economic sanctions announced on 24 February 2022 required all U.S. financial institutions to close any Sberbank correspondent or payable-through accounts within 30 days and to reject any future transactions involving Sberbank or its foreign financial institutions subsidiaries. These sanctions would significantly sever the Institution’s access to U.S. correspondent accounts, direct or otherwise and the clearance of any transactions via U.S. institutions.
- (16) The Institution was severely impacted by the U.S. economic sanctions and its liquidity situation deteriorated due to the reputational impact of the sanctions. This triggered a wave of deposit withdrawals in the Institution and impaired access to the wholesale funding market.
- (17) The Institution tried to strengthen its liquidity position by [...]. Despite those actions, the counterbalancing capacity of the Institution continued to deteriorate.
- (18) According to the ECB, the current readily available counterbalancing capacity was on 27

February 2022 deemed insufficient to cover outflows expected for 28 February 2022. Given the increased liquidity outflows that the Institution is facing which are expected to continue and the absence of any credible additional liquidity generating measures in the short term (e.g., additional liquidity support from the Parent⁶), the Institution is expected to be unable to meet payment in the near future on its debts or other liabilities as they fall due.

- (19) In view of these considerations, the ECB concluded that the Institution was deemed to be failing or likely to fail in accordance with Article 18(1)(a) and 18(4)(c) of Regulation (EU) 806/2014, as there are objective elements to support a determination that the Institution will, in the near future, be unable to pay its debts or other liabilities as they fall due.

1.4 The national law with respect to normal insolvency proceedings

- (20) In accordance with Article 2(1)(47) of Directive 2014/59/EU, “*normal insolvency proceedings*’ means collective insolvency proceedings which entail the partial or total divestment of a debtor and the appointment of a liquidator or an administrator normally applicable to institutions under national law and either specific to those institutions or generally applicable to any natural or legal persons”.
- (21) Under Croatian law, the insolvency procedure of credit institutions is regulated by the directly applicable EU regulations, the Croatian Act on Resolution of Credit Institutions and Investment Firms as well as the Croatian Act on Compulsory Liquidation of Credit Institution.
- (22) An insolvency procedure of a bank is initiated by the Croatian National Bank if one of the conditions listed in Clause 13⁷ of the Act on Compulsory Liquidation of Credit Institution is met.
- (23) The compulsory liquidation procedure over the credit institution is conducted in order to control the credit institution’s exit from the market with a view to mitigate the impact on the financial

⁶ [...].

⁷ The conditions are the following: (i) the credit institution’s assets are less than its liabilities or based on the objective circumstances it could be determined that its assets shall soon be less than its liabilities; (ii) the credit institution’s regular core capital ratio is less than 4.5% of the credit institution’s total risk exposure; (iii) regular capital ratio of the credit institution is less than 8% of the credit institution; (iv) the amount of the bank’s regulatory capital is less than 40 million or the amount of the bank’s saving regulatory capital is less than HRK 8 million or the amount of the housing saving bank’s regulatory capital is less than HRK 20 million; (v) the credit institution is unable to meet its obligations when due, especially if its accounts are seized more than 2 days or based on the objective circumstances it is indicative that the institution will soon be unable to meet those obligations; (vi) the NCA adopts a decision on unavailability of deposits; (vii) one of the conditions for revocation of the license set forth by law is met or, based on objective circumstances, it could be concluded that one of those conditions will be met soon, including circumstances which indicate that the credit institution has incurred or is likely to incur losses in excess of a significant part or all of the regulatory capital; or (viii) the credit institution needs extraordinary public financial support as regulated by the Act on Resolution of Credit Institutions and Investment Firms.

market and to preserve financial stability in Croatia. It is conducted with the purpose of speedy and efficient joint settlement of the claims of the creditors of the credit institution within the liquidation procedure by maintaining the value of its financial assets, sale of assets and disbursement of the proceeds to the creditors.

- (24) The compulsory liquidation procedure is exclusively conducted before the Commercial Court in Zagreb, while the stakeholders taking part in the compulsory liquidation procedure are the court, the liquidator, the supervisory liquidation body and the creditors' assembly. The power of each stakeholder is explicitly provided for in Act on Compulsory Liquidation of Credit Institution.
- (25) The liquidator has certain rights and obligations such as: (i) representing the credit institution towards third parties; (ii) running the business and keeping accounts and other books of the credit institution; (iii) establishing the committee to prepare the list of assets; (iv) preparing the initial balance sheet and initial financial status report; (v) enforcing the credit institution's receivables; (vi) preparing the draft on liquidation procedure's costs and delivering it to the liquidation supervisory board.
- (26) It is the liquidator's duty to draw up a compulsory liquidation plan, which then must be approved by the Croatian Deposit Insurance Agency as the supervisory body. The plan must be confirmed by the creditors' assembly. The compulsory liquidation plan should describe the manner in which the credit institution's assets will be liquidated as soon as possible, and how the claims of the creditors will be settled.
- (27) Within the liquidation procedure, the secured creditors should notify the liquidator about the existence of their pledge/mortgage within 60 days from the day of initiation of the bankruptcy procedure. Within the liquidation process, the liquidator has to sell the credit institution's assets with the purpose of settling the creditors claims based on the payment waterfall set forth by the applicable act. One of the peculiarities of the insolvency proceeding of credit institutions is the fact that creditors are classified into six higher payment ranks, which are settled prior to the lower ranked claims.
- (28) The liquidation process has to be completed within a period of three years as of the date of its opening or exceptionally for a longer period of time if such prolongation would result in higher settlement of the creditors. The liquidation process is completed once the liquidation plan is adopted. The liquidation plan can envisage either the sale of assets or transfer the assets, rights and obligations and settlement of creditors' claims.
- (29) In the light of the above, in the present situation, compulsory liquidation proceeding is deemed to constitute the 'normal insolvency proceedings' within the meaning of Article 2(1)(47) of Directive 2014/59/EU, as transposed under national law, for the purposes of performing the public interest assessment.

