

11th Financial Stability Council meeting

The Financial Stability Council held its 11th meeting at the Croatian National Bank on 13 December 2018. The meeting was chaired by the CNB Governor, Boris Vujčić, and attended by the Finance Minister, Zdravko Marić, the Croatian Financial Services Supervisory Agency Board President, Ante Žigman, the Director of the State Agency for Deposit Insurance and Bank Resolution, Marija Hrebac, and their associates.

Following an update on the main indicators of the financial system stability, the members of the Council assessed the overall system's exposure to systemic risks as moderate. They emphasised that the identified risks to financial stability could materialise should there be a deterioration in the international environment, which could occur primarily due to geopolitical and economic uncertainty, while the impact of domestic factors was assessed as limited. As regards trends in the domestic banking market, a focus was put on the risks related to the accelerated growth of non-collateralised general-purpose cash loans, granted for higher amounts and with up to ten-year maturities. In contrast, the risk of interest rate change for the household sector was said to be decreasing, because a large portion of loans granted in the recent period are hedged against interest rate risk, at least in the early repayment period.

The members of the Council were also informed on a new cycle of identification of other systemically important institutions and recent activities on the implementation of the ESRB Recommendation on closing real estate data gaps.

Also discussed at the meeting were current trends and the major risks in the non-banking financial market. The members of the Council were informed of real estate investments by Croatian insurance companies, which considerably exceed the EU average. The findings of an analysis of the impact of changes in real estate prices on insurance companies were also presented.