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**The countercyclical buffer rate of 2.0% is appropriate for preserving banking system resilience**

The domestic financial cycle remains in an expansive phase, as reflected in a strong credit activity of banks and a further growth in the prices of residential real estate and an ensuing increase in cyclical vulnerabilities. Against such a backdrop, the increase in the countercyclical buffer rate from 1.5% to 2.0% announced in September and applicable as of 1 January 2027, is estimated to be appropriate for preserving banking system resilience in case of materialisation of cyclical systemic risks. The relevant information in accordance with Articles 119 and 123 of the Credit Institutions Act are given below.

Household loans have continued to grow sharply, at an annual growth rate of 12.9% in October 2025 (transaction-based). Their growth mostly mirrors a further increase in housing loans, which rose 14.8% on an annual level in October 2025, while the growth in general-purpose cash loans slowed down to 12.2%. The second half of the year saw a gradual slowdown in household lending momentum, particularly in the segment of general-purpose cash loans, mostly attributable to the beginning of application of macroprudential measures imposing limits on lending criteria. Lending to non-financial corporations stabilised at a high level, growing annually 13.2% in October with lending momentum to companies in the second half of 2025 also decelerating. The annual growth rate of the prices of residential real estate in the domestic market accelerated to 13.2% in the second quarter of 2025, which is an increase from the year before and a faster growth than in most EU member states.

The described developments led to an increase in the indicators of cyclical systemic risk and an additional increase in the indicators of the credit gap for the Republic of Croatia (Figure 1) and the composite indicator of cyclical systemic risk (Figure 2). In the second quarter of 2025, the composite indicator, which comprises a larger group of financial cycle indicators outstripped its historical high in the period prior to the global financial crisis. The elevated level of the composite indicator in the second quarter of 2025 is due to higher growth rates of loans and a higher debt level amid low interest rates suggesting possible underestimation of credit risks and other risks. The robust growth of the domestic demand, driven by strong credit activity, and the weakening of the domestic competitiveness widened the current and capital account deficit. Credit growth also led to an increase in the relative indebtedness of the domestic private sector, measured by their debt to GDP ratio (Table 1).

The CNB will continue to monitor closely the evolution of cyclical vulnerabilities in the light of domestic and global economic and financial developments and adjust macroprudential measures as needed so as to achieve their optimal combination and ensure the long-term stability of the financial system. Depending on the circumstances, this may include further increases in the countercyclical capital buffer rate if cyclical risks grow further, but also its immediate full or partial release or the abandonment of the announced increase in the event of a significant deterioration in economic and financial conditions.

Table 1 Indicators of cyclical systemic risk and the associated benchmark countercyclical buffer rates for Q2/2025

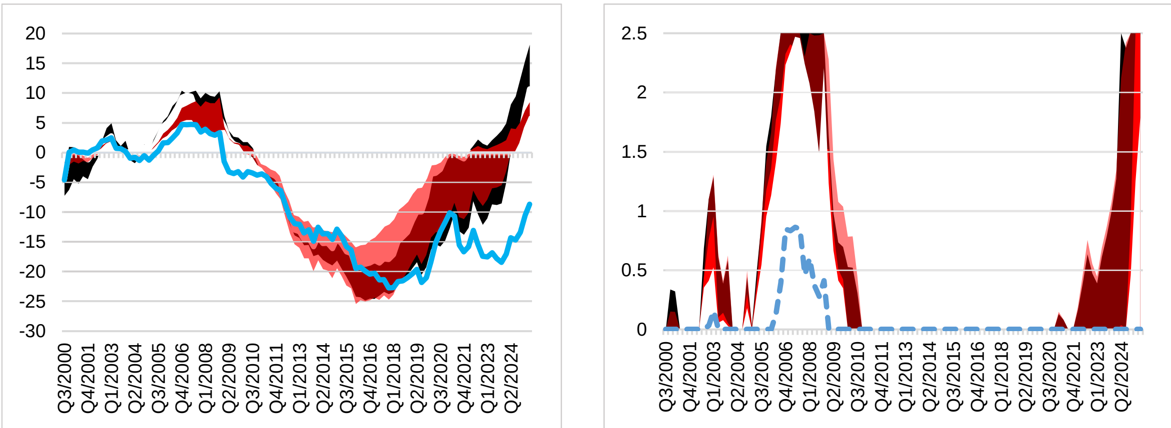
| **Indicator** | **Ratio/indicator value** | **Credit gap (deviation from the long-term trend)** | **Benchmark CCyB rate** |
|---|---|---|---|
| Standardised (Basel) credit-to-GDP ratio | 62.0% ↑ | –8.7 p.p. ↑ | 0% |
| Specific credit-to-GDP ratio (absolute gap) | 48.4% ↑ (narrow) and 62.0% ↑ (broad) | 6.0 p.p. ↑ to 8.5 p.p. ↑ | 1.79% to 2.50% ↑ |
| Specific credit-to-GDP ratio (relative gap) | | 10.7% ↑ to 18.1% ↑ | 2.50% to 2.50% ↑ |
| Composite indicator | 0.50 ↑ (100th percentile of distribution) | / | 2.16% to 2.50% ↑ |

