

# **CROATIAN NATIONAL BANK**

## **FINANCIAL STATEMENTS**

**for the year ended 31 December 2021**

This version of the financial statements and Auditors' report is a translation from the original, which was prepared in the Croatian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the financial statements and Auditors' report takes precedence over translation.

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## **Independent Auditors' Report to the Council of the Croatian National Bank**

### ***Opinion***

We have audited the financial statements of the Croatian National Bank, which comprise the balance sheet as at 31 December 2021, the profit and loss account for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Croatian National Bank as at 31 December 2021, and of its financial performance for the year then ended, in accordance with Article 60 of the Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020), which regulates the application of Guideline (EU) 2016/2249 of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34), with amendments ("the basis of preparation").

### ***Basis for Opinion***

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Croatian National Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements in Croatia and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Emphasis of Matter***

We draw attention to note *1.2.1 Basis of preparation*, which explains that the accompanying financial statements are the first financial statements of the Croatian National Bank prepared in accordance with the basis of preparation stated in that note. Transition to the new basis of preparation is further explained in notes *1.2.2 Amendments to the Act on the Croatian National Bank related to the transition to the ECB Guideline*, *1.2.3 The most significant changes in accounting policies* and *1.2.4 Impact of changes in the accounting policies on the balance*. Our opinion is not modified in respect of this matter.

### ***Responsibilities of the Council of the Croatian National Bank for the Financial Statements***

The Council of the Croatian National Bank is responsible for the preparation of the financial statements that give a true and fair view in accordance with the basis of preparation, and for such internal control as the Council of the Croatian National Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council of the Croatian National Bank is responsible for assessing the Croatian National Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in accordance with the relevant legislation.

The Council of the Croatian National Bank is responsible for overseeing the Croatian National Bank's financial reporting process.



## **Independent Auditors' Report to the Council of the Croatian National Bank (continued)**

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Croatian National Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council of the Croatian National Bank.
- Conclude on the appropriateness of the Council of the Croatian National Bank's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Croatian National Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Croatian National Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



## Independent Auditors' Report to the Council of the Croatian National Bank (continued)

### *Auditors' Responsibilities for the Audit of the Financial Statements (continued)*

We communicate with the Council of the Croatian National Bank regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**KPMG Croatia**  
d.o.o. za reviziju 1  
Eurotower, 17. kat  
Ivana Lučića 2a, 10000 Zagreb 1



**KPMG Croatia d.o.o. za reviziju**  
Ivana Lučića 2a  
10000 Zagreb  
Croatia

**KPMG Baltics AS**  
Vesetas iela 7  
Riga, LV 1013  
Latvia

For and on behalf of KPMG Croatia d.o.o.:

Goran Horvat  
*President of the Management Board,  
Croatian certified auditor*

Zagreb, 15 March 2022

For and on behalf of KPMG Baltics AS

Armine Movsisjana  
*Managing Partner*

Riga, 15 March 2022

## BALANCE SHEET

*(All amounts are expressed in thousands of kuna)*

Assets	31/12/2021	01/01/2021
<b>1. Gold and gold receivables</b>	<b>4,601</b>	<b>4,405</b>
<b>2. Claims on residents outside Croatia denominated in foreign currency</b>	<b>200,179,428</b>	<b>147,846,407</b>
2.1 Receivables from the International Monetary Fund (IMF)	9,253,337	2,703,837
2.2 Balances with banks and security investments, external loans and other external assets	190,926,091	145,142,570
<b>3. Claims on residents in Croatia denominated in foreign currency</b>	-	-
<b>4. Claims on residents outside Croatia denominated in kuna</b>	-	-
4.1 Balances with banks, security investments and loans	-	-
4.2 Claims arising from the credit facility under Exchange Rate Mechanism (ERM) II	-	-
<b>5. Lending to credit institutions from Croatia related to monetary policy operations denominated in kuna</b>	<b>3,067,000</b>	<b>4,517,000</b>
5.1 Regular operations	-	-
5.2 Structural operations	3,067,000	4,517,000
5.3 Fine-tuning operations	-	-
5.4 Overnight credits	-	-
<b>6 Other claims on credit institutions from Croatia denominated in kuna</b>	-	-
<b>7 Securities of residents in Croatia denominated in kuna</b>	<b>18,357,930</b>	<b>19,842,649</b>
7.1 Securities held for monetary policy purposes	18,357,930	19,842,649
7.2 Other securities	-	-
<b>8 Other assets</b>	<b>1,332,428</b>	<b>1,335,408</b>
8.1 Tangible and intangible fixed assets	645,652	610,168
8.2 Other financial assets	120,224	113,024
8.3 Off-balance-sheet instruments revaluation differences	27,336	-
8.4 Accruals and prepaid expenditure	506,635	527,469
8.5 Sundry	32,581	84,747
<b>9 Loss for the year</b>	-	-
<b>Total</b>	<b>222,941,387</b>	<b>173,545,869</b>

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2021*

*(All amounts are expressed in thousands of kuna)*

<b>Liabilities</b>	<b>31/12/2021</b>	<b>01/01/2021</b>
<b>1 Banknotes and coins in circulation</b>	<b>44,260,230</b>	<b>41,792,678</b>
<b>2 Liabilities to credit institutions from Croatia related to monetary policy operations denominated in kuna</b>	<b>103,934,113</b>	<b>83,235,638</b>
2.1 Current accounts (covering the reserve requirement system)	103,934,113	83,235,638
2.2 Overnight deposits	–	–
2.3 Fixed-term deposits	–	–
2.4 Deposits related to margin calls	–	–
<b>3 Other liabilities to credit institutions from Croatia denominated in kuna</b>	<b>92,888</b>	<b>270,124</b>
<b>4 Debt securities of the Croatian National Bank</b>	<b>–</b>	<b>–</b>
<b>5 Liabilities to other residents in Croatia denominated in kuna</b>	<b>14,385,151</b>	<b>16,342,330</b>
5.1 General government	14,142,448	16,230,669
5.2 Other liabilities	242,703	111,661
<b>6 Liabilities to residents outside Croatia denominated in kuna</b>	<b>474,754</b>	<b>287,910</b>
<b>7 Liabilities to residents in Croatia denominated in foreign currency</b>	<b>16,843,088</b>	<b>8,715,990</b>
<b>8 Liabilities to residents outside Croatia denominated in foreign currency</b>	<b>17,224,820</b>	<b>3,757,361</b>
8.1 Deposits, balances and other liabilities	17,224,820	3,757,361
8.2 Liabilities arising from the credit facility under ERM II	–	–
<b>9 Counterpart of special drawing rights allocated by the IMF</b>	<b>9,227,912</b>	<b>2,688,716</b>
<b>10 Other liabilities</b>	<b>1,472,000</b>	<b>2,277,216</b>
10.1 Off-balance-sheet instruments revaluation differences	–	–
10.2 Accruals and income collected in advance	17,811	9,996
10.3 Sundry	1,454,189	2,267,220
<b>11 Provisions</b>	<b>3,563,833</b>	<b>3,562,703</b>
<b>12 Revaluation accounts</b>	<b>7,877,426</b>	<b>7,092,014</b>
<b>13 Capital and reserves</b>	<b>3,528,784</b>	<b>3,523,189</b>
13.1 Capital	2,500,000	2,500,000
13.2 Reserves	1,028,784	1,023,189
<b>14 Profit for the year</b>	<b>56,388</b>	<b>–</b>
<b>Total</b>	<b>222,941,387</b>	<b>173,545,869</b>

Croatian National Bank  
Financial Statements for the year ended 31 December 2021

**PROFIT AND LOSS ACCOUNT**

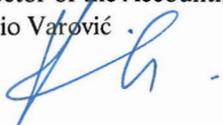
(All amounts are expressed in thousands of kuna)

	2021
1.1 Interest income	1,777,024
1.2 Interest expense	(1,478,329)
<b>1 Net interest income/expense</b>	<b>298,695</b>
2.1 Realised gains/losses arising from financial operations	380,961
2.2 Write-downs on financial assets and positions	(3,489)
2.3 Transfer to/from provisions for financial risks	—
<b>2 Net result of financial operations, write-downs and risk provisions</b>	<b>377,472</b>
3.1 Fees and commissions income	64,115
3.2 Fees and commissions expense	(23,505)
<b>3 Net income/expense from fees and commissions</b>	<b>40,610</b>
<b>4 Income from equity shares and participating interests</b>	<b>11,425</b>
<b>5 Other income</b>	<b>7,962</b>
<b>Total net income</b>	<b>736,164</b>
<b>6 Staff costs</b>	<b>(218,756)</b>
<b>7 Administrative expenses</b>	<b>(110,992)</b>
<b>8 Depreciation of tangible and intangible fixed assets</b>	<b>(40,045)</b>
<b>9 Costs of production of kuna banknotes and coins</b>	<b>(161,664)</b>
<b>10 Other costs</b>	<b>(148,319)</b>
<b>Total operating expenses</b>	<b>(679,776)</b>
<b>11 PROFIT/(LOSS) FOR THE YEAR</b>	<b>56,388</b>

The financial statements set out on pages 4 to 71 were approved on 15 March 2022:

Director of the Accounting Department:

Mario Varović



Governor:  
Boris Vujčić



## **NOTE 1 – GENERAL INFORMATION AND ACCOUNTING POLICIES**

### **1.1 General information**

The Croatian National Bank is the central bank of the Republic of Croatia with headquarters in Zagreb, Trg hrvatskih velikana 3. Its status has been defined by the Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020). The Croatian National Bank forms part of the European System of Central Banks.

The Republic of Croatia entered the European Exchange Rate Mechanism (ERM II) on 10 July 2020, which is a key step in the process of introducing the euro in the Republic of Croatia. At the same time, the European Central Bank adopted a decision to establish close cooperation with the Croatian National Bank, which made the CNB part of the Single Supervisory Mechanism (SSM). As of the date of entry into force of the decision of the European Central Bank on close cooperation, the Republic of Croatia has also taken part in the Single Resolution Mechanism (SRM).

The Croatian National Bank is owned by the Republic of Croatia, which guarantees for all its obligations. The Croatian National Bank is autonomous and independent in fulfilling its objective and carrying out its tasks.

The primary objective of the Croatian National Bank is maintaining price stability. The Croatian National Bank reports to the Croatian Parliament on the financial condition, the degree of price stability and the fulfilment of monetary policy goals, and is represented by the Governor of the Croatian National Bank.

The tasks performed by the Croatian National Bank include:

- determining and implementing monetary and foreign exchange policies;
- maintaining and managing international reserves of the Republic of Croatia;
- issuing banknotes and coins;
- issuing and withdrawing authorisations and approvals as well as adopting other decisions in accordance with laws regulating the operations of credit institutions, credit unions, payment service providers, electronic money issuers and payment systems as well as payment operations, electronic money issuance, foreign exchange operations and the operations of authorised foreign exchange offices;
- performing supervision and oversight in accordance with laws regulating the operations of credit institutions, credit unions, payment service providers, electronic money issuers and payment systems as well as payment operations and electronic money issuance;
- exercising resolution powers in accordance with regulations on the resolution of credit institutions;

- maintaining accounts of credit institutions and performing payment transactions on those accounts, issuing loans to and receiving deposit funds from credit institutions;
- regulating and improving payment operations and ensuring their smooth functioning;
- performing tasks on behalf of the Republic of Croatia as defined by law;
- promulgating subordinate regulations from its area of competence;
- implementing macroprudential policy to preserve the stability of the whole financial system;
- performing other tasks specified by law.

The bodies of the Croatian National Bank are the Council of the Croatian National Bank and the Governor of the Croatian National Bank. The Council of the Croatian National Bank comprises eight members: Governor, Deputy Governor and six Vicegovernors of the Croatian National Bank. The Council of the Croatian National Bank is competent and responsible for the achievement of the objective and for the carrying out of the tasks of the Croatian National Bank and defines policies with respect to the activities of the Croatian National Bank.

