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Reg. No: 57/020/21-2 /MD
Zagreb, 2 February 2021

TO ALL CREDIT INSTITUTIONS
Attention of: Management Board

Subject: Supervisory expectations related to audited annual financial statements of credit institutions for 2020

Dear Sir/Madam,

Further to the series of meetings held in the last quarter of 2020 between the representatives of the Croatian National Bank (hereinafter: CNB), management boards of credit institutions and their auditors regarding the compilation of audited annual financial statements of credit institutions (hereinafter: AFS) for 2020 and the related reporting framework, we hereby notify you of our supervisory expectations.

In the meetings referred to above, CNB representatives laid emphasis on the legal obligation of credit institutions according to which AFS are compiled and presented by applying International Financial Reporting Standards (hereinafter: IFRS) as governed by Article 2 of Regulation (EC) No 1606/2002 and stressed that IFRS constitute the applicable financial reporting framework for credit institutions in the Republic of Croatia.

Upon considering the submitted proposals, for which we thank you, we hereby:

- support the wording by which the note “Basis of preparation” in the AFS would indicate that the positions as at 31 December 2020 comply fully with the IFRS;
- we consider that, where during the compilation of AFS certain deviations from IFRS requirements are established which are not materially significant, they should be described in AFS notes;
- we believe that, where as at 31 December 2021, positions in AFS comply with the IFRS, there is reasonable basis for the auditors to be able to confirm that, for 2021, the AFS have been compiled in accordance with the IFRS; and
- we emphasise that the CNB will continue to take steps and engage in activities aimed at fully removing any potential deviations of local regulations with regard to IFRS requirements and at ensuring that such deviations do not have a material effect on the compilation of AFS in accordance with the regulatory framework for credit institutions in the Republic of Croatia.

Kind regards,

Martina Drvar
Vicegovernor