



Mr Zdravko Marić
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Ministry of Finance
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Croatia

ECB-PUBLIC
ESRB/2021/0114

Copy to:
Mr Boris Vujčić, Governor
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9 December 2021

Warning of the European Systemic Risk Board of 2 December 2021 on medium-term vulnerabilities in the residential real estate sector of Croatia (ESRB/2021/13)

Dear Mr Marić,

This is to inform you that, on 2 December 2021, the General Board of the European Systemic Risk Board (ESRB) adopted a set of country-specific Recommendations and Warnings on medium-term vulnerabilities in the residential real estate (RRE) sector in seven countries, including Warning ESRB/2021/13 on medium-term vulnerabilities in the residential real estate sector of Croatia.

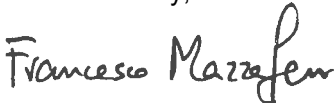
The General Board of the ESRB decided to issue those Recommendations and Warnings, following a systematic and forward-looking European Economic Area-wide assessment of vulnerabilities relating to the residential real estate sector. The Recommendations are addressed to countries that received ESRB warnings in 2016 and 2019 and in which vulnerabilities related to the residential real estate as a source of systemic risk have not been sufficiently addressed, while the Warnings to countries in which vulnerabilities relating to the residential real estate as a source of systemic risk have been newly identified as not being sufficiently addressed.

As regards Croatia, this recent assessment has revealed that the main vulnerabilities are signs of house price overvaluation and elevated house price growth, as well as high mortgage credit growth with signs of a loosening of lending standards.

Warning ESRB/2021/13 on medium-term vulnerabilities in the residential real estate sector of Croatia is being transmitted to your authority, in accordance with Article 16(2) of Regulation (EU) 1092/2010.

In line with Article 18(2) of Regulation (EU) No 1092/2010, I would hereby also like to inform you that Warning ESRB/2021/13 will be published on the ESRB's website and later in the *Official Journal of the European Union*. In addition, in line with Article 18(3) of Regulation (EU) No 1092/2010, addressees of public warnings have the right to make public their views and reasoning on the matter. Should you wish to utilise this right, you are kindly invited to submit to the ESRB Secretariat any views and reasoning that you may have on the matter by 24 January 2022.

Yours sincerely,



Francesco Mazzaferro
Head of the ESRB Secretariat

Enclosed:

Warning ESRB/2021/13 on medium-term vulnerabilities in the residential real estate sector of Croatia.