Members of the Council of the Croatian National Bank:

- Prof. D. Sc. Boris Vujčić, Governor
- D. Sc. Sandra Švaljek, Deputy Governor
- D. Sc. Michael Faulend, Vicegovernor
- Bojan Fras, Vicegovernor
- M. Sc. Slavko Tešija, Vicegovernor
- D. Sc. Roman Šubić, Vicegovernor
- M. Sc. Martina Drvar, Vicegovernor (until 1 October 2021)
- M. Sc. Ivana Jakir-Bajo, Vicegovernor.

The consolidated financial statements are not prepared and the financial statements of the Croatian National Bank do not comprise the financial statements of the subsidiary Croatian Mint because they are not material for the financial statements of the Croatian National Bank.

## **1.2 Accounting policies**

### **1.2.1 Basis of preparation**

The financial statements of the Croatian National Bank for 2021 have been prepared in accordance with Article 60 of the Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020), which regulates the application of Guideline (EU) 2016/2249 of the European Central Bank of 3 November 2016 on

the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34), with all amendments (hereinafter: ECB Guideline).

Article 60 of the Act on the Croatian National Bank states that the Croatian National Bank prepares the financial statements in accordance with the ECB Guideline and reports on transactions that are not regulated by the ECB Guideline applying, providing that there is no contrary decision of the Council of the Croatian National Bank, valuation principles in accordance with the International Financial Reporting Standards as adopted in the European Union that are material for the operations and reports of the Croatian National Bank. In the reporting period, there were no decisions of the Council of the Croatian National Bank under Article 60 of the Act on the Croatian National Bank. The valuation principles of International Financial Reporting Standards as adopted in the European Union for the purpose of preparation of these financial statements include measurement and impairment principles.

These are the first financial statements prepared in accordance with the new basis of preparation.

The accounting policies of the Croatian National Bank in the part that is not applicable until Croatia introduces the euro as the official currency, are the following:

1. In the balance sheet and the profit and loss account the terms “euro area” and “euro” are replaced by the terms “Croatia” and “kuna”.
2. In the period until Croatia introduces the euro as the official currency, the financial statements of the Croatian National Bank cannot contain all line items prescribed by the ECB Guideline, so that line items in the financial statements are adjusted with the current operation of the CNB.
3. Balance sheet line items related to monetary policy operations are adjusted with the Decision on monetary policy implementation of the Croatian National Bank.
4. Kuna coins in circulation are reported together with banknotes in circulation within the balance sheet item Banknotes and coins in circulation. After the introduction of the euro as the official currency of the Republic of Croatia, banknotes shall be reported under the balance sheet item Banknotes in circulation and coins under Other liabilities according to the ECB Guideline.

Layout of the balance sheet and profit or loss account is presented in accordance with the structure prescribed by the ECB Guideline.

The comparative information for all amounts presented in the balance sheet at the end of the reporting period are the data at the beginning of the reporting period presented in accordance with the structure prescribed by the ECB Guideline.

Comparative information are not presented for profit and loss account. This is due to the fact that the Act on the Croatian National Bank does not require restatement of profit or loss comparative information, and their presentation due to the significant valuation changes and changes to the structure of the balance sheet is not possible without undue cost and effort. Additionally, in accordance with Article 35 of the Act on Amendments to the Act on the Croatian National Bank (Official Gazette 47/2020) the allocation of profit for the financial year 2020 was performed pursuant to the provisions of the Act on the Croatian National Bank (Official Gazette 75/2008 and 54/2013). As of the financial year 2021, the preparation of financial statements, the calculation of profit (loss) and the allocation of profit or the coverage of loss of the Croatian National Bank shall be performed pursuant to the provisions of the Act on Amendments to the Act on the Croatian National Bank (Official Gazette 47/2020).

The separate financial statements of the Croatian National Bank for 2020 have been prepared in accordance with the International Financial Reporting Standards, which comprise the International Accounting Standards (IAS), together with the related Amendments and Interpretations, and the International Financial Reporting Standards (IFRS), together with the related Amendments and Interpretations, as adopted by the European Commission, published in the Official Journal of the European Union.

The Financial Statements of the Croatian National Bank are presented in kunas.

#### **1.2.2 Amendments to the Act on the Croatian National Bank related to the transition to the ECB Guideline**

Article 35, paragraph (1) of the Act on Amendments to the Act on the Croatian National Bank (Official Gazette 47/2020) prescribes that, from the part of the general reserves as at 1 January 2021 related to unrealised gains arising from the revaluation of assets and liabilities in the previous years, revaluation accounts are to be established in accordance with Article 13 of the Act, in the part adding Article 55a to the Act on the Croatian National Bank (Official Gazette 75/2008 and 54/2013), in the amount to be determined by the Council of the Croatian National Bank. Article 35, paragraph (2) of the Act on Amendments to the Act on the Croatian National Bank, prescribes that, from the part of the general reserves as at 1 January 2021, provisions for risks are to be established in accordance with Article 13 of the Act, in the part adding Article 55b to the Act on the Croatian National Bank (Official Gazette 75/2008 and 54/2013), in the amount to be determined by the Council of the Croatian National Bank. In line with the above, the Council of the Croatian National Bank adopted the Decision on the general reserves of the Croatian National Bank as at 1 January 2021 (for detailed information please see 1.2.4 under (i) to (k)), pursuant to which:

- due to a change in the accounting policy for the recognition of the costs of production of kuna banknotes and coins arising from the application of the ECB Guideline, the existing balance of the

non-deferred costs of production of banknotes and coins as at 1 January 2021 is to be debited in the full amount to the general reserves of the CNB;

- the balance of recognised loss allowances for expected credit losses on the financial assets of the CNB that in accordance with the International Financial Reporting Standards used to be measured at amortised cost and at fair value through other comprehensive income and are not recognised as loss allowances for financial assets pursuant to the ECB Guideline, but only pursuant to the International Financial Reporting Standards, as at 1 January 2021, is to be credited in the full amount to the general reserves of the CNB;
- provisions for financial risks in the amount of HRK 3,500,000 thousands are to be established from the part of the general reserves of the CNB as at 1 January 2021; and
- a revaluation account is to be established for the revaluation of securities not held to maturity in the amount of HRK 700,000 thousands, and a revaluation account for the revaluation of all items of assets, liabilities and equity as well as of off-balance-sheet items denominated in foreign currencies or linked to foreign currencies in the amount of HRK 6,050,000 thousands, from the part of the general reserves of the CNB as at 1 January 2021.

### **1.2.3 The most significant changes in accounting policies**

The most significant changes in accounting policies are set out below:

- In line with the new accounting policies, the financial statements comprise the Balance Sheet, Profit and Loss Account and Notes to the Financial Statements. As of the financial year 2021, the Croatian National Bank no longer prepares the Statement of Cash Flows and the Statement of Changes in Equity.
- Debt securities are classified into the following categories: marketable securities held for monetary policy purposes, marketable debt securities other than held-to-maturity and marketable debt securities classified as held-to-maturity.
- In accordance with the ECB Guideline and the asymmetric valuation approach, unrealised foreign exchange gains and gains from price changes are not recognised in the profit and loss account, but are recorded in revaluation accounts. Unrealised foreign exchange losses and losses from price changes are taken at year end to the profit and loss account if they exceed previous revaluation gains registered in the corresponding revaluation account.
- The average cost of the foreign currency is calculated for each currency and the comparison of the transaction exchange rate and the average cost of the foreign currency provides for the calculation of realised foreign exchange gains/losses, while the comparison of the average cost of the foreign currency and the mid-market rate of the currency (CNB middle exchange rate) provides for the calculation of unrealised foreign exchange gains/losses. The exchange rate revaluation is carried out separately for each

individual currency, because positive revaluation effects from one currency must not be offset against the negative effects of revaluation from another currency. According to IFRS, gains and losses arising from trading in foreign currencies were included in realised income and expenses in the period in which they occurred. All other foreign exchange differences were reported as unrealised gains or losses in the period in which they occurred. The positive revaluation effects from one currency were offset against the negative effects of revaluation from another currency.

- The costs of production of kuna banknotes and coins are no longer deferred, but are recognised in the profit and loss account when they are invoiced or occur in any other way.
- Accrued interest is shown in a separate line item in the balance sheet.

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2021*

**1.2.4 Impact of changes in the accounting policies on the balance sheet**

*(All amounts are expressed in thousands of kuna)*

Assets	31/12/2020	Note	Impact of the application of the ECB Guideline 01/01/2021	01/01/2021, following the implementation of the ECB Guideline
<b>1 Gold and gold receivables</b>	<b>4,405</b>	–	–	<b>4,405</b>
<b>2 Claims on residents outside Croatia denominated in foreign currency</b>	<b>154,517,053</b>	–	<b>(6,670,646)</b>	<b>147,846,407</b>
2.1 Receivables from the International Monetary Fund (IMF)	9,064,146	(a)	(6,360,309)	2,703,837
2.2 Balances with banks and security investments, external loans and other external assets	145,452,907	(b)	(310,337)	145,142,570
<b>3 Claims on residents in Croatia denominated in foreign currency</b>	–	–	–	–
<b>4 Claims on residents outside Croatia denominated in kuna</b>	–	–	–	–
4.1 Balances with banks, security investments and loans	–	–	–	–
4.2 Claims arising from the credit facility under Exchange Rate Mechanism (ERM) II	–	–	–	–
<b>5 Lending to credit institutions from Croatia related to monetary policy operations denominated in kuna</b>	<b>4,515,683</b>	–	<b>1,317</b>	<b>4,517,000</b>
5.1 Regular operations	–	–	–	–
5.2 Structural operations	4,515,683	(c)	1,317	4,517,000
5.3 Fine-tuning operations	–	–	–	–
5.4 Overnight credits	–	–	–	–
<b>6 Other claims on credit institutions from Croatia denominated in kuna</b>	–	–	–	–
<b>7 Securities of residents in Croatia denominated in kuna</b>	<b>19,825,464</b>	–	<b>17,185</b>	<b>19,842,649</b>
7.1 Securities held for monetary policy purposes	19,825,464	(d)	17,185	19,842,649
7.2 Other securities	–	–	–	–
<b>8 Other assets</b>	<b>1,801,010</b>	–	<b>(465,602)</b>	<b>1,335,408</b>
8.1 Tangible and intangible fixed assets	610,168	–	–	610,168
8.2 Other financial assets	113,024	–	–	113,024
8.3 Off-balance-sheet instruments revaluation differences	–	–	–	–
8.4 Accruals and prepaid expenditure	993,111	(e)	(465,642)	527,469
8.5 Sundry	84,707	(f)	40	84,747
<b>9 Loss for the year</b>	–	–	–	–
<b>Total</b>	<b>180,663,615</b>		<b>(7,117,746)</b>	<b>173,545,869</b>

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2021*

*(All amounts are expressed in thousands of kuna)*

Liabilities	31/12/2020	Note	Impact of the application of the ECB Guideline 01/01/2021	01/01/2021, following the implementation of the ECB Guideline
<b>1 Banknotes and coins in circulation</b>	<b>41,792,678</b>	–	–	<b>41,792,678</b>
<b>2 Liabilities to credit institutions from Croatia related to monetary policy operations denominated in kuna</b>	<b>83,235,638</b>	–	–	<b>83,235,638</b>
2.1 Current accounts (covering the reserve requirement system)	83,235,638	–	–	83,235,638
2.2 Overnight deposits	–	–	–	–
2.3 Fixed-term deposits	–	–	–	–
2.4 Deposits related to margin calls	–	–	–	–
<b>3 Other liabilities to credit institutions from Croatia denominated in kuna</b>	<b>270,124</b>	–	–	<b>270,124</b>
<b>4 Debt securities of the Croatian National Bank</b>	–	–	–	–
<b>5 Liabilities to other residents in Croatia denominated in kuna</b>	<b>16,342,330</b>	–	–	<b>16,342,330</b>
5.1 General government	16,230,669	–	–	16,230,669
5.2 Other liabilities	111,661	–	–	111,661
<b>6 Liabilities to residents outside Croatia denominated in kuna</b>	<b>287,910</b>	–	–	<b>287,910</b>
<b>7 Liabilities to residents in Croatia denominated in foreign currency</b>	<b>8,715,990</b>	–	–	<b>8,715,990</b>
<b>8 Liabilities to residents outside Croatia denominated in foreign currency</b>	<b>3,757,361</b>	–	–	<b>3,757,361</b>
8.1 Deposits, balances and other liabilities	3,757,361	–	–	3,757,361
8.2 Liabilities arising from the credit facility under Exchange Rate Mechanism (ERM) II	–	–	–	–
<b>9 Counterpart of special drawing rights allocated by the IMF</b>	<b>9,049,025</b>	<b>(g)</b>	<b>(6,360,309)</b>	<b>2,688,716</b>
<b>10 Other liabilities</b>	<b>287,327</b>	–	<b>1,989,889</b>	<b>2,277,216</b>
10.1 Off-balance-sheet instruments revaluation differences	–	–	–	–
10.2 Accruals and income collected in advance	9,996	–	–	9,996
10.3 Sundry	277,331	(h)	1,989,889	2,267,220
<b>11 Provisions</b>	<b>62,703</b>	(i)	<b>3,500,000</b>	<b>3,562,703</b>
<b>12 Revaluation accounts</b>	<b>2,668,769</b>	(j)	<b>4,423,245</b>	<b>7,092,014</b>
<b>13 Capital and reserves</b>	<b>14,193,760</b>	–	<b>(10,670,571)</b>	<b>3,523,189</b>
13.1 Capital	2,500,000	–	–	2,500,000
13.2 Reserves	11,693,760	(k)	(10,670,571)	1,023,189
<b>14 Profit for the year</b>	–	–	–	–
<b>Total</b>	<b>180,663,615</b>		<b>(7,117,746)</b>	<b>173,545,869</b>