2. Valuation 1

- (30) Due to the sharp deterioration of the Institution's liquidity position over the last days, the Board needed to conduct an urgent provisional valuation based on available public and supervisory

information which was performed by the Board in accordance with Article 20 of Regulation (EU) No 806/2014 for the purpose of informing the determination of whether the Institution meets the conditions for resolution (notably whether the Institution is failing or likely to fail pursuant to Article 18(1)(a) of Regulation (EU) No 806/2014) or the conditions for the write down or conversion of capital instruments pursuant to Article 20(5)(a) of Regulation (EU) No 806/2014 (“**Valuation 1**”, attached hereto as **Annex 1**). The valuation report assessed that there are objective elements to support a determination that the Institution, in the near future, will be unable to pay its liabilities as they fall due, within the meaning of Article 18(4)(c) of Regulation (EU) No 806/2014. On that basis, the SRB concurred with the failing or likely to fail (“**FOLTF**”) assessment performed by the ECB on 27 February 2022, thereby concluding that the Institution is failing or likely to fail within the meaning of Article 18(1)(a) of Regulation (EU) No 806/2014.

3. Procedure

- (31) On 31 January 2022, the SRB was informed that the ECB decided to activate enhanced monitoring of the Parent in accordance with the ECB’s crisis management arrangements. As of that date, the SRB regularly requested the ECB and relevant National Resolution Authorities (“**NRAs**”) to provide it with specific and updated information with regard to the Group and the Institution. The information exchange between the SRB, the ECB and the relevant NRAs has been continuous since then and intensified on 22 February and further on 24 February 2022. Moreover, the SRB has been in contact with the relevant members of the European resolution college.
- (32) The SRB attended the ECB’s Supervisory Board meeting on 17, 23 and 27 February 2022, where the Institution was discussed, and the Institution-Specific Crisis Management Team meetings on 25 and 26 February 2022.
- (33) [...].
- (34) On 25 February 2022, the SRB informed the European Commission about the rapidly deteriorating situation of the Institution and the next steps. Over the following days, several interactions took place between the SRB and the European Commission with a view to keeping the latter informed on all relevant developments regarding the Institution.
- (35) On 25 February 2022, the SRB requested the ECB to provide it with specific and updated information with regard to the Institution and the Group.
- (36) On 25 February 2022, Sberbank CZ, A.S. (the Czech subsidiary of the Group) notified to the Czech National Bank that it is failing or likely to fail. On 26 February 2022, the Czech National Bank reached the conclusion that Sberbank CZ, A.S. was failing or likely to fail and subsequently notified to the SRB its determination to wind it down under the normal insolvency proceedings applicable in the Czech Republic.

- (37) The ECB and the EC attended the SRB Extended Executive Sessions on the Institution on 26, 27, 28 February and 1 March 2022.
- (38) On 26 February 2022, the Parent informed the ECB that, due to substantial deposit outflows, which severely impacted the Parent and the Group's liquidity reserves and liquidity coverage ratio, it could reasonably be expected that it is likely to be unable to pay its debts and liabilities as they fall due in the near future.
- (39) On 27 February 2022, the ECB communicated to the Board its draft FOLTF assessment regarding the Institution, for the purpose of consulting the Board on this matter in accordance with Article 18(1) (second subparagraph) of Regulation (EU) No 806/2014.
- (40) On 27 February 2022, the Board provided the ECB with its formal response on the above draft FOLTF assessment.
- (41) On 27 February 2022, the ECB reached the conclusion that the Institution would, in the near future, be unable to pay its debts or other liabilities as they fall due. Therefore, the Institution was deemed to be failing or likely to fail in accordance with Article 18(4)(c) of Regulation (EU) No 806/2014. On the same date, the ECB communicated its final FOLTF assessment to the Board.
- (42) On 27 February 2022, the SRB finalised its provisional Valuation 1 (attached hereto as **Annex 1**).
- (43) On 27 February 2022, the SRB adopted a decision concerning the exercise of its powers under Article 33a of Directive 2014/59/EU, as transposed under national law, and instructed the NRA to implement that decision in accordance with the national law.
- (44) On 28 February 2022, the Croatian National Bank adopted the national implementing act putting the moratorium in force until 23:59:59 hours on 1 March 2022.
- (45) On 28 February 2022, the Croatian National Bank performed an analysis of the market to identify potential purchasers having the necessary capacity to absorb the Institution. The Croatian National Bank launched a competitive marketing process by contacting four identified potential purchasers.
- (46) On the same date, the Croatian National Bank received four closed envelopes.
- (47) On 28 February 2022, the Board finalised its provisional valuation 2 (attached hereto as **Annex 2**).
- (48) On 28 February 2022, the Croatian National Bank opened the envelopes at the presence of the notary public, while recorded the procedure. One binding offer was received.
- (49) On 28 February 2022, the Croatian National Bank informed the SRB about the binding offer received by the potential purchaser.

- (50) On 1 March 2022, the ECB provided information on the bidder who presented the only binding offer.
- (51) On 1 March 2022, the Board adopted the resolution scheme and transmitted it to the Commission.
- (52) On 1 March 2022, the Commission endorsed the resolution scheme.

4. Legal and economic assessment

4.1 Competence of the Single Resolution Board

- (53) Pursuant to Article 7(2) of Regulation (EU) No 806/2014, the Board is responsible for adopting all decisions relating to the resolution for the entities and groups referred to therein, including entities which are credit institutions established in a participating Member State as defined in Article 4(1) of Regulation (EU) No 806/2014 and are considered to be significant in accordance with Article 6(4) of Regulation (EU) No 1024/2013⁸.
- (54) The Institution is a credit institution established in Croatia, a participating Member State within the meaning of Article 4(1) of Regulation (EU) No 806/2014, and is part of a group which is considered to be significant, in accordance with Article 6(4) of Regulation (EU) No 1024/2013. Accordingly, the Board is responsible for adopting all decisions relating to resolution for the Institution, pursuant to Article 7(2)(a) of Regulation (EU) No 806/2014, including the adoption of a resolution scheme when the Board assesses that the conditions referred to in Article 18(1) of Regulation (EU) No 806/2014 are met.

4.2 Conditions laid down in Article 18(1) of Regulation (EU) No 806/2014

- (55) In accordance with Article 18(1) of Regulation (EU) No 806/2014 the Board should adopt a resolution scheme in relation to an entity when the following conditions are met:
 - (a) the entity is failing or is likely to fail pursuant to Article 18(4) of Regulation (EU) No 806/2014;
 - (b) having regard to timing and other relevant circumstances, there is no reasonable prospect that any alternative private sector measures or supervisory action, including early intervention measures or the write-down or conversion of relevant capital instruments in accordance with Article 21 of Regulation (EU) No 806/2014, taken in respect of the entity, would prevent its failure within a reasonable timeframe; and
 - (c) a resolution action is necessary in the public interest pursuant to Article 18(5) of Regulation (EU) No 806/2014.

