

12th Financial Stability Council session

The Financial Stability Council held its 12th session at the Croatian National Bank, 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.

The Council members were briefed on the main indicators of the financial system stability. The uncertainties related to global geopolitical and trade tensions and general macroeconomic developments are assessed as remaining significant. The structural vulnerabilities in the domestic economy, although continuing to decline, have remained elevated, while the major sources of risk are the slowdown in the global and domestic economy and changes in financial conditions.

The Croatian banking system has remained well capitalised and liquid, the credit portfolio quality and bank profitability are improving, whereas the banking system's resilience to potential shocks has continued to be relatively high. As regards risks related to the accelerated growth of general-purpose cash loans, a topic discussed at the 11th Financial Stability Council session, in February 2019 the CNB issued the Recommendation on actions in granting non-housing consumer loans to credit institutions, aimed at harmonising criteria for the assessment of creditworthiness among different types of long-term consumer loans. The CNB is monitoring the effects of the Recommendation and stands ready to take further action if required. Another point of discussion was related to the re-establishment of exchange of data and the issuance of credit reports through the Croatian Registry of Credit Obligations (HROK).

The Council members also reviewed current trends and main risks in the nonbanking financial market, including the structure of and trends in the assets of the non-banking financial sector, sector's concentration, current risks and recent capital market developments. The Council members were also informed about the completed reclassification of money market funds pursuant to Money Market Fund Regulation (Regulation (EU) 2017/1131), primarily into short-term bond funds.

As regards the Recommendation of the ESRB on closing real estate data gaps, the Council members were informed about the amendments proposed following the consultations at the European level. A brief discussion was held concerning the activities carried out in Croatia with regard to the collection of data required for the monitoring of real estate market risks.

The Annual Report on the Council's activity in 2018 was adopted at this session.