

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	Share rights	If during the final distribution all creditors in a compulsory liquidation procedure can be settled in full, the shareholders have the right to the remainder of the assets.	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 41 para 3 and 5 in conjunction with the Bankruptcy Act (OG, 71/15, 104/17 and 36/22), Article 285	Share rights do not represent an order of priority for the collection of claims within the compulsory liquidation procedure in view of the prescribed ban on the return of paid-in contributions. However, share rights are depicted here as an order of priority for resolution reporting purposes.
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 point 6 in conjunction with para 11	To the extent that the instrument of Additional Tier 1 capital is only partially included in the calculation of regulatory capital, the entire instrument is treated in the manner prescribed by Article 33 paragraph 8 of the Act on Compulsory Liquidation (OG 146/2020).
3	Subordinated debt	The principal amount of subordinated debt that is included in Tier 2 capital.	Act on Compulsory Liquidation of	To the extent that the instrument of Tier 2 capital is only partially included in the calculation of regulatory capital, the entire

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

			Credit Institutions (OG 146/20), Article 33 para 8 point 5 in conjunction with para 9 and 11	instrument is treated in the manner prescribed by Article 33 paragraph 8 of the Act on Compulsory Liquidation (OG 146/2020). Parts of the instrument that was subject to amortisation should also be placed here.
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 point 4 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 point 3 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., Additional Tier 1 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 point 2 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 point 1 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 point 5	
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 point 4	

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 point 3	
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 point 2	Not relevant for resolution 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 point 1	Not relevant for resolution 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	<p>1) Claims of employees and former employees of the credit institution incurred before the date of the opening of the compulsory liquidation proceedings</p> <p>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</p> <p>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.</p>	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 33 para 2	
19	Obligations of the liquidation estate	<p>The obligations of the liquidation estate include the costs of the compulsory liquidation procedure and other obligations of the liquidation estate. The costs of the compulsory liquidation procedure include:</p> <p>1) court expenses and fees</p> <p>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</p>	Act on Compulsory Liquidation of Credit Institutions (OG 146/20), Article 12 para 3	Not relevant for resolution reports.

		<p>not apply to persons who were members of the management board of a credit institution</p> <p>3) liquidator's reward</p> <p>4) other expenses for which the Act on Compulsory Liquidation or other law envisages to be settled as expenses of the proceedings.</p>		
20	a) Rights of creditors with separate satisfaction right	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, 104/17 and 36/22), Articles from 149 to 152	The rights of creditors with separate satisfaction right do not represent an order of priority for the collection of claims within the compulsory liquidation procedure, but rather the right of separate settlement outside of compulsory liquidation proceedings. However, rights of creditors with separate satisfaction right are depicted here as an order of priority for resolution reporting purposes. Creditors with separate satisfaction right 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.
	b) Rights of creditors with the right of exclusion of assets	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	The rights of creditors with the right of exclusion of assets do not represent an order of priority for the collection of claims within the compulsory liquidation procedure since assets and rights on which there is a right of exclusion are separated from the liquidation estate. However, rights of creditors with the right of

			Bankruptcy Act (OG, 71/15, 104/17 and 36/22), Article 147 para 1	exclusion of assets are depicted here as an order of priority for resolution reporting purposes.
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