⁸ Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, OJ L 287, 29.10.2013, p. 63.

4.2.1 The Institution's failure or likelihood of failure

- (56) On 27 February 2022, pursuant to Article 18(1) second subparagraph of Regulation (EU) No 806/2014, after consulting the Board, the ECB assessed that the Institution was deemed to be failing or likely to fail, in accordance with Article 18(4)(c) of Regulation (EU) No 806/2014.
- (57) In particular, the ECB considered that the intensification of the geopolitical tensions between Russia and Ukraine and the imposition of sanctions by the U.S. and EU authorities resulted in a negative reputational impact on the Institution, which suffered from a deteriorating liquidity situation starting as of 14 February 2022.
- (58) On 14 February 2022, [...] withdrew [...] for an amount of [...] ahead of their contractual maturity.⁹ The escalation of the geopolitical tensions triggered additional outflows on 24 February 2022 when the Institution recorded deposit net outflows of EUR [...].¹⁰ On 25 February 2022, the Institution recorded additional deposit outflows of EUR [...].
- (59) As of 25 February 2022, access to the wholesale funding market was impaired, as no counterparts were available to transact with the Institution [...].¹¹
- (60) In order to address the deteriorating liquidity position, the Institution implemented the following measures:

[...]

⁹ In order to compensate for the unexpected outflows, the Institution [...] and received liquidity support by the Parent (EUR [...]) and [...] (EUR [...]).

¹⁰ In order to compensate for the outflows, the Institution drew on its committed credit line at the Parent (EUR [...]).

¹¹ [...].

- (61) The actions taken by the Institution mentioned above to address the increasing liquidity outflows did not manage to restore the counterbalancing capacity of the Institution, which decreased from EUR [...] on 21 February 2022 to EUR [...] by the end of 25 February 2022. On 25 February 2022, the Institution's Liquidity Coverage Ratio (LCR) ratio was [...]%, which is below minimum regulatory requirements. Furthermore, the Institution informed the Croatian National Bank that further withdrawals of deposits for a total net amount of [...] were expected on 28 February 2022 (corresponding to [...]% of the total deposits outstanding as of the end of 25 February 2022). Moreover, the Institution could face additional liquidity pressures due to the reputational impact of a possible failure of the Czech subsidiary of the Parent, which became illiquid. In terms of probable liquidity evolution, if the Institution continued to experience the same rate of outflows as observed after the imposition of the sanctions, its liquidity buffers were expected to be depleted in [...].
- (62) Moreover, the Institution had limited additional options to restore its liquidity position. Regarding the possibility to implement additional liquidity measures, the Institution's recovery plan does not include any other options which would have been suitable under the current circumstances. Regarding the possibility of obtaining additional funding from the Croatian National Bank, [...] ¹² [...].
- (63) On 27 February 2022, the Parent submitted a letter to the ECB, to the Austrian Financial Market Authority and to the SRB informing them that it could reasonably be expected that the Parent is likely to be unable to pay its debts and liabilities as they fall due in the near future and that there were circumstances which indicated that the Parent's ability to fulfil its obligations was endangered. In addition, the Czech subsidiary notified the Czech competent authority on 25 February 2022 that it was failing or likely to fail.
- (64) On the same date, the Institution notified to the Croatian National Bank, in accordance with article 45(1) of the Act on Resolution of Credit Institutions and Investment Firms, that as of 28 February it would be likely to fail to fulfil its obligations in full and on time. The Institution communicated that all measures they performed or plan to perform are not sufficient to enable its regular business and provision of services to clients to be restored.
- (65) In view of these considerations, the ECB considered that, given the increased liquidity outflows that the Institution is facing (which are expected to continue), the lack of credible additional liquidity generating measures (e.g., additional liquidity support from the Parent), as well as the self-declaration of the Institution, the Institution was expected to be unable in the near future to pay its debts or other liabilities as they fall due.

¹² [...].

- (66) The main findings of the Valuation Report for the purposes of assessing the condition laid down in Article 18(4)(c) of the Regulation (EU) No 806/2014 can be summarised as follows:
- a) From 7 February 2022 to 22 February 2022, the liquidity situation of the Institution remained relatively stable. On 23 February 2022, the Institution's counterbalancing capacity amounted to EUR [...].
 - b) The accelerated escalation of the geopolitical tensions between Russia and Ukraine and the subsequent imposition of sanctions by the EU, UK and U.S. authorities ultimately caused significant deposit withdrawals.
 - c) In more detail, from 23 to 25 February 2022, due to significant withdrawal of deposits (circa EUR [...]), the counterbalancing capacity of the Institution was reduced to EUR [...], which sharply reduced its LCR to [...] % (below minimum regulatory LCR requirements of 100%). One of the LCR's assumptions is that retail customers' deposit outflows are expected to range between 3% and 10% in a 30-day time horizon. However, as per the latest information received from the ECB, the outflows are well above such rates in a shorter timeframe.
 - d) Regarding the recovery measures identified in the recovery plan, on 25 February 2022, Sberbank of Russia declined [...] EUR [...], which might have been used to support the Institution. Other measures were not deemed feasible given the current situation.
 - e) Moreover, according to the ECB, the current readily available counterbalancing capacity was deemed insufficient to cover circa EUR [...] deposit outflows expected on 28 February 2022.
- (67) Following the ECB's assessment and taking into account the above elements of Valuation 1, the Board considers that the condition specified in Article 18(1)(a), in combination with Article 18(4)(c), of Regulation (EU) No 806/2014 is met in respect of the Institution.

4.2.2 Absence of a reasonable prospect to prevent the failure by means of alternative measures

- (68) Following close cooperation with the ECB, the SRB concludes that there is no reasonable prospect that any alternative private sector measures could prevent the failure of the Institution within a reasonable timeframe.
- (69) In particular, the recourse to market-based measures in order to revert the Institution's liquidity position appears not to be feasible, as the Institution's access to the wholesale market is constrained [...]. Moreover, the Institution's recovery plan does not include any other options which would be suitable under the current circumstances. [...].