(a) Receivables from the International Monetary Fund have decreased by the amount of HRK 6,360,309 thousands due to a difference in the method of reporting transactions with the IMF according to the ECB Guideline in relation to the IFRS rules. According to the ECB Guideline, reserve tranche is reported net under asset item 2.1 while according to the IFRS, there is no netting and the balances on the promissory note account, International Monetary Fund accounts number 1 and 2 are reported within liabilities.

(b) Balances with banks and security investments, external loans and other external assets have decreased by the amount of HRK 310,337 thousands, comprising the reversal of Loss allowances for expected credit losses that used to be calculated in accordance with IFRS 9 Financial Instruments, in the amount of HRK 15,985 thousands, the adjustment to fair value of securities that used to be classified in accordance with IFRS 9 as financial assets at amortised cost and are in accordance with the ECB Guideline classified as debt securities not held to maturity and valued at market prices, with the result that their value increased by HRK 311,283 thousands, and the derecognition of the positive effect of value adjustment for debt securities that used to be classified in accordance with IFRS 9 at fair value through other comprehensive income and are in accordance with the ECB Guideline classified as securities held to maturity and valued at amortised cost, in the amount of HRK 637,605 thousands.

(c) Structural operations within the line item Lending to credit institutions from Croatia related to monetary policy operations denominated in kuna have increased by the amount of HRK 1,317 thousands due to the reversal of Loss allowances for expected credit losses for collateralised credits that used to be calculated in accordance with IFRS 9.

(d) Securities of residents held for monetary policy purposes have increased by the amount of HRK 17,185 thousands, which is related to the reversed Loss allowances for expected credit losses for securities of the Republic of Croatia that used to be calculated in accordance with IFRS 9.

(e) The line item Accruals and prepaid expenditure within Other assets has decreased due to a change in the accounting policy for the recognition of the costs of production of kuna banknotes and coins, so that the existing balance of the non-deferred costs of production of banknotes and coins as at 1 January 2021 in the amount of HRK 465,642 thousands is debited in the full amount to the general reserves of the CNB.

(f) The increase in the amount of HRK 40 thousands in the line item Sundry within Other assets has resulted from the reversal of Loss allowances for expected credit losses that used to be calculated in accordance with IFRS 9.

(g) The balances on the promissory note account, International Monetary Fund accounts number 1 and 2 in the amount of HRK 6,360,309 thousands as at 31 December 2020 are reported within the position Counterpart of special drawing rights allocated by the IMF, since the balances on these accounts, according to IFRS rules, are reported within liabilities, and according to the ECB Guideline they are reported as stated under (a).

(h) The increase in the line item Sundry within Other liabilities, in the amount of HRK 1,989,889 thousands, is accounted for by the existing unrealised gains from the revaluation of securities that used to be measured in accordance with IFRS at fair value through other comprehensive income and are in accordance with the Regulation classified as securities not held to maturity, in the amount of HRK 1,678,606 thousands, and the existing unrealised gains in the amount of HRK 311,283 thousands that occurred when adjusting to fair value securities that used to be classified in accordance with IFRS as financial assets at amortised cost and are in accordance with the ECB Regulation classified in the category of securities not held to maturity. The existing

unrealised gains and losses are amortised under the straight-line method until the maturity or sale of the security and the accrued amortisation is reported as interest income or expense.

(i) Provisions have increased by the amount of HRK 3,500,000 thousands because, pursuant to the Decision on the general reserves of the Croatian National Bank as at 1 January 2021, provisions for financial risks were established in the amount of HRK 3,500,000 thousands from the part of the general reserves of the CNB as at 1 January 2021.

(j) Revaluation accounts have increased by HRK 4,423,245 thousands, of which HRK 10,544 thousands is accounted for by the reversal of Loss allowances for expected credit losses, and the amount of HRK 637,605 thousands by the derecognition of value adjustment for debt securities that used to be classified in accordance with IFRS 9 at fair value through other comprehensive income and are in accordance with the ECB Guideline classified as securities held to maturity and valued at amortised cost. In addition, the decrease of revaluation accounts in the amount of HRK 1.678.606 thousands is accounted for by the existing unrealised gains on securities that used to be measured in accordance with IFRS at fair value through other comprehensive income and are in accordance with the Regulation classified as debt securities not held to maturity. Revaluation accounts increased because in accordance with the Decision on the general reserves of the Croatian National Bank as at 1 January 2021, a revaluation account has been established for the revaluation of securities not held to maturity in the amount of HRK 700,000 thousands, and a revaluation account for the revaluation of all items of assets, liabilities and equity as well as of off-balance-sheet items denominated in foreign currencies or linked to foreign currencies in the amount of HRK 6,050,000 thousands, from the part of the general reserves of the CNB as at 1 January 2021.

(k) Reserves decreased by HRK 10,670,571 thousands because, in accordance with the Decision on the general reserves of the Croatian National Bank as at 1 January 2021, the balance of the non-deferred costs of production of banknotes and coins as at 1 January 2021 in the amount of HRK 465,642 thousands has been debited to the general reserves of the CNB, the balance of recognised loss allowances for expected credit losses as at 1 January 2021 in the amount of HRK 45,071 thousands has been credited to the general reserves of the CNB, provisions for financial risks have been established in the amount of HRK 3,500,000 thousands and revaluation accounts have been established in the amount of HRK 6,750,000 thousands.

### **1.2.5 Qualitative characteristics and accounting assumptions**

The following qualitative characteristics apply in line with the ECB Guideline:

- The accounting methods and financial reporting reflect economic reality, are transparent and respect the qualitative characteristics of understandability, relevance, reliability and comparability. Transactions are accounted for and presented in accordance with their substance and economic reality and not merely with their legal form.

- The valuation of assets and liabilities and income recognition are carried out prudently, which implies that unrealised gains are not recognised as income in the profit and loss account, but are recorded directly in a revaluation account and that unrealised losses are taken at year end to the profit and loss account if they exceed previous revaluation gains registered in the corresponding revaluation account. Hidden reserves or the deliberate misstatement of items in the balance sheet and in the profit and loss account are inconsistent with the assumption of prudence.
- Deviations from the accounting rules are only allowed if they can be reasonably considered as immaterial in the overall context and presentation of the reporting entity's financial accounts.
- The criteria for balance sheet valuation and income and expense recognition are applied consistently to ensure the comparability of data in the financial statements.

The following accounting assumptions apply:

- Accounts are prepared on a going concern basis.
- Income and expenses are recognised in the accounting period in which they are earned or incurred and not in the period in which they are received or paid.
- Assets and liabilities are adjusted for events that occur between the annual balance sheet date and the date on which the financial statements are approved by the Council of the Croatian National Bank if they affect the condition of assets or liabilities at the balance sheet date. No adjustment is made for assets and liabilities, but disclosure is made of those events occurring after the balance sheet date if they do not affect the condition of assets and liabilities at the balance sheet date, but which are of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions.

#### **1.2.6 Basis of measurement**

The financial statements have been prepared under the accrual basis of accounting and using the historical cost convention, except for marketable securities (other than those held to maturity and for monetary policy purposes), gold, assets under management with international institutions and silver which are measured at their market value and land and buildings measured at revalued amount, which is their fair value at the revaluation date less subsequent accumulated depreciation of buildings and subsequent accumulated impairment losses, if any.

### **1.2.7 Recording of transactions**

The economic approach is used as the basis for recording foreign exchange transactions, financial instruments denominated in foreign currency and related accruals, which is implemented using the regular approach.

Securities transactions including equity instruments denominated in foreign currency are recorded according to the cash/settlement approach. The related accrued interest, including premiums or discounts, are recorded on a daily basis from the spot settlement date. The accrued interest, including premiums or discounts, on securities held for monetary policy purposes are recorded on a monthly basis.

All specific kuna-denominated transactions, financial instruments and related accruals are recorded according to the cash/settlement approach.

### **1.2.8 Recognition of assets and liabilities**

A financial or other asset or liability is recognised in the CNB balance sheet only if all of the following conditions are met:

- it is probable that any future economic benefit associated with the asset or liability item will flow to or from the CNB;
- substantially all of the risks and rewards associated with the asset or liability are transferred to the CNB;
- the cost or value of the asset to the CNB or the amount of the obligation can be measured reliably.

### **1.2.9 Balance sheet valuation rules**

The revaluation of gold, foreign currency instruments, securities (other than securities classified as held-to-maturity, non-marketable securities, and securities held for monetary policy purposes that are accounted for at amortised cost), as well as financial instruments, both on-balance-sheet and off-balance-sheet, is performed at mid-market rates and prices at the reporting date.

No distinction is made between price and currency revaluation differences for gold, but a single gold revaluation difference is accounted for, based on the kuna price per defined unit of weight of gold, derived from the HRK/US dollar exchange rate at the reporting date.

For foreign exchange, including on-balance- sheet and off-balance-sheet transactions, revaluation takes place on a currency-by-currency basis. Holdings of special drawing rights, including designated individual foreign exchange holdings underlying the XDR basket, are treated as one holding.

The exchange rates of major foreign currencies at 31 December 2021 were as follows:

1 USD = 6.643548 HRK (2020: 6.139039 HRK)

1 EUR = 7.517174 HRK (2020: 7.536898 HRK)

1 XDR = 9.314231 HRK (2020: 8.869642 HRK).

Market prices and foreign exchange rates valid on 31.12.2020, which were applied in the opening balance sheet on 1.1.2021. at the start of the application of the ECB Guidelines, are considered as initial average cost of assets and liabilities of the Croatian National Bank.

For securities, revaluation takes place on a code-by-code basis, i.e. same International Securities Identification Number/type, while any embedded options will not be separated for valuation purposes. Securities held for monetary policy purposes or included in the items Other financial assets or Sundry are treated as separate holdings.

Marketable securities held for monetary policy purposes are treated as separate holdings and valued at amortised cost (subject to impairment).

Held-to-maturity securities are securities with fixed or determinable payments and a fixed maturity, which the reporting entity intends to hold until maturity. Securities classified as held-to-maturity are treated as separate holdings and valued at amortised cost (subject to impairment). The same treatment applies to non-marketable securities. Securities classified as held-to-maturity may be sold before their maturity when any of the following occurs:

- (a) if the quantity sold is considered not significant in comparison with the total amount of the held-to-maturity securities portfolio;
- (b) if the securities are sold during one month before maturity date;
- (c) under exceptional circumstances, such as a significant deterioration of the issuer's creditworthiness.

### **1.2.10 Recognition and valuation of financial assets**

Financial asset is any asset that is:

- (a) cash;
- (b) a contractual right to receive cash or another financial instrument from another undertaking;
- (c) a contractual right to exchange financial instruments with another undertaking under conditions that are potentially favourable; or
- (d) another undertaking's equity instrument.

