

Reg. No: 57-093/093/21-12
Zagreb, 10 October 2022

TO ALL CREDIT INSTITUTIONS
Attention of: Management Board

Subject: Application of the Guidelines on credit risk mitigation for institutions applying the IRB approach with own estimates of LGDs (EBA/GL/2020/05)

Dear Sir/Madam,

We hereby inform you that the European Banking Authority (hereinafter: the EBA) issued the *Guidelines on credit risk mitigation for institutions applying the IRB approach with own estimates of LGDs (EBA/GL/2020/05)* (hereinafter: the Guidelines).

In accordance with Article 4, paragraph (1), item (3) of the Credit Institutions Act (Official Gazette 159/2013, 19/2015, 102/2015, 15/2018, 70/2019, 47/2020 and 146/2020), the Croatian National Bank (hereinafter: the CNB) shall make every effort to comply with those guidelines and recommendations issued by the EBA in accordance with Article 16 of Regulation (EU) No 1093/2010 (OJ L 24.11.2010).

The Guidelines apply to credit institutions applying the IRB approach in accordance with Part Three, Title II, Chapter 3 of Regulation (EU) No 575/2013 and, in particular, to institutions that have been permitted to use own LGD estimates in accordance with Article 143 of that Regulation. The Guidelines should be considered as a supplement to the EBA Guidelines on PD estimation, LGD estimation and the treatment of defaulted exposures (EBA/GL/2017/16), issued on 20 November 2017.

In conclusion, the Guidelines specified in this circular also represent the expectations which the CNB will take into account in the exercise of supervision. The CNB expects credit institutions that apply the IRB approach to fully comply with the Guidelines in the part applicable to them. If a credit institution fails to comply with the applicable provisions of the Guidelines referred to in this circular, the CNB will consider the need to impose supervisory measures to ensure compliance with the Guidelines.

The Guidelines are available on the EBA's website at the following link:

https://www.eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2020/Guidelines%20on%20Credit%20Risk%20Mitigation%20for%20institutions%20applying%20the%20IRB%20approach%20with%20own%20estimates%20of%20LGDs/924280/Guidelines%20on%20CRM%20for%20A-IRB%20institutions_COR_EN.pdf

Kind regards,

Tomislav Ćorić
Vicegovernor