- (70) [...].
- (71) On 27 February 2022, the Institution communicated that all measures it performed or planned to perform are not sufficient to enable its regular business and provision of services to clients to be restored and that it was likely to fail to fulfil its obligations in full and on time as of 28 February 2022.
- (72) Given the accelerating intensity of the outflows observed in the last days and the lack of promptly available contingency measures, there are no options which would allow for a timely contribution to the counterbalancing capacity of the Institution.
- (73) [...].
- (74) In addition, there is no reasonable prospect that any available supervisory or early intervention measure could restore the liquidity position of the Institution in an immediate way and allow it to ensure sufficient time in order to implement such measures. The available measures to the ECB as competent authority under the national transposition of Article 104 of Directive 2013/36/EU and Articles 27-29 of Directive 2014/59/EU or under Article 16 of Regulation (EU) No 1024/2013 have been explored but they are not expected to produce a result where the institution would be in a position to meet its liabilities and other debts as they fall due, given the extent and pace of the liquidity deterioration observed.
- (75) At the same time, the exercise of the power to write down or convert the Institution's capital instruments in accordance with Article 21 of Regulation (EU) No 806/2014 independently of any resolution action would not be able to prevent the failure of the Institution. In particular, given that the Institution is likely to fail due to its liquidity position, the write down and conversion of capital would not be sufficient to restore the liquidity situation of the Institution.
- (76) In view of the above considerations, it is concluded that there are objective elements leading to the conclusion that there are no alternative measures that could prevent the failure of the Institution within a reasonable timeframe. Accordingly the condition set out in Article 18(1)(b) of Regulation (EU) No 806/2014 is satisfied in respect of the Institution.

4.2.3 Resolution action is necessary in the public interest

- (77) In accordance with Article 18(1)(c) and Article 18(5) of Regulation (EU) No 806/2014, the Board assesses whether resolution action in respect of the Institution is necessary in the public interest and in particular, whether resolution action is necessary for the achievement of, and is

proportionate to, one or more of the resolution objectives referred to in Article 14(2) of Regulation (EU) No 806/2014 and winding up of the entity under normal insolvency proceedings would not meet those resolution objectives to the same extent.

- (78) For the purposes of this determination, it should be clarified that:
- (a) resolution action in the sense of Article 3(1)(10), 18(1)(c) and 18(5) of Regulation (EU) No 806/2014 should be understood for the purposes of this Decision as referring to the resolution action to be carried out through the application of resolution tools and powers as specified in this Decision;
 - (b) winding up of the Institution under normal insolvency proceedings in the sense of Article 18(5) of Regulation (EU) No 806/2014 should be understood for the purposes of this Decision as referring to the application of the proceedings referred to in recital (29).

4.2.3.1 Ensuring the continuity of critical functions

- (79) In line with Article 2(1)(35) of the Directive 2014/59/EU and Article 6 of the Commission Delegated Regulation (EU) 2016/778,¹³ a function is considered critical where the following conditions are met:
- (a) It is provided by an institution to third parties not affiliated to the institution or group;
 - (b) the sudden disruption of that function would likely have a material negative impact on the third parties, give rise to contagion or undermine the general confidence of market participants due to the systemic relevance of the function for the third parties and the systemic relevance of the institution or group in providing the function; and
 - (c) it is not considered substitutable since it cannot be replaced in an acceptable manner and within a reasonable time frame.
- (80) As stated in the Institution's 2021 Recovery Plan and in its 2021 Critical Function Report, the Institution does not provide critical functions.

4.2.3.1.1 Identification of critical functions

4.2.3.1.1.1 Deposit taking

- (81) In all four sub-segments of deposit taking, the Institution does not have high market shares, ranging from [...] % (deposits of non-financial corporations) to [...] % at highest (financial corporations).

¹³ Commission Delegated Regulation (EU) 2016/778 of 2 February 2016 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to the circumstances and conditions under which the payment of extraordinary ex post contributions may be partially or entirely deferred, and on the criteria for the determination of the activities, services and operations with regard to critical functions, and for the determination of the business lines and associated services with regard to core business lines, OJ L 131, 20.5.2016, p. 41.

- (82) A sudden disruption of that function would not be expected to have a material negative impact on third parties, undermine the general confidence of market participants or give rise to contagion.
- (83) In light of the above, the Board considers that the Institution's deposit-taking function does not constitute a critical function within the meaning of Article 2(1)(35) of Directive 2014/59/EU.

4.2.3.1.1.2 Lending and loan services

- (84) In all four sub-segments of lending and loan services, the Institution does not have high market shares, ranging from [...]% (lending to general governments and lending to financial corporations) to [...]% (lending to households). A sudden disruption of that function would not be expected to have a material negative impact on third parties, undermine the general confidence of market participants or give rise to contagion.
- (85) With regard to lending to households, this economic function is also provided by other market participants who could absorb this function, should the Institution cease performing it. Moreover, consumer loans are products that are approved in a fast procedure by almost all institutions in the Croatian market.
- (86) In light of the above, the Board considers that the Institution's lending and loan services function does not constitute a critical function within the meaning of Article 2(1)(35) of Directive 2014/59/EU.

4.2.3.1.1.3 Payment systems

- (87) The Institution does not have high market shares in payment services, ranging from [...]% for national payment transactions to [...]% for cross border payment transactions, which totals [...]% of market share in overall payment transactions.
- (88) A sudden disruption of that function would not be expected to have a material negative impact on third parties, undermine the general confidence of market participants or give rise to contagion.
- (89) In light of the above, the Board considers that the Institution's payments function does not constitute a critical function within the meaning of Article 2(1)(35) of Directive 2014/59/EU.

4.2.3.1.1.4 Capital markets and investment activities

- (90) The Institution has an approximately [...]% market share in the derivatives held for trading (over the counter) function, which is not considered particularly material compared to total trading volumes at national level. [...]. A sudden disruption of that function would not be expected to have a material negative impact on third parties, undermine the general confidence of market participants or give rise to contagion.
- (91) Furthermore, the data and the assessment of the market show that there are large enough institutions that would have the capacity to replace the capital markets and investment activities

function currently performed by the Institution in case of need in an acceptable manner and within a reasonable timeframe.

- (92) In light of the above, the Board concluded that the Institution's capital markets and investment activities function does not constitute a critical function within the meaning of Article 2(1)(35) of Directive 2014/59/EU.