Gold is valued at market value.

Foreign currency marketable debt securities other than held-to-maturity are valued at the market price and market rate, with all premiums or discounts amortised.

Foreign currency marketable debt securities classified as held-to-maturity are valued at cost subject to impairment and market rate, with all premiums or discounts amortised.

Marketable debt securities held for monetary policy purposes are valued at cost subject to impairment, with all premiums or discounts amortised.

Receivables, balances with banks and loans are valued at nominal value, and foreign currencies are translated at market rate.

Participating interests, illiquid equity shares and all other equity instruments held as permanent investments are valued at cost subject to impairment.

Investments in subsidiaries or significant interests are valued under the net asset value principle. Net accruals on these assets are calculated and recorded in the accounts once a year, at the end of a business year, based on the then available data.

Assets under management with international financial institutions are valued at the market price and market rate. The revaluation is performed on a net basis, and not on the underlying assets.

### *Market price*

Market price is the price that is quoted for a gold, foreign exchange or securities instrument usually excluding accrued or rebate interest either on an organised market, e.g. a stock exchange, or a non-organised market, e.g. an over-the-counter market.

### *Impairment of financial assets*

Financial assets are reviewed at the balance sheet date to determine whether there is objective evidence of impairment. Impairment is a decline of the recoverable amount below the carrying amount. The recoverable amount is the present value of estimated future cash flows discounted at the financial investment's original effective interest rate.

#### **1.2.11 Repo agreements**

The Croatian National Bank enters into securities purchase/sale agreements under which it agrees to resell/repurchase the same instrument on a specific future date at a fixed price.

A reverse transaction conducted under a reverse repo agreement is recorded as a collateralised outward loan on the assets side of the balance sheet for the amount of the loan. Securities acquired under reverse repo agreements are not revalued and no profit or loss arising thereon is taken to the profit and loss account by the Croatian National Bank.

A reverse transaction conducted under a repo agreement is recorded as a collateralised inward deposit on the liabilities side of the balance sheet, while the item that has been provided as collateral remains on the assets side of the balance sheet. Securities sold which are to be repurchased under repo agreements are treated by the Croatian National Bank as if the assets in question were still part of the portfolio from which they were sold.

#### **1.2.12 Recognition and valuation of liabilities**

Liability is a present obligation of the Croatian National Bank arising from past events, the settlement of which is expected to result in an outflow from the Croatian National Bank of resources embodying economic benefits, while the amount of such settlement can be measured reliably.

Financial liability is any liability that is a legal obligation to deliver cash or another financial instrument to another undertaking or to exchange financial instruments with another undertaking under conditions that are potentially unfavourable.

Banknotes and coins in circulation, liabilities on loans taken and deposits received, current account liabilities, liabilities to suppliers, liabilities on salaries and other employee liabilities as well as other liabilities are recorded in the business books and reported in the financial statements at the nominal value of a transaction based on a contract or another authentic document confirming the occurrence of a liability.

The costs of production of kuna banknotes and coins are reported in the profit and loss account when they are invoiced or occur in any other way.

### **1.2.13 Income recognition**

Realised gains and realised losses are taken to the profit and loss account.

Unrealised gains are not recognised as income, but recorded directly in a revaluation account.

At year end, unrealised losses are taken to the profit and loss account if they exceed previous revaluation gains recorded in the corresponding revaluation account. Unrealised losses taken to the profit and loss account are not reversed in subsequent years against new unrealised gains. There is no netting of unrealised losses in any one security, or in any currency or in gold holdings against unrealised gains in other securities or currencies or gold.

At year end, impairment losses are taken to the profit and loss account and must not be reversed in subsequent years, unless the impairment decreases and the decrease can be related to an observable event that occurred after the impairment was first recorded.

Foreign exchange gains/losses on IMF accounts linked to foreign currency (XDR) and expressed in kuna as well as foreign exchange gains or losses on deposits for housing loans with a currency clause are recognised in the profit and loss account.

Premiums or discounts arising on issued and purchased securities are calculated and presented as part of interest expense or income and are amortised over the remaining contractual life until the maturity of the securities according to the internal rate of return method (effective interest rate).

Accruals denominated in foreign currencies are translated at the exchange rate of the recording date and have an impact on the foreign currency position.

Currency outflows that entail a change in the holding of a given currency may give rise to realised foreign exchange gains or losses.

Accrued interest on financial assets with negative interest rate is reported as interest expense.

Accrued interest on financial liabilities with negative interest rate is reported as interest income.

#### **1.2.14 Cost of transactions**

The average cost method is used on a daily basis for gold, foreign currency instruments and securities, to compute the acquisition cost of items sold, having regard to the effect of exchange rate and/or price movements.

The average cost of the asset or liability is reduced or increased by unrealised losses taken to the profit and loss account at year end.

For the purpose of calculating the average purchase cost of a security, all purchases made during the day are added, at their purchase price, to the previous day's holding to produce a new weighted average cost before applying the sales for the same day.

Where a long position exists, net inflows of currencies and gold made during the day are added to the previous day's holding, at the average rate or gold price of the inflows of the day for each respective currency and gold, to produce a new weighted average cost. In the case of net outflows, the calculation of the realised gain or loss is based on the average cost of the respective currency or gold holding for the preceding day, so that the average cost remains unchanged.

#### **1.2.15 Revaluation accounts**

The Croatian National Bank establishes revaluation accounts for the purpose of revaluation of assets and liabilities. Revaluation accounts are established from unrealized gains on the revaluation of assets and liabilities.

### **1.2.16 Provisions**

#### *Provisions for future liabilities*

The Croatian National Bank recognizes a provision if it has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate can be made of the obligation. No provision is recognised unless all of these conditions have been met.

Provisions are reviewed at the end of each reporting period and adjusted to reflect current best estimates. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Income or expenses arising from provisions are recognized in the profit and loss account at the end of the accounting period to which they relate.

#### *Provisions for financial risks*

The Croatian National Bank may establish provisions for financial risks in accordance with a decision of the Council of the Croatian National Bank.

The decision to increase or decrease provisions for financial risks is made by the Council of the Croatian National Bank. The amount of provisions for financial risks and the further need for them is reviewed once a year on the basis of the Croatian National Bank's assessment of its own exposure to these risks. Income and/or expenses from risk provisions are recorded on the reporting date in accordance with the Decision of the Council of the Croatian National Bank.

### **1.2.17 Accounting rules for off-balance sheet instruments**

Foreign exchange forward transactions, forward legs of foreign exchange swaps and other currency instruments involving an exchange of one currency for another at a future date are included in the net foreign currency positions for calculating average costs and foreign exchange gains and losses.

Profits and losses arising from off-balance-sheet instruments are recognised and treated in a similar manner to on-balance-sheet instruments.

*Foreign exchange forward transactions*

Forward purchases and sales are recognised in off-balance-sheet accounts from the trade date to the settlement date at the spot rate of the forward transaction. Realised gains and losses on sale transactions are calculated using the average cost of the foreign currency position on the trade date in accordance with the daily netting procedure for purchases and sales.

The difference between the spot and the forward rates is treated as interest payable or receivable on an accruals basis. At the settlement date the off-balance-sheet accounts are reversed. The foreign currency position is affected by forward transactions from the trade date at the spot rate.

The forward positions are valued in conjunction with the spot position of the same currency, offsetting any differences that may arise within a single foreign currency position. A net loss balance is debited to the profit and loss account when it exceeds previous revaluation gains recorded in the revaluation account. A net profit balance is credited to the revaluation account.

*Foreign exchange swaps*

Forward and spot purchases and sales are recognised in on-balance-sheet accounts at the respective settlement date.

Forward and spot purchases and sales are recognised in off-balance-sheet accounts from the trade date to the settlement date at the spot rate of the forward transaction.

Sale transactions are recognised at the spot rate of the transaction. Therefore no gains or losses arise.

The difference between the spot and the forward rates is treated as interest payable or receivable on an accruals basis for both purchases and sales. At the settlement date the off-balance-sheet accounts are reversed. The foreign currency position changes only as a result of accruals denominated in foreign currency.

The forward position is valued in conjunction with the related spot position.

**1.2.18 Taxation**

In accordance with relevant legislation the Croatian National Bank is not subject to the Croatian income tax.

### **1.2.19 Tangible and intangible fixed assets**

Tangible and intangible fixed assets are recognised in the balance sheet at cost less accumulated depreciation and impairment losses. The exceptions are land and buildings which are carried at revalued amount, representing their fair value at the revaluation date, decreased by accumulated depreciation for buildings and any impairment losses. Depreciation is provided under the straight-line method.

Fair value of land and buildings was determined based on appraisals performed by independent experts and certain significant inputs for valuation were not observable market data.

Gains on revaluation of land and buildings are included as a separate item in the Revaluation accounts. Losses on revaluation are charged to the revaluation reserve account to the extent of the revaluation surplus previously recognised in equity, and any loss in excess of the previously recognised surplus is charged to the profit and loss account for the reporting period.

The revaluation surplus is transferred as the asset is used. In such a case, the amount of the surplus transferred is the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. The revaluation surplus included in equity in respect of land and buildings is transferred directly to general reserves when the asset is derecognised. This includes transferring the whole of the surplus when the asset is retired or disposed of. Transfers from revaluation surplus to general reserves are not made through profit or loss.

Useful life of tangible and intangible fixed assets:

Asset class	Expected useful life in 2021 (number of years)	Expected useful life in 2020 (number of years)
Property	20 – 50	20 – 50
Computers and computing infrastructure	5 – 8	5 – 8
Furniture and equipment	2 – 20	2 – 20
Motor vehicles	4	4
Software and licences	up to 10	up to 10

### *Leases*

At the commencement date, Croatian National Bank recognises a right-of-use asset and a lease liability. At the commencement date the right-of-use asset is measured at cost and lease liability is measured at the present value of the lease payments that are not paid at that date. The present value of the lease liability is calculated using the discount rate of the Croatian National Bank. After the commencement date the right-of-use asset is measured applying a cost model.

The Croatian National Bank does not recognise the right-of-use assets for short-term leases and leases for which the underlying asset is of low value. The lease payments associated with short-term leases and leases for which the underlying asset is of low value are recognised as an expense on a straight-line basis over the lease term.

Non-lease components are not separated from lease components and instead each lease component and any associated non-lease components are accounted for as a single lease component.

The right-of-use asset is depreciated under the straight-line method, from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

### *Impairment of non-financial assets*

The net carrying amount of non-financial assets is assessed at the end of each reporting period to determine whether there is any indication that the assets may be impaired. If any such indication exists, the recoverable amount of those assets is estimated. For assets with indefinite useful life and intangible assets not yet available for use, the recoverable amount is estimated on every reporting date.

An impairment loss is recognised if the net carrying amount of an asset or cash-generating unit is greater than its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The cash-generating unit for the Croatian National Bank is the Croatian National Bank as a whole.

Impairment loss is recognised in profit or loss.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. Value in use is estimated by discounting expected future cash flows with the discount rate that reflects current market assessments of time value of money and the risks specific to these

assets.

An impairment loss recognised in prior periods is assessed on every reporting date to determine if there is any indication that impairment may have decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount. An impairment loss is reversed only up to the carrying amount of an asset net of amortisation or depreciation that would have been determined had no impairment loss been recognised.

### **1.3 Use of judgements and estimates**

In preparing the financial statements for 2021, the management made judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. The estimates are based on the management's best estimate of current events and operations, and actual results may differ from these estimates. The estimates are used to assess the useful life of tangible and intangible fixed assets, the amount of provisions for future liabilities and the exposure of the Croatian National Bank to financial risks for the purpose of establishing provisions for financial risks.

### **1.4 Allocation of profit and coverage of losses**

The allocation of profit and the coverage of losses of the Croatian National Bank are performed in accordance with Article 57 of the Act on the Croatian National Bank. The profit of the Croatian National Bank reported in the financial year is allocated to general reserves and to the State Budget in accordance with the decision of the Council of the Croatian National Bank in such a manner that 20% of the profit is allocated to general reserves and 80% of the profit constitutes revenue to the State Budget. By way of exception, if the amount of general reserves on the last day of the financial year is lower than the lower bound of general reserves established pursuant to Article 55, paragraph (2) of the Act on the Croatian National Bank, the Council of the Croatian National Bank adopts a decision stipulating that the required amount of profit is allocated to general reserves until their lower bound is reached, while the remaining profit is allocated in such a manner that 20% of the profit is allocated to general reserves and 80% of the profit constitutes revenue to the State Budget.

