

Creditor hierarchy within the compulsory liquidation proceedings which constitute normal insolvency proceedings for credit institutions in Republic of Croatia

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Rank ¹	Name	Description	Legal basis	Comments
1	Shareholder's equity	Rights derived from stocks to receive what remained in the liquidation estate, after all expenses of the proceedings are covered and all other creditors have been settled in full, in proportion to their participation in credit institution's equity.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 41 para 2	Pursuant to Article 41 para 2 of the Act on Compulsory Liquidation of Credit Institutions, in addition to equity related claims, all other shareholders' claims, irrespective of the legal basis that created the institution's obligation towards the shareholder shall be settled from the remaining proceeds in proportion to their equity participation (taking into consideration whether the stocks have been paid in full) only after all other creditors, including the costs of the proceedings have been settled in full.
2	Subordinated debt	The principal amount of subordinated debt that is included in additional tier 1 capital.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 8 in conjunction with para 11	Pursuant to Article 33 para 12 of the Act on Compulsory Liquidation of Credit Institutions, interest on claims of creditors with lower priority within the hierarchy and the costs incurred by their participation in the compulsory liquidation proceedings are of the same order as the claims of these creditors.
3	Subordinated debt	The principal amount of subordinated debt that is included in tier 2 capital.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article	Pursuant to Article 33 para 9 of the Act on Compulsory Liquidation of Credit Institutions, parts of the instrument that was subject to amortisation in accordance with Article 64 of Regulation (EU) No 575/2013 should also be placed here. In addition, pursuant to Article 33

¹ The ranking starts with the most junior ranking instruments and items. If there are less than 20 different insolvency ranks in the jurisdiction, the rows corresponding to the non-existing insolvency ranks shall be left empty

			33 para 8 in conjunction with para 9 and 11	para 12 of the Act on Compulsory Liquidation of Credit Institutions, interest on claims of creditors with lower priority within the hierarchy and the costs incurred by their participation in the compulsory liquidation proceedings are of the same order as the claims of these creditors.
4	Subordinated debt	Claims of parent undertakings as owners of instruments used by subsidiaries to meet the minimum requirement for own funds and eligible liabilities on an individual basis.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 8 in conjunction with para 11	
5	Subordinated debt	Claims of owners of instruments used in accordance with the Act on the Resolution of Credit Institutions and Investment Firms to meet the minimum requirement for own funds and eligible liabilities and for which it has been arranged that when bail-in tool is applied, the instruments shall be written down or converted to shares or other instruments of ownership.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 8 in conjunction with para 11	
6	Subordinated debt	Claims of the holder of subordinated debt that is not additional tier 1 or tier 2 capital.	Act on Compulsory Liquidation of Credit Institutions (OG	Only those instruments that do not fulfil the criteria for own funds should be placed here, e.g. AT1 instrument that ceased to be grandfathered after 31 December 2021 under the Regulation (EU) No 575/2013 or an

			146/20), Article 33 para 8 in conjunction with para 11	instrument that is subordinated but did not fulfil the criteria for additional tier 1 or tier 2 capital when issued.
7	Subordinated debt not covered under points 2 to 6	Other claims that result from a contract that contains a clause stating that such claims shall be settled after all other claims, both senior and junior, provided that such claims cannot be included in points 2 to 6.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 8 in conjunction with para 11	Only particular claims, which cannot under the contractual terms creating such a claim, be placed in points 2 to 6, should be placed here.
8	Fifth junior rank	Claims for repayment of loans granted by the shareholders as a means of raising the capital of the company or equivalent claims.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 10	
9	Fourth junior rank	Claims concerning debtor's considerations free of charge.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 10	

10	Third junior rank	Fines imposed for a criminal or misdemeanour offense and the costs of criminal or misdemeanour proceedings.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 10	
11	Second junior rank	Claims for reimbursement of creditors' expenses (costs) incurred by their participation in the compulsory liquidation proceedings.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 10	Not relevant for the reports.
12	First junior rank	Interests on creditors' claims as of the opening of the compulsory liquidation proceedings.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 10	Not relevant for the reports.
13	Sixth senior rank	All other claims against the credit institution apart from: 1) those classified as junior claims; and 2) subordinated debt.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 7	

14	Fifth senior rank	Claims arising from eligible deposits that exceed the coverage level provided for in the law governing deposit insurance and claims that would be eligible deposits if they were not held with a branch of the credit institution located in a third country, which are not included in the fourth senior rank.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 6	
15	Fourth senior rank	Claims arising from eligible deposits held by natural persons, micro, small and medium-sized enterprises that exceed the coverage level provided for in the law governing deposit insurance and deposits held by natural persons, micro, small and medium-sized enterprises that would be eligible deposits if they were not held with a branch of the credit institution located in a third country.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 5	
16	Third senior rank	Claims arising from insured deposits, i.e. claims of the Croatian Deposit Insurance Agency that were subrogated to it after the repayment of insured deposits in accordance with <i>lex specialis</i> .	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 4	
17	Second senior rank	Claims of Croatian National Bank and claims for public charges as defined by tax laws.	Act on Compulsory Liquidation of Credit Institutions (OG	

			146/20), Article 33 para 3	
18	First senior rank	<ol style="list-style-type: none"> 1. Claims of employees and former employees of the credit institution incurred before the date of the opening of the compulsory liquidation proceedings 2. Claims of the state budget, institutes or funds in accordance with <i>lex specialis</i> in the amount of the corresponding part of the total costs of salary or salary compensation 3. Severance payments up to the amount laid down by law or the collective bargaining agreement and claims for damages due to injury at work or due to occupational hazard. 	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 2	
19	Obligations of the liquidation estate	<ol style="list-style-type: none"> 1. Court expenses and fees 2. Claims of unpaid salaries of employees in gross amount determined in the liquidation proceedings which are higher than three unpaid salaries that the employee is entitled to pursuant to <i>lex specialis</i>, up to the amount of three unpaid minimum wages in the Republic of Croatia. The provisions of this point shall not apply to persons who were members of the management board of a credit institution 3. Liquidator's reward 4. Other expenses for which the Act on Compulsory Liquidation or other law 	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 12 para 3	Not relevant for the reports.

		envisages to be settled as expenses of the proceedings.		
20	Secured claims	Claims secured with mortgage or other rights that entitles the holder to separate settlement.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 7 in conjunction with the Bankruptcy Act (OG 71/15 and 104/17), Article 149	Entitled to be settled separately against the secured assets outside of the compulsory liquidation proceedings. They exclude other creditors, up to the value of the collateral, from settlement, i.e. they are settled before other creditors, but from the value of the collateral. After the settlement, remaining proceeds belong to the liquidation estate and are divided to other creditors.
21	Claims for the exclusion of certain assets from the liquidation estate	Rights over assets that do not belong to the liquidation estate.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 7 in conjunction with the Bankruptcy Act (OG 71/15 and 104/17), Article 147 para 1	Such creditors are entitled to seek exclusion of certain assets from the liquidation estate.