4.2.3.1.1.5 Wholesale funding markets activities

- (93) In all four sub-segments of the wholesale funding activities function, the Institution does not have high market shares, ranging from [...]% (derivatives-liabilities) to [...]% (borrowing). A sudden disruption of that function would not be expected to have a material negative impact on third parties, undermine the general confidence of market participants or give rise to contagion.
- (94) Furthermore, the data and the assessment of the market show that there are large enough institutions that would have the capacity to replace the capital markets and investment activities function currently performed by the Institution in case of need in an acceptable manner and within a reasonable timeframe.
- (95) In light of the above, the Board concluded that the Institution's wholesale funding markets activities function does not constitute a critical function within the meaning of Article 2(1)(35) of Directive 2014/59/EU.

4.2.3.1.2 The Institution does not perform critical functions

- (96) The Board concludes that the Institution does not provide critical functions, within the meaning of Article 2(1)(35) of Directive 2014/59/EU and taking into account the criteria set out in Article 6 of the Commission Delegated Regulation (EU) 2016/778.

4.2.3.2 Avoiding significant adverse effects on financial stability

4.2.3.2.1 Failure of the entity would have significant adverse effects on financial stability

- (97) The failure of the Institution is likely to result in significant adverse effects on financial stability in Croatia. This is inferred from the elements set forth below.
- (98) In terms of economic importance, the Institution is the eight largest bank in the Croatian banking system and holds [...]% of market share of total assets. The Institution mainly focuses on providing traditional banking services (deposits, loans and payment function), with total assets as of 31 December 2021 amounting to EUR 1.5 billion.
- (99) Over the 2017-2019 period, the total assets, loans and deposit base of the Institution grew more than 10% per year. While in 2019, the Institution had the highest relative growth in terms of total assets (14.6%) and this growth was more than three times higher than the average growth of the Croatian banking system (4.1%). In 2020, this remained stable with a growth of only 0.1%.

- (100) The Institution also has the highest growth in terms of deposits received in recent years 2018 (14.4%) and in 2019 (16.3%), that was more than three times higher than average (6.1% in 2018, 3.4% in 2019), but in 2020 the Institution's deposit base slightly declined, by 0.7%. A similar trend is observed for loans given.
- (101) As of 31 December 2020, total assets amounted to EUR 1.5bn (EUR 1.5bn in 2019), total loans amounted to EUR 0.9bn (EUR 0.9bn in 2019) and total deposits amounted to EUR 1.1bn (EUR 1.2bn in 2019). The number of clients within the Institution also grew and, as of 31 December 2020, reached 71 972 depositors (71 392 in 2019) and 48 398 loan users (42 516 in 2019).
- (102) The Institution not only provides payment services through its network, but also through the network of its business partners. The Institution has contracts with FINA, Tisak and Konzum, which provide execution of retail payments on behalf of it through their 1,660 business units (in 2019 1 397-business units). In 2020, the Institution conducted 12.8 million transactions (in 2019 10.9 million transactions) amounting to EUR 549 million (in 2019 EUR 546 million) through these channels.
- (103) The Croatian real economy depends highly on the stability and availability of banking services. Total assets of credit institutions make up more than 68% of total assets of the financial sector.
- (104) Since 1998, there have been 30 liquidation cases in Croatia with respect to smaller banks than the Institution, with a mean recovery rate of 44.15%. Croatia also experienced liquidations of other non-bank financial institutions in mid and late 90s with far lower recovery rates.
- (105) Given the current unprecedented geopolitical developments and the sudden escalation of the Russian-Ukrainian conflict, the Institution, [...].
- (106) In a normal insolvency procedure, the time to repay creditors of the Institution would be considerable due to the technicalities of national law entailing, inter alia, the involvement of the national resolution authority, the competent court and other stakeholders, even in the presence of a willing buyer available to take over. [...].
- (107) Therefore, the failure of the bank is likely to cause significant indirect contagion in the Croatian banking system under the present circumstances, while a resolution action with respect to the Institution would restore its viability, hence re-establishing confidence towards the banking system and ensuring that the uncertainty arising from the situation is reduced to the maximum possible extent.

4.2.3.2.2 *Normal Insolvency proceedings would not avoid significant adverse effects on financial stability to the same extent as resolution action*

- (108) Due to the unprecedented circumstances of the current geopolitical environment and, in parallel, the speed of the Institution's deterioration, the Board concludes that, if the Institution were to be placed into normal insolvency proceedings, this could cause a negative reaction by market participants leading to a subsequent disruption of the financial system, with potential to harm the real economy. In particular, insolvency proceedings, which follow a complex procedure, would be associated with low confidence in the banking system and heightened risk of deposit runs and financial disruption.
- (109) On the other hand, the Board considers that the resolution action preserves the economic functions, services and core business lines of the Institution, ensuring operational and business continuity so that the uncertainty arising from the situation is reduced to the maximum possible extent. The purchaser will also ensure continuous access to the deposits and prompt liquidity provision, preventing any negative reputational effects on the broader Croatian banking sector stemming from the failing or likely to fail declaration of the Institution.
- (110) Taking this into account, the Board's assessment is that normal insolvency proceedings in respect of the Institution would not avoid significant adverse effects on financial stability to the same extent as resolution action.

4.2.3.3 *Protecting public funds by minimising reliance on extraordinary public financial support*

- (111) In case the institution is put under normal insolvency proceedings, no reliance on public funds in the form of "extraordinary public financial support" is foreseen. Any pay-out by the DGS to the covered depositors would not qualify as extraordinary public financial support and therefore, it is not taken into account when comparing insolvency with resolution¹⁴.
- (112) In Croatian law, the reliance on extraordinary public financial support¹⁵ is minimised within the normal insolvency proceedings. From 1 January 2021 a new specialised insolvency framework for financial institutions is in force in the Republic of Croatia. According to the legal provisions, if regular insolvency proceedings are initiated against the credit institution, only the use of a deposit insurance fund in line with Article 11(6) of Directive 2014/49/EU, as transposed into national law, is possible in that procedure, and only if the "least cost principle" is met, which

¹⁴ See point 63 of the Communication from the Commission on the application, from 1 August 2013, of State aid rules to support measures in favour of banks in the context of the financial crisis, OJ C 216, 30.7.2013, p. 1.