Notes: Specific ratio values differ depending on the definition of credit (48.4% for a narrow definition of credit, which includes only domestic bank credit, and 62.0% for a broad definition). Differences in gap values arise from different definitions of gap (absolute gap is calculated as the difference while the relative gap is calculated as the ratio of the following variables: the credit-to-GDP ratio and its trend) and estimated statistical trends. The arrows indicate the direction of the change in relation to the value of indicators and benchmark rates from the previous quarter.
Source: CNB.

Figure 1 Range of credit gap indicators and affiliated benchmark CCyB rates

1.a Credit gap (% and p.p.)

1.b Benchmark CCyB rates

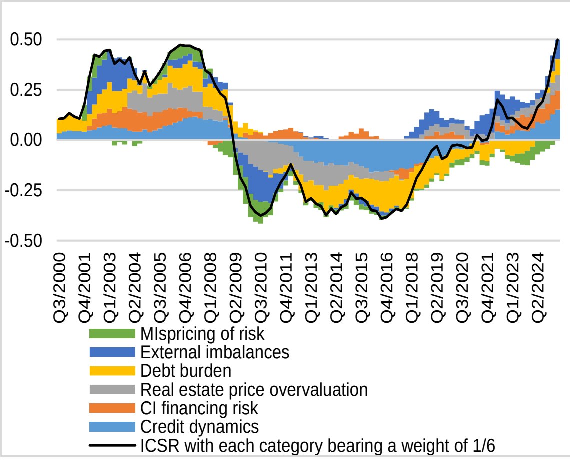



Notes: The left panel shows the Basel gap (blue curve) and the range of 12 credit gap indicators which have better signalling properties for the Republic of Croatia than the Basel gap. The red shaded areas indicate the range of absolute gaps, while the black shaded areas indicate relative gaps. The right panel shows the range of CCyB rates calibrated on the basis of the gaps in the left panel. The blue dashed curve indicates the calibration based on the Basel gap given in the left panel. For details on the methodology used to estimate credit gaps, see Box 2 Improvements in the methodology of countercyclical buffer identification and calibration in Croatia, Macroprudential Diagnostics No. 16.

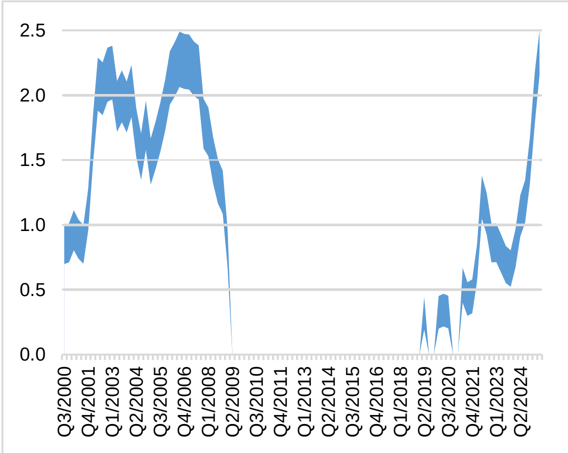
Source: CNB.

Figure 2 Composite indicator of the cyclical systemic risk (ICSR) and the affiliated range of benchmark CCyB rates

2.a Composition and dynamics of ICSR




2.b Range of calibrated CCyB rates




Notes: CI indicates credit institutions. The lower threshold for the calibration of the CCyB rate has been chosen to enable the rate to become positive before indicators included in ICSR calculation (Figure 2.a) reach median level, while the upper threshold is determined by the highest percentiles of ICSR distribution.

Source: CNB.