The loss of the Croatian National Bank is firstly covered from general reserves and if the loss of the Croatian National Bank is higher than the amount of general reserves, the loss amount exceeding the amount of general reserves is covered from the profit of the following years. The profit of the Croatian National Bank to be reported in the following years is firstly used for the coverage of loss from the previous years.

If the total capital of the Croatian National Bank decreased by the loss from the previous years is over a longer period lower than the capital of the Croatian National Bank, the required amount up to the amount of the

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capital is covered from the State Budget in the following medium-term period. Within the meaning of this provision, the total capital of the Croatian National Bank is constituted of the capital, general reserves, revaluation accounts and provisions for financial risks.

**NOTE 2 – Items of assets**

**1 Gold and gold receivables**

	31/12/2021	01/01/2021	Change	
			Absolute	%
Quantity in gold ounces	378.78	378.78	–	–
<i>Price</i>				
USD/gold ounce	1,828.45	1,894.13	(65.68)	(3.47)
HRK/USD	6.643548	6.139039	0.50	8.22
<b>Carrying amount in thousands of kuna</b>	<b>4,601</b>	<b>4,405</b>	<b>196</b>	<b>4.45</b>

**2 Claims on residents outside Croatia denominated in foreign currency**

**2.1 Receivables from the International Monetary Fund (IMF)**

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
<i>Kuna-denominated balances with the IMF</i>				
Membership quota	6,682,066	6,363,088	318,978	5.01
Kuna-denominated bills of exchange	(6,662,142)	(6,344,334)	317,808	5.01
IMF account no. 1	(16,705)	(15,908)	797	5.01
<i>Reserve position with the IMF</i>	3,219	2,846	373	13.11
IMF account no. 2	(72)	(67)	5	7.46
<i>Total</i>	3,147	2,779	368	13.24
<i>Balances with the IMF denominated in special drawing rights</i>				
Foreign currency current account with the IMF	9,245,354	2,696,453	6,548,901	242.87
PRG-HIPC fund deposit	4,836	4,605	231	5.02
<i>Total</i>	9,250,190	2,701,058	6,549,132	242.47
<b>Total</b>	<b>9,253,337</b>	<b>2,703,837</b>	<b>6,549,500</b>	<b>242.23</b>

The Croatian National Bank is the fiscal agent of the Republic of Croatia for the International Monetary Fund and the International Monetary Fund's depository.

The current account and deposit as well as net cumulative allocations with the International Monetary Fund are denominated in special drawing rights (XDR) and measured at their nominal value.

The membership quota, bills of exchange and International Monetary Fund accounts number 1 and 2 are measured at cost, denominated in kuna and linked to XDR (they are revalued on the reporting date at the XDR exchange rate applicable on that date).

The Executive Board of the International Monetary Fund (IMF), at the meeting held on 8 July 2021, supported the proposal for a general allocation of special drawing rights (XDR) in the amount of XDR 456,485,292 thousands, in order to meet the global need for foreign exchange reserves. Consequently, the IMF's Managing Director invited the Board of Governors to vote in favour of the general allocation and the voting was completed on 2 August 2021. The general allocation of XDR 456,485,292 thousands was made in response to the biggest ever health and economic crisis in order to meet the global needs for foreign exchange reserves in the long term. The allocation was performed on 23 August 2021, 21 day after the Resolution of the Board of Governors approving the allocation came into effect, and Croatia was allocated an approximate amount of XDR 687,596 thousands. On 23 September 2021, the Government of the Republic of Croatia adopted the Decision on the acceptance of funds based on the general allocation of special drawing rights of the International Monetary Fund. Accordingly, the balance in the foreign currency current account with the IMF increased by XDR 687,596 thousands.

Pursuant to the Decision on granting approval to conclude the new Agreement on the non-interest bearing deposit with the International Monetary Fund (IMF) for the Poverty Reduction and Growth-Heavily Indebted Poor Countries Trust (PRG-HIPC Trust), adopted by the Government of the Republic of Croatia at the meeting held on 20 December 2018, the Agreement on the non-interest bearing deposit was signed between the Croatian National Bank and the IMF as the manager of the PRG-HIPC Trust, which provides for depositing a non-interest bearing amount of XDR 519.161 thousands for the PRG-HIPC Trust until 31 December 2023. The PRGT-Poverty Reduction and Growth Trust is a special fund within the IMF that provides financial support to low-income countries under very favourable (concessional) conditions.

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## 2.2 Balances with banks and security investments, external loans and other external assets

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Securities	91,745,493	87,614,886	4,130,607	4.71
Balances with banks, external loans and other external assets	99,180,598	57,527,684	41,652,914	72.40
<b>Total</b>	<b>190,926,091</b>	<b>145,142,570</b>	<b>45,783,521</b>	<b>31.54</b>

### 2.2.1 Securities

The table below shows investments in securities outside Croatia denominated in foreign currency.

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Marketable debt securities other than held-to-maturity	54,365,256	60,733,004	(6,367,748)	(10.48)
Marketable held-to-maturity securities	37,380,237	26,881,882	10,498,355	39.05
<b>Total</b>	<b>91,745,493</b>	<b>87,614,886</b>	<b>4,130,607</b>	<b>4.71</b>

#### Investments in securities by currency

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
EUR	74,326,039	71,823,038	2,503,001	3.48
USD	15,757,524	15,791,848	(34,324)	(0.22)
Other currencies	1,661,930	–	1,661,930	–
<b>Total</b>	<b>91,745,493</b>	<b>87,614,886</b>	<b>4,130,607</b>	<b>4.71</b>

### 2.2.2 Balances with banks, external loans and other external assets

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Cash and current accounts	59,659,098	33,701,622	25,957,476	77.02
Deposits with other banks	8,164,056	12,076,502	(3,912,446)	(32.40)
Reverse repo agreements	17,569,486	4,729,855	12,839,631	271.46
Assets under management with international financial institutions	1,326,339	1,228,635	97,704	7.95
Balance of CNB's TARGET2 account	70,134	64,615	5,519	8.54
Balances of other TARGET2 participants	12,391,485	5,726,455	6,665,030	116.39
<b>Total</b>	<b>99,180,598</b>	<b>57,527,684</b>	<b>41,652,914</b>	<b>72.40</b>

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Balances with banks, external loans and other external assets by currency

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
EUR	95,995,230	54,969,144	41,026,086	74.63
USD	3,107,730	2,532,092	575,638	22.73
Other currencies	77,638	26,448	51,190	193.55
<b>Total</b>	<b>99,180,598</b>	<b>57,527,684</b>	<b>41,652,914</b>	<b>72.40</b>

**5 Lending to credit institutions from Croatia related to monetary policy operations denominated in kuna**

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Regular operations	–	–	–	–
Structural operations	3,067,000	4,517,000	(1,450,000)	(32.10)
Fine-tuning operations	–	–	–	–
Overnight loans	–	–	–	–
<b>Total</b>	<b>3,067,000</b>	<b>4,517,000</b>	<b>(1,450,000)</b>	<b>(32.10)</b>

In accordance with the Decision on monetary policy implementation of the Croatian National Bank, the Croatian National Bank conducts monetary policy by means of: monetary policy operations, reserve requirements, in accordance with the decision on reserve requirements, and other instruments and measures in accordance with special decisions of the Croatian National Bank.

The monetary policy operations of the CNB are open market operations and standing facilities. Open market operations are initiated by the CNB, while standing facilities are initiated by a counterparty.

The CNB conducts open market operations by means of reverse and outright transactions to regulate credit activities and liquidity of credit institutions, as well as money supply. The types of open market operations are: regular operations, fine-tuning operations and structural operations.

**5.1 Regular operations**

Regular operations are conducted weekly, they normally have a one week maturity and are conducted by means of standard tenders.

**5.2 Structural operations**

Structural operations are of non-standardised frequency and maturity, they are conducted by means of standard tenders, quick tenders or bilateral procedures, depending on the CNB decision.

### 5.3 Fine-tuning operations

Fine-tuning operations are of non-standardised frequency and maturity, they are as a rule conducted by means of quick tenders, but the CNB may decide to conduct fine-tuning operations by means of other procedures (standard tenders or bilateral procedures).

### 5.4 Overnight credits

The CNB enables access to standing facilities by means of overnight credit. An overnight credit is a collateralised credit with one business day maturity. The amount of liquidity that may be provided by an overnight credit is limited only by the value of the pool of eligible assets.

## 7 Securities of residents in Croatia denominated in kuna

### 7.1 Securities held for monetary policy purposes

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change Absolute	%
Bonds of the Republic of Croatia	18,357,930	19,842,649	(1,484,719)	(7.48)
<b>Total</b>	<b>18,357,930</b>	<b>19,842,649</b>	<b>(1,484,719)</b>	<b>(7.48)</b>

In an effort to maintain the liquidity and stability of the financial system, the Croatian National Bank responded to the coronavirus pandemic (COVID-19) by implementing a set of monetary policy measures, including the purchase of bonds of the Republic of Croatia.

## 8 Other assets

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change Absolute	%
Tangible and intangible fixed assets	645,652	610,168	35,484	5.82
Other financial assets	120,224	113,024	7,200	6.37
Off-balance-sheet instruments revaluation differences	27,336	–	27,336	–
Accruals and prepaid expenditure	506,635	527,469	(20,834)	(3.95)
Sundry	32,581	84,747	(52,166)	(61.55)
<b>Total</b>	<b>1,332,428</b>	<b>1,335,408</b>	<b>(2,980)</b>	<b>(0.22)</b>

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## 8.1 Tangible and intangible fixed assets

*(All amounts are expressed in thousands of kuna)*

	Property owned by the CNB (land and buildings)	Right-of-use buildings (office buildings)	Computers	Furniture and equipment	Motor vehicles	Assets under development – property, plant, equipment	TOTAL TANGIBLE FIXED ASSETS	Software and licences	Assets under development – intangible assets	TOTAL INTANGIBLE FIXED ASSETS	TOTAL TANGIBLE AND INTANGIBLE FIXED ASSETS
<b>Balance at 1 January 2021</b>											
Cost or revaluation	481,443	9,170	252,515	49,283	8,977	10,208	811,596	100,965	18,725	119,690	931,286
Accumulated depreciation/amortisation	(7,384)	(3,745)	(188,146)	(40,344)	(8,674)	–	(248,293)	(72,825)	–	(72,825)	(321,118)
<b>Net book value</b>	<b>474,059</b>	<b>5,425</b>	<b>64,369</b>	<b>8,939</b>	<b>303</b>	<b>10,208</b>	<b>563,303</b>	<b>28,140</b>	<b>18,725</b>	<b>46,865</b>	<b>610,168</b>
<b>For the year ended 31 December 2021</b>											
Opening net book amount	474,059	5,425	64,369	8,939	303	10,208	563,303	28,140	18,725	46,865	610,168
Additions	–	13,414	–	–	–	56,477	69,891	–	6,563	6,563	76,454
Brought into use	322	–	38,339	5,041	235	(43,937)	–	3,388	(3,388)	–	–
Revaluation	–	–	–	–	–	–	–	–	–	–	–
Impairment	–	–	–	–	–	–	–	–	–	–	–
Net written off	(905)	–	(1)	(19)	–	–	(925)	–	–	–	(925)
Depreciation/amortisation (charge for the year, Note 5 point 6)	(7,370)	(3,715)	(18,319)	(2,854)	(205)	–	(32,463)	(7,582)	–	(7,582)	(40,045)
<b>Closing net book amount</b>	<b>466,106</b>	<b>15,124</b>	<b>84,388</b>	<b>11,107</b>	<b>333</b>	<b>22,748</b>	<b>599,806</b>	<b>23,946</b>	<b>21,900</b>	<b>45,846</b>	<b>645,652</b>
<b>Balance as at 31 December 2021</b>											
Cost or revaluation	480,779	22,145	214,645	53,516	8,906	22,748	802,739	68,422	21,900	90,322	893,061
Accumulated depreciation/amortisation	(14,673)	(7,021)	(130,257)	(42,409)	(8,573)	–	(202,933)	(44,476)	–	(44,476)	(247,409)
<b>Net book value</b>	<b>466,106</b>	<b>15,124</b>	<b>84,388</b>	<b>11,107</b>	<b>333</b>	<b>22,748</b>	<b>599,806</b>	<b>23,946</b>	<b>21,900</b>	<b>45,846</b>	<b>645,652</b>

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## 8.2 Other financial assets

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
BIS shares	41,914	41,914	–	–
SWIFT shares	80	80	–	–
ECB paid-up capital	19,954	19,954	–	–
Investment in the Croatian Mint	58,276	51,076	7,200	14.10
<b>Total</b>	<b>120,224</b>	<b>113,024</b>	<b>7,200</b>	<b>6.37</b>

Based on the ownership holding of 2,441 shares of the Bank for International Settlements (BIS), in the nominal value of XDR 5,000 per share, the Croatian National Bank is a member of the BIS, which enables it to use services the BIS provides to central banks and other financial organisations. In accordance with the Statute of the BIS, 25% of the shares subscribed was paid, while the remaining 75% is payable upon call for payment. In 2021 the Croatian National Bank received a dividend in the amount of HRK 11,425 thousands.