¹⁵ The notion of extraordinary public financial support as defined in Article 4, paragraph 2, item 35 of the Act on Resolution of Credit Institutions and Investments Firms (Official Gazette, 146/20, hereinafter: the "Resolution Act") which transposes Directive 2014/59/EU into Croatian legislation means State aid within the meaning of Article 107 (1) of the Treaty on the Functioning of the European Union or any other public financial support at a supra-national level, which, if provided for at national level, would constitute State aid, that is provided in order to preserve or restore the viability, liquidity or solvency of an institution or of a group such an institution or entity is a part of.

means that the Croatian Deposit Insurance Agency can finance legal actions for the purpose of sale or transfer of assets, rights and liabilities of a credit institution in compulsory liquidation proceedings in whole or in part, approved in the compulsory liquidation plan, provided that the cost of said legal actions is less than the losses that the deposit insurance fund would suffer in compulsory liquidation proceedings without taking such legal actions.

- (113) Given the information available, there are no elements indicating that extraordinary public financial support, within the meaning of Article 3(1)(29) of Regulation (EU) No 806/2014, would be provided in case of applying normal insolvency proceedings.

4.2.3.4 Protecting depositors covered by Directive 2014/49/EU and investors covered by Directive 97/9/EC

4.2.3.4.1 Protecting depositors covered by Directive 2014/49/EU

- (114) The deposit guarantee scheme in the Republic of Croatia, which is managed by the Croatian Deposit Insurance Agency (Hrvatska Agencija za Osiguranje Depozita), is governed by the Deposit Insurance Act (Official Gazette 146/2020), which transposes Directive 2014/49/EU, under which any credit institution with a head office in the Republic of Croatia that has been authorised by the Croatian National Bank is obliged to become a member of the deposit guarantee scheme in the Republic of Croatia. The Deposit Insurance Fund, which is managed by the Croatian Deposit Insurance Agency, was established to fund the deposit guarantee scheme. In accordance with Article 6 paragraph (2) of the Deposit Insurance Act, any depositor of a credit institution which holds an eligible deposit referred to in Article 6, paragraph (1) of the Deposit Insurance Act at the time of occurrence of the insured event is entitled to compensation of up to EUR 100,000.00.
- (115) The amount of covered deposits in the Institution on 31 January 2022 is EUR [...], which represents [...] % of available financial means in the deposit guarantee fund of Croatia. The Institution's covered deposits represent [...] % of its total assets and in case of bankruptcy proceedings claims for covered deposits would be in the third higher payment order, after workers' claims, claims of CNB and claims for public charges as defined by tax laws.
- (116) In view of the above, the SRB concludes that the protection of covered depositors in line with Directive 2014/49/EU would be achieved to the same extent in resolution as in normal insolvency proceedings.

4.2.3.4.2 Protecting investors covered by Directive 97/9/EC

- (117) The Institution holds a licence for providing investment services, but based on the data reported, it does not provide investment services as at 31 December 2021.
- (118) In any event, the investor compensation scheme in Croatia is governed by Title II of the Capital Market Act¹⁶, pursuant to which an Investor Compensation Fund has been established, and is

¹⁶ Official Gazette 65/2018; 17/2020; 83/2021.

managed by the Central Clearing & Depository Company, which is, in turn, supervised by the Croatian Financial Services Supervisory Agency.

- (119) In accordance with the provision of Article 258 of the Capital Market Act, the following claims are covered by the investor compensation scheme:
- a) monetary claims owed by an Investor Compensation Fund member (i.e. the credit institution) to a client or belonging to a client and which are received or held by the member in question on behalf of the client in connection with agreed investment services or an ancillary service referred to in Article 5, paragraph (2), item (1) of the Capital Market Act; and
 - b) financial instruments belonging to a client of an Investor Compensation Fund member (i.e. the credit institution) and held by, administered or managed by the member in question on behalf of the client in connection with investment services or an ancillary service referred to in Article 5, paragraph (2), item (1) of the Capital Market Act.
- (120) The coverage excludes the funds of the credit institution's clients, which are covered by the law governing the insurance of deposits made with credit institutions for the purpose of protecting depositors in the event of the unavailability of deposits. Therefore, the funds referred to in items (a) and (b) of credit institution's clients without the status of eligible deposits under the Deposit Insurance Act are covered under the investor compensation scheme up to the amount of HRK 150,000.00.
- (121) In view of the above, on the basis of the currently available information, the Board concludes that the protection of investors in line with Directive 97/9/EC would be achieved to the same extent in resolution as in normal insolvency proceedings.

4.2.3.5 Protecting client funds and client assets

- (122) Based on the data reported as at 31 December 2021, the Institution does not hold client funds or assets.
- (123) Moreover, according to the framework in place, the funds and assets would be protected in case of applying national insolvency proceedings. In particular, under the Article 80, paragraph (9) of the Capital Market Act, funds of clients deposited in the account of the credit institution do not constitute part of assets or estate in the winding-up or bankruptcy proceedings of that credit institution.
- (124) In view of the above, on the basis of the currently available information, the Board concludes that the protection of client funds and client assets would be achieved to the same extent in resolution as in normal insolvency proceedings.

4.2.3.6 Conclusion that resolution action is in the public interest

- (125) In light of the nature and the circumstances of the case, the Board concludes that a resolution action is necessary in the public interest, as it is necessary for the achievement of, and is proportionate to the resolution objective referred in Article 14(2)(b) of Regulation (EU) 806/2014

and the winding up the Institution under normal insolvency proceedings would not meet that objective to the same extent.

- (126) More specifically, the resolution action is necessary for the achievement of, and is proportionate to avoid significant adverse effects on financial stability in Croatia, in particular by preventing contagion effects and a bank-run.

4.2.4 Conclusion: Conditions for resolution are met

- (127) It follows from the considerations set out above that the conditions for resolution in respect of the Institution are met. Accordingly, the Board is required to adopt a resolution scheme in respect of the Institution, in accordance with Article 18(6) of Regulation (EU) No 806/2014.

4.3 The resolution scheme

4.3.1 Valuation 2

- (128) On 23 February 2022, the Board hired an independent valuer ([...]) to perform an economic valuation in accordance with Article 20 of Regulation (EU) No 806/2014. [...].
- (129) Given the urgency of the circumstances of the case, the Board carried out a provisional valuation 2 in accordance with Article 20(3) and (10) of Regulation (EU) No 806/2014. Such preliminary valuation was carried out for the purpose of informing the decision on the assets, rights, liabilities or instruments of ownership of the Institution to be transferred and to inform the Board's understanding of what constitutes commercial terms for the purposes of Article 24(2)(b) of Regulation (EU) No 806/2014 in respect to the Institution.
- (130) The Valuation informs the Board that the estimated value of the shares of the Institution is in the range between HRK -2 million and 1 million.
- (131) The valuation range considers a buffer for additional losses that accounts for the extreme valuation uncertainty and the risk factors. In particular, the Institution has a significantly deteriorated financial situation aggravated by significant deposit outflows and severe impact of the recent increase in its reputational risks. Considering the financial situation of the Institution and the current circumstances that have worsened additionally its financial soundness and liquidity position, jointly with all the risk factors described in the Valuation 2 report, the Board considers that the price range fairly represents a disposal value that the purchaser might be willing to pay in the current circumstances.

4.3.2 Determination of the resolution tools to be applied

- (132) The resolution tool to be applied to the Institution is the sale of business tool in the form of transfer of shares of the Institution to a purchaser, pursuant to Article 24(1)(a) of Regulation (EU) No 806/2014.

- (133) The SRB considers that the application of other resolution tools set out in Article 22(2) of Regulation (EU) No 806/2014 would not meet the resolution objectives to the same extent in the case at stake. In particular:
- a) with regard to the application of the bail-in tool in accordance with Article 27(1)(a) Regulation (EU) No 806/2014 (even if combined with the asset separation tool), it cannot effectively address the liquidity situation of the Institution, hence, restoring it to financial soundness and long-term viability;
 - b) with regard to the bridge institution tool in combination with bail-in tool (even if combined with the asset separation tool), given that the bridge institution is considered a temporary solution to be sold within, in principle, the next two years, and to the extent that the sale of business tool achieves the resolution objective within a shorter timeframe, the sale of business tool is considered to achieve the resolution objective more effectively than the bridge institution tool;
 - c) Given the specific circumstances of the case, the sale of business tool in the form of transfer of shares will ensure that the Institution will continue operating as part of a group and thus would meet the resolution objectives more effectively than the above mentioned two options.
- (134) The application of the resolution tool as referred above provides an appropriate, necessary and proportionate way to meet the resolution objectives referred to in Article 14(2) of Regulation (EU) No 806/2014. By the application of the sale of business tool, the Board mainly aims to preserve financial stability.

4.3.3 Preparation for the application of the preferred resolution strategy

4.3.3.1 Marketing procedure and its outcome

- (135) On 28 February 2022, the Croatian National Bank performed the analysis of the market to identify potential buyers that have a necessary capacity to absorb the entity of the Institution's size. The most important factor was to identify a buyer with the liquidity capacity to immediately support the bank and the market reputation to stop the liquidity drain. Specific regard was also given to the fact that such new entity would be impacted by the regulatory requirements directly influenced by the new TREA of that entity.
- (136) Following these actions, the Croatian National Bank contacted a limited number of potential purchasers with the liquidity capacity to immediately support the bank, the market reputation to stop the liquidity drain and hence the overall capacity to avoid material adverse effects on financial stability in Croatia. The contact was facilitated through an urgent invitation sent to four potential buyers inviting them to deliver their unconditional and binding offers on the same day by 15:00 hours at latest having regard that, given the present circumstances, no due diligence process can be arranged and no data can be given in regards to the business of the Institution.
- (137) The Croatian National Bank received four responses to the tender, while three of the potential purchasers expressed no interest in submitting a bid. The opening procedure was recorded by a public notary.

- (138) The only interested purchaser was Hrvatska Poštanska Banka d.d., which proposed a price for the shares in the amount of HRK 71.000.000,00 subject to obtaining necessary regulatory approvals.
- (139) Article 24(3) of Regulation (EU) No 806/2014 and Article 39(3) of Directive 2014/59/EU as transposed by the Resolution Act provide for the resolution authority's possibility to deviate from the marketing requirements as established in Article 24(1) of Regulation (EU) No 806/2014 and Article 39(1) of Directive 2014/59/EU.
- (140) In this particular case, the SRB considers that the failure of the Institution creates a material threat to financial stability and the full compliance with all those requirements would undermine the effectiveness of the sale of business tool in achieving the resolution objective specified in point (b) of Article 14(2) of Regulation 806/2014, as further recommended by EBA Guidelines on the sale of business tool¹⁷.
- (141) As mentioned above, the failure of the institution would create a spill over effect into the real economy, by means of indirect contagion. Therefore, the factual circumstances that are relevant for the risk that marketing the institution under resolution may lead to aggravating uncertainty and a loss of market confidence are the following: the likelihood of a withdrawal of short-term funding or deposits, the likelihood of a decrease in share prices of institutions and, the likelihood of a decrease in ratings of institutions in the country.
- (142) In this context, the full compliance with the requirements specified in Article 39(1) of Directive 2014/59/EU would be likely to undermine the effectiveness of the sale of business tool, as per the liquidity drain expected during the process.
- (143) The following paragraphs provide the justification for the deviations from the standard marketing process.
- (144) With regard to the transparency requirement stipulated in point (a) of Article 39(2) of Directive 2014/59/EU, the preparation of a wide marketing process with complete access to due diligence entails a lengthy process. Having regard to the time limitation of the moratorium until 1 March at 23:59:59 pursuant to Decision of the SRB (**SRB/EES/2022/17**) (i.e., the suspension of obligations measure under Article 33a of Directive 2014/59/EU), and the need for the SRB to adopt a final decision before the end of the moratorium, the marketing process was targeted to a specific number of potential bidders which were considered able to provide the necessary assurances.
- (145) With regard to the principle of non-discrimination established by point (b) of Article 39(2) of Directive 2014/59/EU, the need for rapid action jeopardises the possibility of extending the marketing process to all potential participants in the market. Therefore, the Croatian National Bank limited the process to those potential purchasers that can provide the necessary assurances and thus are likely to ensure financial stability, and are familiar with the Croatian market. By limiting the marketing process to such potential purchasers only, the Croatian National Bank ensured the effectiveness of the sale of business tool in line with paragraph 5(b)

¹⁷ https://www.eba.europa.eu/sites/default/documents/files/documents/10180/1080767/6c15f73e-7557-48a6-b9f2-a70fda290149/EBA-GL-2015-04_EN_Guidelines%20on%20the%20sale%20of%20business%20tool.pdf?retry=1

of the EBA guidelines as there existed substantive reasons for including in the marketing process only a certain type of market participants.