The Croatian National Bank is also a member of the Society for Worldwide Interbank Financial Telecommunication (SWIFT). Based on this membership, the Croatian National Bank participates in international transfers of financial messages. Six SWIFT shares in the nominal value of EUR 125 per share which the Croatian National Bank holds are fully paid in.

The paid-up capital of the European Central Bank (ECB) represents the participating interest of the Croatian National Bank in the ECB. Pursuant to Article 28 of the Statute of the European System of Central Banks (ESCB), the national central banks (NCBs) of the ESCB are the sole subscribers to the ECB's capital. The subscriptions of capital depend on the shares established in accordance with Article 29 of the Statute of the ESCB, which are adjusted every five years and whenever there is a change in the number of NCBs that contribute to the ECB's capital. Since the Republic of Croatia is not part of the euro area, transitional provisions of Article 47 of the ESCB's Statute apply, according to which the Croatian National Bank had an obligation to pay 3.75% of the subscribed capital as a contribution to the ECB's operational costs. The Croatian National Bank, as a non-euro area national central bank, is not entitled to receive an appropriate share of the ECB's profit distribution and there is no obligation to cover the ECB's loss.

As a result of the departure of the United Kingdom from the European Union on 31 January 2020 and the consequent withdrawal of the Bank of England from the European System of Central Banks, the weightings assigned to the remaining NCBs in the key for subscription of the ECB's capital were adjusted with effect from 1 February 2020.

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*Table 1: Contributions of national central banks to the ECB capital*

NCB	Capital subscription key %	Paid-up capital (in thousands of euro)
Nationale Bank van België/ Banque Nationale de Belgique	2.9630	298,518
Deutsche Bundesbank	21.4394	2,159,988
Eesti Pank	0.2291	23,081
Central Bank of Ireland	1.3772	138,751
Bank of Greece	2.0117	202,676
Banco de España	9.6981	977,070
Banque de France	16.6108	1,673,514
Banca d'Italia	13.8165	1,391,992
Central Bank of Cyprus	0.1750	17,631
Latvijas Banka	0.3169	31,927
Lietuvos bankas	0.4707	47,422
Banque centrale du Luxembourg	0.2679	26,991
Central Bank of Malta	0.0853	8,594
De Nederlandsche Bank	4.7662	480,188
Oesterreichische Nationalbank	2.3804	239,822
Banco de Portugal	1.9035	191,775
Banka Slovenije	0.3916	39,453
Národná banka Slovenska	0.9314	93,837
Suomen Pankki – Finlands Bank	1.4939	150,508
<b>Subtotal for euro area NCBs</b>	<b>81.3286</b>	<b>8,193,738</b>
Българска народна банка (Bulgarian National Bank)	0.9832	3,991
Česká národní banka	1.8794	7,629
Danmarks Nationalbank	1.7591	7,141
Croatian National Bank	0.6595	2,677
Magyar Nemzeti Bank	1.5488	6,287
Narodowy Bank Polski	6.0335	24,492
Banca Națională a României	2.8289	11,484
Sveriges Riksbank	2.9790	12,093
<b>Subtotal for non-euro area NCBs</b>	<b>18.6714</b>	<b>75,794</b>
<b>TOTAL</b>	<b>100.00</b>	<b>8,269,532</b>

The ECB's total subscribed capital comes from the national central banks of all EU member states and amounts to EUR 10,825,007 thousands. The amounts of the subscribed capital of individual euro area national central banks, increased due to the withdrawal of the Bank of England from the European System of Central Banks, were divided into two annual instalments. The first instalment was paid at the end of 2021, and the remaining one is due at the end of 2022.

The share of the Croatian National Bank in the subscribed capital of the European Central Bank is 0.6595%. The Croatian National Bank thus subscribed EUR 71,391 thousands of the ECB's capital and paid up EUR 2,677 thousands.

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The Croatian Mint (on 21 October 2021, the Croatian Monetary Institute changed its name to the Croatian Mint) is a domestic company whose core operations are the production of coins and medals of gold and other precious metals, the production of coins and commemorative circulation coins, the manufacturing of jewellery and related products, trade in gold and other precious metals, trade in jubilee coins and trade in medals of gold and other precious metals. The share ownership of the Croatian National Bank in the capital of the Croatian Mint is 100%, valued under the net asset value principle. Net value of these assets is calculated and recorded in the accounts once a year, at the end of a business year, based on the data available at the time. The consolidated financial statements are not prepared as the investment in the Croatian Mint is not significant from either a qualitative or quantitative perspective.

*(All amounts are expressed in thousands of kuna)*

<b>Net asset value as at 1 January 2021</b>	<b>51,076</b>
Revaluation in 2021	7,200
<b>Net asset value as at 31 December 2021</b>	<b>58,276</b>

### **8.3 Off-balance-sheet instruments revaluation differences**

This line item shows the net results of the valuations of off-balance sheet instruments in foreign currencies from the trading date to the settlement date. The table below shows the valuation differences of derivative instruments by instrument and currency that are recognised in the balance sheet.

*(All amounts are expressed in thousands of kuna)*

	<b>31/12/2021</b>	<b>01/01/2021</b>
Foreign exchange swaps (FX SWAP) in JPY	15,195	–
Foreign exchange swaps (FX SWAP) in USD	8,552	–
Foreign exchange swaps (FX SWAP) in EUR	3,589	–
<b>Total</b>	<b>27,336</b>	–

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#### 8.4 Accruals and prepaid expenditure

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Deposits with other banks	95	310	(215)	(69.35)
Foreign currency denominated securities not held to maturity	139,279	168,855	(29,576)	(17.52)
Foreign currency denominated securities held to maturity	178,825	174,096	4,729	2.72
Securities held for monetary policy purposes	136,796	151,521	(14,725)	(9.72)
Lending to credit institutions from RC related to monetary policy operations	23,576	16,333	7,243	44.35
Foreign currency reverse repo agreements	61	14	47	335.71
Foreign exchange swaps (FX SWAP)	795	–	795	–
Negative remuneration for TARGET2 participants	1,779	1,744	35	2.01
Negative interest rates (repo deposits)	8,047	585	7,464	1,280.27
Prepaid expenditure	15,801	10,836	4,965	45.82
Other	1,581	3,177	(1,596)	(50.24)
<b>Total</b>	<b>506,635</b>	<b>527,469</b>	<b>(20,834)</b>	<b>(3.95)</b>

#### 8.5 Sundry

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Cash on hand	286	379	(93)	(24.54)
Numismatics	11,180	11,377	(197)	(1.73)
Receivables	6,840	26,015	(19,175)	(73.71)
Advances given	2,520	34,614	(32,094)	(92.72)
Other tangible assets	9,351	9,563	(212)	(2.22)
Other	2,404	2,799	(395)	(14.11)
<b>Total</b>	<b>32,581</b>	<b>84,747</b>	<b>(52,166)</b>	<b>(61.55)</b>

### NOTE 3 – Items of liabilities

#### 1 Banknotes and coins in circulation

*(All amounts are expressed in thousands of kuna)*

	2021	Change %
Banknotes and coins in circulation – as at 1 January	41,792,678	
Increase/(decrease)	2,467,552	5.90
<b>Banknotes and coins in circulation – total as at 31 December</b>	<b>44,260,230</b>	

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The table below shows the denomination structure of banknotes and coins in circulation:

In HRK	Nominal value	31/12/2021		01/01/2021	
		Pieces	Value in thousands of kuna	Pieces	Value in thousands of kuna
Coins	0.01	128,917,880	1,289	128,096,234	1,281
Coins	0.02	85,940,198	1,719	85,746,912	1,715
Coins	0.05	433,722,399	21,686	418,770,808	20,939
Coins	0.10	619,830,928	61,983	602,359,529	60,236
Coins	0.20	488,997,610	97,800	470,993,381	94,199
Coins	0.50	283,957,151	141,979	273,545,238	136,773
Coins	1	320,952,373	320,952	308,756,200	308,756
Coins	2	201,374,879	402,750	190,830,614	381,661
Coins	5	135,057,778	675,289	129,006,476	645,032
Coins	25	1,404,104	35,103	1,364,201	34,105
Banknotes	5	4,120,763	20,604	4,122,545	20,613
Banknotes	10	55,801,984	558,020	53,218,620	532,186
Banknotes	20	40,265,969	805,319	37,639,522	752,790
Banknotes	50	20,012,423	1,000,621	18,722,968	936,148
Banknotes	100	50,303,499	5,030,350	47,539,398	4,753,940
Banknotes	200	101,430,201	20,286,040	96,089,661	19,217,932
Banknotes	500	9,698,321	4,849,160	9,461,267	4,730,634
Banknotes	1,000	9,949,566	9,949,566	9,163,738	9,163,738
<b>TOTAL</b>			<b>44,260,230</b>		<b>41,792,678</b>

## 2 Liabilities to credit institutions from Croatia related to monetary policy operations denominated in kuna

### 2.1 Current accounts (covering the reserve requirement system)

(All amounts are expressed in thousands of kuna)

	31/12/2021	01/01/2021	Change	
			Absolute	%
Reserve requirements	22,550,089	19,956,987	2,593,102	12.99
Settlement accounts	68,031,877	53,434,695	14,597,182	27.32
Accounts for National Clearing System (NCS) limits	675,000	575,000	100,000	17.39
Cash accounts	12,677,147	9,268,956	3,408,191	36.77
<b>Total</b>	<b>103,934,113</b>	<b>83,235,638</b>	<b>20,698,475</b>	<b>24.87</b>

## 3 Other liabilities to credit institutions from Croatia denominated in kuna

(All amounts are expressed in thousands of kuna)

	31/12/2021	01/01/2021	Change	
			Absolute	%
Court-mandated deposits	92,888	270,124	(177,236)	(65.61)
<b>Total</b>	<b>92,888</b>	<b>270,124</b>	<b>(177,236)</b>	<b>(65.61)</b>

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Court-mandated deposits are assets foreclosed pursuant to the Act on the Execution of Enforcement over Monetary Assets.

### 5 Liabilities to other residents in Croatia denominated in kuna

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
General government	14,142,448	16,230,669	(2,088,221)	(12.87)
Other liabilities	242,703	111,661	131,042	117.36
<b>Total</b>	<b>14,385,151</b>	<b>16,342,330</b>	<b>(1,957,179)</b>	<b>(11.98)</b>

### 6 Liabilities to residents outside Croatia denominated in kuna

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Due to European Commission	474,611	287,636	186,975	65.00
Other liabilities	143	274	(131)	(47.81)
<b>Total</b>	<b>474,754</b>	<b>287,910</b>	<b>186.844</b>	<b>64.90</b>

Liabilities to residents outside Croatia denominated in kuna include deposits and transaction accounts of other banks, central banks and international/supranational institutions, including the European Commission. The European Commission has opened HRK transaction account with the Croatian National Bank for the performance of payment transactions.