- (146) The Croatian National Bank, when aiming to maximise the price, took into account that the need of a rapid action will be in conflict with prolonged price negotiations. That is the case, particularly considering the confidence of depositors.
- (147) As regards the outcome of the marketing process, one bidder submitted a binding offer for the acquisition of the shares of the Institution.

4.3.3.2 Selection of the preferred bid

- (148) Given that Hrvatska Poštanska Banka d.d. ("**Croatian Postbank**") was the sole bidder submitting a binding and valid bid, and the SRB considers it appropriate to transfer the Shares to this bidder and thereby prevent an uncontrolled insolvency of the Institution that would have, inter alia, endangered the financial stability as referred to in the public interest test section.
- (149) The price offered by Croatian Postbank is considered to constitute commercial terms, which conform with the valuation conducted under Article 20 of Regulation (EU) No 806/2014, having regard to the circumstances of the case. In particular, the bid is higher than the range suggested in the Valuation. It is recalled that the Valuation 2 is performed having regard to the disposal value that a market participant would be willing to pay under a resolution scenario. However, the Valuation 2 does not take into account any purchaser-specific circumstances (such as synergies between the specific purchaser and the institution under resolution) that may inform the decision of a purchaser to provide for a price higher than the range in the Valuation 2. More relevant is that the selected bidder demonstrated that they can contribute to avoiding significant adverse effects on financial stability and contain the liquidity drain.
- (150) The transaction is under the assessment of the relevant National Competition Authorities of Croatia.
- (151) In light of the above, the bid submitted by Croatian Postbank, which was equal to HRK 71.000.000,00, constitutes commercial terms in line with the Valuation 2.

4.3.4 Application of sale of business tool

- (152) In exercise of its rights and powers under Article 24(1)(a) of the Regulation (EU) No 806/2014 and in light of the bid submitted by the preferred bidder, the Board hereby orders that all the shares in the Institution, will be transferred to, and the transfer shall be accepted by, the Croatian Postbank, incorporated under Croatian law, with registered office at Jurišićeva 4, 10000 Zagreb, Croatia, with tax identification number (OIB): 87939104217 licensed as a credit institution (the "**Purchaser**"). The transfer will take place free and clear of any rights or liens of any third party.
- (153) In light of the Purchaser's Binding Offer, the consideration to be paid by the Purchaser will amount to HRK 71.000.000,00.
- (154) Upon instruction of the SRB, the ancillary expenses incurred by the SRB and the NRA, as per Article 22(6) of Regulation (EU) No 806/2014 and Article 38(4)(a) Directive 2014/59/EU, as

transposed under national law, will be deducted from the positive consideration paid by the Purchaser.

4.3.5 Resolution powers to be exercised by the national resolution authority and implementation of the resolution scheme by that authority

- (155) When applying resolution measures and exercising the resolution powers, the resolution authority shall ensure that it takes all appropriate measures to ensure that the resolution action is taken in accordance with the principles laid down in Article 34 of Directive 2014/59/EU, as transposed into national law. Moreover, in accordance with Article 18(9) of Regulation (EU) No 806/2014 and Article 63 onwards of Directive 2014/59/EU as transposed into national law, the Croatian National Bank may exercise the resolution powers provided therein.
- (156) Without prejudice to the national law, the Croatian National Bank will take all necessary measures and actions to ensure that the implementation of the above mentioned tools, including the removal of any obstacles to complete the sale of business to Croatian Postbank under Croatian law.

HAS ADOPTED THIS DECISION:

Article 1

Valuation

For the purposes of the resolution of Sberbank d.d. with Legal Entity Identifier (“LEI”) 529900NGK4TXO1F8FR52, the valuation pursuant to Article 20 of Regulation (EU) No 806/2014 shall be as set out in **Annexes 1 and 2** to this Decision.

Article 2

Placing the Institution under resolution

Sberbank d.d. shall be placed under resolution as set out in this Decision.

Article 3

Application of resolution tools

For the purposes of the resolution of Sberbank d.d., the sale of business tool in the form of transfer of shares shall be applied by the Croatian National Bank as specified in the following Articles.

Article 4

Application of the sale of business tool

1. The SRB hereby decides that all the shares issued by Sberbank. d.d. at the time of the adoption of this Decision shall be transferred to, and the transfer shall be accepted by, the Hrvatska Poštanska Banka, with a Croatian Tax Identification Number (OIB: 87939104217) (LEI: 529900D5G4V6THXC5P79) (the “**Purchaser**”).
2. The transfer shall take place free and clear of any rights or liens of any third party. The SRB instructs the Croatian National Bank that the transfer of the Shares shall not be subject to any conditions, other than regulatory approvals, and it shall not result in any liability of the SRB.
3. The Purchaser shall pay a consideration equal to HRK 71.000.000,00 to the account indicated by the Croatian National Bank within 30 days from the closing of the transaction and the recording of the 100 % shareholding transfer to HPB. The Croatian National Bank shall pay the above consideration after deducting any expenses incurred by the SRB and the Croatian National Bank in connection with the use of the resolution tools and powers upon instruction by the Board.

Article 5

Appointment of special manager

The SRB instructs the Croatian National Bank to replace the management body of the Institution and to appoint a special manager for the Institution, pursuant to Article 15(1)(c) and (d), Article 23 of Regulation (EU) No 806/2014 and the national law transposing Article 35 of Directive 2014/59/EU. In this regard, the Croatian National Bank may take into account the proposal of the Purchaser.

Article 6

Informing and consulting employee representatives

In accordance with Article 15(4) of Regulation (EU) No 806/2014, the Croatian National Bank shall inform and consult the employee representatives, where appropriate taking into consideration the Croatian labour law as applicable given the circumstances and particularity of the case.

Article 7

Reporting

Without prejudice to the obligations pursuant to Article 28(1) of Regulation (EU) No 806/2014, the Croatian National Bank shall, during the execution of the resolution scheme, inform the SRB on a frequent basis to be determined by the SRB, in accordance with the requirements laid down in point (b) of the first subparagraph of Article 28(1) of Regulation (EU) No 806/2014.

Article 8

Addressee

1. This Decision is addressed to the Croatian National Bank.
2. The Croatian National Bank is instructed to take the necessary action to implement this Decision in accordance with the national law.

Done at Brussels, on 01 March 2022

For the Single Resolution Board,

The Chair

Elke KÖNIG