### 7 Liabilities to residents in Croatia denominated in foreign currency

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Due to the State and State institutions	4,434,304	2,981,934	1,452,370	48.71
Foreign currency accounts of TARGET2 participants	12,391,485	5,726,455	6,665,030	116.39
Other liabilities	17,299	7,601	9,698	127.59
<b>Total</b>	<b>16,843,088</b>	<b>8,715,990</b>	<b>8,127,098</b>	<b>93.24</b>

Liabilities to residents in Croatia denominated in foreign currency comprise foreign currency accounts of participants in the TARGET2 system. TARGET2 (Trans-European Automated Real-time Gross Settlement Express Transfer system) is a payment system for the settlement of payment transactions in euro on a gross basis in real time. TARGET2 is a system with the Single Shared Platform (SSP), jointly administered by Banca d'Italia, Banque de France and Deutsche Bundesbank on behalf of the Eurosystem. In addition to this Note to

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the financial statements, business activities related to TARGET2 are presented in Note 2 under 2.2.2. Balances with banks, external loans and other external assets.

The largest share in other liabilities is accounted for by the Ministry of Finance deposit for the XDR funds received from the IMF within the burden-sharing mechanism in the amount of HRK 12,435 thousands.

## 8 Liabilities to residents outside Croatia denominated in foreign currency

### 8.1 Deposits, balances and other liabilities

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Foreign currency repo agreements	17,224,021	3,756,698	13,467,323	358.49
Due to European Commission	799	663	136	20.51
<b>Total</b>	<b>17,224,820</b>	<b>3,757,361</b>	<b>13,467,459</b>	<b>358.43</b>

The European Commission has opened the EUR transaction account and the European Development Fund Account in euro with the Croatian National Bank.

## 9 Counterpart of special drawing rights allocated by the IMF

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Net cumulative allocations	9,227,912	2,688,716	6,539,196	243.21
<b>Total</b>	<b>9,227,912</b>	<b>2,688,716</b>	<b>6,539,196</b>	<b>243.21</b>

This balance sheet line item is the kuna equivalent of XDR 990,733 thousands (1 January 2021: XDR 303,137 thousands) and the increase in 2021 resulted from funds received on the basis of a general allocation of special drawing rights of the International Monetary Fund, as described in Note 2, under 2.1 Receivables from the International Monetary Fund (IMF).

## 10 Other liabilities

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Off-balance-sheet instruments revaluation differences	–	–	–	–
Accruals and income collected in advance	17,811	9,996	7,815	78.18
Sundry	1,454,189	2,267,220	(813,031)	(35.86)
<b>Total</b>	<b>1,472,000</b>	<b>2,277,216</b>	<b>(805,216)</b>	<b>(35.36)</b>

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## 10.2 Accruals and income collected in advance

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Deposits of RC	994	653	341	52.22
Foreign exchange swaps (FX SWAP)	316	–	316	–
Negative remuneration in TARGET2	1,811	1,771	40	2.26
Negative interest rates	13,291	2,697	10,594	392.81
Other	1,399	4,875	(3,476)	(71.30)
<b>Total</b>	<b>17,811</b>	<b>9,996</b>	<b>7,815</b>	<b>78.18</b>

Negative interest includes accrued negative interest on current accounts, deposits and reverse repo agreements.

## 10.3 Sundry

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Amounts due to employees	9,869	9,011	858	9.52
Taxes and contributions	7,956	8,073	(117)	(1.45)
Due to the Ministry of Finance	16,341	229,240	(212,899)	(92.87)
Trade payables	49,885	23,338	26,547	113.75
Other	1,370,138	1,997,558	(627,420)	(31.41)
<b>Total</b>	<b>1,454,189</b>	<b>2,267,220</b>	<b>(813,031)</b>	<b>(35.86)</b>

The item Other in 2021 comprises the present value of the lease liability of HRK 14,885 thousands (1 January 2021: 4,864 thousands). The present value of the lease liability is calculated using the discount rate of the Croatian National Bank, which stood at 3% on 31 December 2021 (on 1 January 2021 it was 3%).

The item Other also includes the existing unrealised gains on financial assets at fair value through other comprehensive income and financial assets at amortised cost in the amount of HRK 1,353,165 thousands (1 January 2021: 1,989,889 thousands), generated during transition to the ECB Guideline and amortised under the straight-line method until the derecognition of the corresponding assets.

## 11 Provisions

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Provisions for financial risks	3,500,000	3,500,000	–	–
Provisions for court cases	36,535	36,535	–	–
Provisions for employee benefits	27,298	26,168	1,130	4.32
<b>Total</b>	<b>3,563,833</b>	<b>3,562,703</b>	<b>1,130</b>	<b>0.03</b>

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Pursuant to the decision of the Council of the Croatian National Bank, provisions for financial risks as at 31 December 2021 did not change from the amount of provisions for financial risks as at 1 January 2021 on the basis of the Croatian National Bank's assessment of its own exposure to financial risks.

The exposure of the Croatian National Bank to financial risks is described in more detail in Note 6 – Risk management.

## 12 Revaluation accounts

The table below shows revaluation account balances.

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Securities	2,149	–	2,149	–
Foreign currency positions	1,431,162	–	1,431,162	–
Gold	197	–	197	–
Significant interests	7,200	–	7,200	–
Revaluation reserves for fixed assets	336,419	342,014	(5,595)	(1.64)
Revaluation accounts pursuant to the CNB Act	6,100,299	6,750,000	(649,701)	(9.63)
<b>Total</b>	<b>7,877,426</b>	<b>7,092,014</b>	<b>785,412</b>	<b>11.07</b>

The table below shows revaluation accounts for foreign currency positions by currency.

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021
EUR	–	–
USD	1,430,887	–
XDR	238	–
Other currencies	37	–
<b>Total</b>	<b>1,431,162</b>	<b>–</b>

The table below shows balances in the revaluation accounts established pursuant to the Decision of the Council of the Croatian National Bank, adopted under the provisions of the Act on the Croatian National Bank on transition to reporting in accordance with the ECB Guideline.

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Securities	328,168	700,000	(371,832)	(53.12)
Foreign currency positions	5,772,131	6,050,000	(277,869)	(4.59)
<b>Total</b>	<b>6,100,299</b>	<b>6,750,000</b>	<b>(649,701)</b>	<b>(9.63)</b>

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The revaluation accounts are used to cover the negative impacts of changes in prices and exchange rates, and the exposure of the Croatian National Bank to these risks is described in more detail in Note 6 – Risk management.

### 13 Capital and reserves

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Initial capital	2,500,000	2,500,000	–	–
General reserves	1,028,784	1,023,189	5,595	0.55
<b>Total</b>	<b>3,528,784</b>	<b>3,523,189</b>	<b>5,595</b>	<b>0.16</b>

The initial capital in the amount of HRK 2,500,000 thousands may not be transferred or pledged. General reserves are established to cover general business risks of the Croatian National Bank. The lower bound of general reserves was determined by the Decision on the determination of the lower bound of the general reserves of the Croatian National Bank, adopted by the Council of the Croatian National Bank, in the amount of HRK 500,000 thousands.

General reserves as at 31 December 2021 amounted to HRK 1,028,784 thousands which is an increase of HRK 5,595 thousands from 1 January 2021, when they stood at HRK 1,023,189 thousands. The increase in general reserves was due to the transfer of revaluation reserves for fixed assets (buildings) to general reserves (realisation of the revaluation reserve due to depreciation and disposal of assets).

#### NOTE 4 – Off-balance-sheet accounts and treasury inventory system

##### Foreign exchange swaps

In 2021 the Croatian National Bank concluded foreign exchange swaps, and the amounts of receivables and payables arising from these transactions as at 31 December 2021 are shown in table below.

*(All amounts are expressed in thousands of kuna)*

Foreign exchange swaps	31/12/2021				01/01/2021
	USD	EUR	JPY	Total	Total
Receivables	1,224,530	464,989	–	1,689,519	–
Payables	–	–	(1,662,183)	(1,662,183)	–
<b>Total</b>	<b>1,224,530</b>	<b>464,989</b>	<b>(1,662,183)</b>	<b>27,336</b>	<b>–</b>

### **Collateral**

Total fair value of collateral obtained for collateralised credits as at 31 December 2021 amounted to HRK 3,539,437 thousands (1 January 2021: HRK 5,160,822 thousands).

Total fair value of collateral obtained by foreign currency reverse repo agreements (sovereign bonds of countries and state institutions rated AAA to A- and securities of international financial institutions rated AAA to AA+) as at 31 December 2021 amounts to HRK 17,542,969 thousands (1 January 2021: HRK 4,689,013 thousands).

Total fair value of collateral given in repo agreements as at 31 December 2021 amounts to HRK 17,182,851 thousands (1 January 2021: HRK 3,752,077 thousands).

### **Contingent assets**

In the previous civil proceedings terminated by a final judgement, in which the claimant was the Croatian National Bank, the Supreme Court of the Republic of Croatia issued a decision annulling the final judgement and the case was referred back to the first instance court for retrial. As the outcome of the reopened civil proceedings is uncertain, these contingent assets were recorded in off-balance sheet records in the amount of HRK 170,788 thousands.

### **Contingent liabilities and commitments**

**Legal actions:** As at 31 December 2021, there were several legal actions outstanding. In the opinion of the management and internal legal advisers of the Croatian National Bank, the Bank may lose certain cases. As a result, provisions for potential losses on such cases were made by the Bank in the amount of HRK 36,535 thousands (see Note 3, under 11 Provisions).

**Capital commitments:** As at 31 December 2021, capital commitments of the Croatian National Bank amounted to HRK 7,298 thousands (1 January 2021: HRK 2,977 thousands).

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**Treasury inventory system**

*(All amounts are expressed in thousands of kuna)*

	31/12/2021	01/01/2021	Change	
			Absolute	%
Banknotes and coins not in circulation	52,440,227	46,494,179	5,946,048	12.79
Inventory of government stamps and bill-of-exchange forms	89,828	54,375	35,453	65.20
<b>Total</b>	<b>52,530,055</b>	<b>46,548,554</b>	<b>5,981,501</b>	<b>12.85</b>

**NOTE 5 – Notes to the Profit and Loss Account**

**1 Net interest income/expense**

*(All amounts are expressed in thousands of kuna)*

	2021
<b>Foreign currency interest income:</b>	
Foreign currency deposits	558
Foreign currency reverse repo agreements	1,369
Foreign currency denominated securities not held to maturity	299,299
Foreign currency denominated securities held to maturity	494,549
Foreign exchange swaps	797
Foreign currency repo agreements (negative interest)	79,158
Other	367,260
<b>Total</b>	<b>1,242,990</b>
<b>Kuna interest income:</b>	
Loans to domestic banks	11,721
Securities held for monetary policy purposes	522,311
Other	2
<b>Total</b>	<b>534,034</b>
<b>Total interest income</b>	<b>1,777,024</b>
<b>Foreign currency interest expense</b>	
Foreign currency repo agreements	(26)
Amortised premium on securities not held to maturity	(615,157)
Amortised premium on held-to-maturity securities	(254,613)
Foreign exchange swaps	(315)
Foreign exchange forward	(108)
Foreign currency deposits (negative interest)	(81,062)
Foreign currency reverse repo agreements (negative interest)	(144,188)
Other	(419)
<b>Total</b>	<b>(1,095,888)</b>
<b>Kuna interest expense:</b>	
Ministry of Finance deposits	(7,744)
Amortised premium on securities held for monetary policy purposes	(374,476)
Leases	(221)
<b>Total</b>	<b>(382,441)</b>
<b>Total interest expense</b>	<b>(1,478,329)</b>
<b>Total net interest income/(expense)</b>	<b>298,695</b>

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**2 Net result of financial operations, write-downs and risk provisions**

*(All amounts are expressed in thousands of kuna)*

	<b>2021</b>
<b>Realised gains/(losses) arising from financial operations</b>	
Foreign exchange differences	42,558
Securities	338,403
<b>Total</b>	<b>380,961</b>
<b>Write-downs on financial assets and positions:</b>	
<i>Foreign exchange:</i>	
Foreign exchange differences	(277,869)
Income from the release of revaluation reserves for foreign exchange differences	277,869
<b>Total foreign exchange differences</b>	<b>–</b>
<i>Change in prices:</i>	
Securities	(371,832)
Income from the release of revaluation reserves for change in the prices of securities	371,832
Assets under management with international financial institutions	(3,266)
Gold	–
Other precious metals	(223)
Significant interests	–
<b>Total change in prices</b>	<b>(3,489)</b>
<b>Total</b>	<b>(3,489)</b>
<b>Transfer to/from provisions for financial risks</b>	
Income from the release of provisions for financial risks	–
Provisions for financial risks	–
<b>Total</b>	<b>–</b>
<b>Total net result of financial operations, write-downs and risk provisions</b>	<b>377,472</b>

Foreign exchange losses and changes in the prices of securities were completely covered from revaluation accounts established pursuant to the decision of the CNB Council, adopted under the provisions of the Act on the CNB on transition to reporting in accordance with the ECB Guideline.

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### 3 Net income/expense from fees and commissions

*(All amounts are expressed in thousands of kuna)*

	2021
<b>Fees and commissions income</b>	
Fees for the supervision of credit institutions	55,426
Other	8,689
<b>Total</b>	<b>64,115</b>
<b>Fees and commissions expense</b>	
Securities deposit and custody costs	(11,402)
Obligatory contribution to EBA budget	(4,881)
Other	(7,222)
<b>Total</b>	<b>(23,505)</b>
<b>Net fees and commissions income/(expense)</b>	<b>40,610</b>

The Croatian National Bank charges a fee for the supervision of credit institutions pursuant to the Credit Institutions Act. Entities subject to supervision fees are credit institutions with head offices in the Republic of Croatia and branches of credit institutions with head offices outside the Republic of Croatia. The level, calculation method and payment method for the supervision fee is determined by the decision on supervision fees for credit institutions, issued by the Governor of the Croatian National Bank.

Regulation (EU) No 1093/2010 establishing a European Supervisory Authority (European Banking Authority – EBA) defines that competent authorities form part of a European System of Financial Supervision – ESFS, which also comprises the European Banking Authority (EBA). In accordance with the above Regulation, the Croatian National Bank, as the authority competent for the supervision of credit institutions, forms part of the European System of Financial Supervision (ESFS) and a representative of the Croatian National Bank participates as a member in the Board of Supervisors (BoS), the EBA’s managing authority. Every year, the Board of Supervisors, in the manner prescribed by Article 63 of the said Regulation, adopts the EBA’s budget. The revenues of the EBA funding the budget consist, among other things, of obligatory contributions from the national competent authorities, which are made in accordance with a formula based on the weighting of votes.

### 4 Income from equity shares and participating interests

*(All amounts are expressed in thousands of kuna)*

	2021
BIS dividend income	11,425
<b>Total</b>	<b>11,425</b>

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## 5 Other income

*(All amounts are expressed in thousands of kuna)*

	<b>2021</b>
Sale of numismatics and investment gold	1,653
Other income	6,309
<b>Total</b>	<b>7,962</b>

## 6 Operating expenses

*(All amounts are expressed in thousands of kuna)*

	<b>2021</b>
Staff costs	(218,756)
Administrative expenses	(110,992)
Depreciation of tangible and intangible fixed assets	(40,045)
Costs of production of kuna banknotes and coins	(161,664)
Other costs	(148,319)
<b>Total</b>	<b>(679,776)</b>

Administrative expenses include the costs of maintenance of office buildings and other fixed assets, overheads, network programmes maintenance costs, office supplies costs, small inventory costs, professional development costs, provisions for court cases and other current costs. Depreciation costs for the right-of-use asset amounted to HRK 3,715 thousands in 2021 and are reported under Depreciation and amortisation costs.

The largest share in Other costs is accounted for by the cost related to the civil proceeding in the amount of HRK 147,979 thousands. Namely, in previous years, on the basis of a final judgment in a civil proceeding in its favour, the Croatian National Bank had received payments from the defendant and after the final judgement was annulled by the Supreme Court of the Republic of Croatia in 2021 the Croatian National Bank had to return all received payments to the payer.

### 6.1 Staff costs

*(All amounts are expressed in thousands of kuna)*

	<b>2021</b>
Net salaries	114,635
Contributions from and contributions on salaries	58,954
Taxes and surtaxes	21,060
Other employee related expenses	22,977
Provisions for employee benefits	1,130
<b>Staff costs</b>	<b>218,756</b>

The average number of employees during 2021 was 696.

## **11 Profit/(loss) for the year**

The Croatian National Bank realised profit for 2021 in the amount of HRK 56,388 thousands. The allocation of profit will be performed in the next financial year in compliance with the decision of the Council of the Croatian National Bank on the financial statements of the Croatian National Bank for 2021.

## **NOTE 6 – Risk management**

The Croatian National Bank manages international reserves of the Republic of Croatia based on the principles of liquidity and safety, which means that it maintains high liquidity of international reserves and appropriate risk exposures and seeks to achieve favourable return on its investments within the defined limits.

Risks inherent to managing international reserves consist primarily of financial risks such as credit risk, liquidity risk and market risk. However, attention is given also to operating risk.

Operating risk is the risk of loss due to inappropriate or inefficient internal processes, employees or systems or due to events external to the Bank. Operating risk is managed by strict segregation of duties and responsibilities, formalised methodologies and procedures and by conducting regular internal and external audits.

The revaluation accounts and provisions for financial risks are risk buffers, with the revaluation accounts used as the first level of protection against the risk of a fall in prices and exchange rates, while provisions for financial risks can be used to cover the negative impacts on the profit and loss account arising from all financial risks.

### **6.1 – CREDIT RISK**

Credit risk is the risk that the counterparty will not settle its liability i.e. the possibility that invested funds will not be recovered in full or within the planned schedule.

The Croatian National Bank manages its credit risk exposure by investing its international reserve funds into high-quality instruments with minimum risk, such as government bonds, government guaranteed bonds, bank bonds with government guarantees and guaranteed bonds, into instruments of international financial institutions with high credit rating and into both collateralised and non-collateralised deposits. Collateralised deposits represent deposits secured by government bonds in the amount equal to or in excess of the value of the deposit. Uncollateralised deposits are invested only with central banks and international financial institutions.

Its assessment of financial institutions' creditworthiness is based on ratings of major internationally recognized rating agencies (Moody's, Standard & Poor's, and Fitch).

International reserves placements are limited per types of issuer and per types of financial institutions, which diversifies credit risk.

The Croatian National Bank invests the international reserve funds in government bonds and government guaranteed bonds of countries rated Aaa to Baa3 (Moody's), guaranteed bonds with ratings from Aaa to Aa2, reverse repo agreements with commercial banks with ratings of Aaa to Baa3, deposits with central banks rated Aaa to Baa3, instruments with international financial institutions rated Aaa to A2, and sight deposits placed with commercial banks rated Aaa to A3 for the purpose of carrying out foreign currency transactions.

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### 6.1.1 Maximum balance sheet exposure to credit risk

The tables below show maximum exposure to credit risk based on the amounts recognised in the balance sheet.

*(All amounts are expressed in thousands of kuna)*

**As at 31 December 2021**

Description	Code	Amount	Accrued interest (Balance sheet line item A8.4)	Accrued negative interest (Balance sheet line item L10.2)	Maximum exposure to credit risk as at 31 December 2021
<b>Receivables from the International Monetary Fund</b>	2.1	9,250,190	–	–	9,250,190
<b>Foreign currency denominated securities not held to maturity</b>	2.2				
Government securities		52,431,707	134,506	–	52,566,213
Guaranteed bonds		60,471	76	–	60,547
Securities of international financial institutions		774,566	3,131	–	777,697
Bank bonds with government guarantees		1,098,512	1,566	–	1,100,078
<b>Total foreign currency denominated securities not held to maturity</b>		<b>54,365,256</b>	<b>139,279</b>	<b>–</b>	<b>54,504,535</b>
<b>Foreign currency denominated securities held to maturity</b>	2.2				
Government securities		30,997,487	154,372	–	31,151,859
Guaranteed bonds		1,815,087	1,941	–	1,817,028
Securities of international financial institutions		2,588,303	18,208	–	2,606,511
Bank bonds with government guarantees		1,979,360	4,304	–	1,983,664
<b>Total foreign currency denominated securities held to maturity</b>		<b>37,380,237</b>	<b>178,825</b>	<b>–</b>	<b>37,559,062</b>
<b>Foreign currency deposits</b>	2.2				
Current accounts		27,041,120	–	(2,058)	27,039,062
Deposits with other banks		8,164,056	95	(4,014)	8,160,137
Funds in TARGET2		12,461,619	–	–	12,461,619
<b>Total foreign currency deposits</b>		<b>47,666,795</b>	<b>95</b>	<b>(6,072)</b>	<b>47,660,818</b>
<b>Foreign currency reverse repo agreements</b>	2.2	<b>17,569,486</b>	<b>61</b>	<b>(7,219)</b>	<b>17,562,328</b>
<b>Foreign exchange swaps</b>	8.3	<b>27,336</b>	<b>795</b>	<b>(316)</b>	<b>27,815</b>
<b>Other foreign currency financial assets</b>	8.4 and 8.5	<b>10,905</b>	<b>–</b>	<b>–</b>	<b>10,905</b>
<b>Kuna loans</b>	5.2	<b>3,067,000</b>	<b>23,576</b>	<b>–</b>	<b>3,090,576</b>
<b>Securities of the Republic of Croatia held for monetary policy purposes</b>	7.1	<b>18,357,930</b>	<b>136,796</b>	<b>–</b>	<b>18,494,726</b>
<b>Other kuna financial assets</b>	8.4 and 8.5	<b>6,928</b>	<b>–</b>	<b>–</b>	<b>6,928</b>
<b>TOTAL</b>		<b>187,702,063</b>	<b>479,427</b>	<b>(13,607)</b>	<b>188,167,883</b>

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**6.1.1 Maximum balance sheet exposure to credit risk (continued)**

*All amounts are expressed in thousands of kuna)*

**As at 1 January 2021**

Description	Balance sheet line item Code	Amount	Accrued interest (Balance sheet line item A8.4)	Accrued negative interest (Balance sheet line item P10.2)	Maximum exposure to credit risk as at 1 January 2021
<b>Receivables from the International Monetary Fund</b>	2.1	<b>2,701,058</b>	–	–	<b>2,701,058</b>
<b>Foreign currency denominated securities not held to maturity</b>	2.2				
Government securities		57,143,376	163,236	–	57,306,612
Guaranteed bonds		179,587	183	–	179,770
Securities of international financial institutions		2,054,377	3,866	–	2,058,243
Bank bonds with government guarantees		1,355,664	1,570	–	1,357,234
<b>Total foreign currency denominated securities not held to maturity</b>		<b>60,733,004</b>	<b>168,855</b>	–	<b>60,901,859</b>
<b>Foreign currency denominated securities held to maturity</b>	2.2				
Government securities		21,538,262	151,030	–	21,689,292
Guaranteed bonds		1,706,915	1,860	–	1,708,775
Securities of international financial institutions		2,414,227	17,630	–	2,431,857
Bank bonds with government guarantees		1,222,478	3,576	–	1,226,054
<b>Total foreign currency denominated securities held to maturity</b>		<b>26,881,882</b>	<b>174,096</b>	–	<b>27,055,978</b>
<b>Foreign currency deposits</b>	2.2				
Current accounts		8,534,873	–	–	8,534,873
Deposits with other banks		12,076,502	310	(1,886)	12,074,926
Funds in TARGET2		5,791,070	–	–	5,791,070
<b>Total foreign currency deposits</b>		<b>26,402,445</b>	<b>310</b>	<b>(1,886)</b>	<b>26,400,869</b>
<b>Foreign currency reverse repo agreements</b>	2.2	<b>4,729,855</b>	<b>14</b>	<b>(811)</b>	<b>4,729,058</b>
<b>Other foreign currency financial assets</b>	8.4 and 8.5	<b>2,552</b>	–	–	<b>2,552</b>
<b>Kuna loans</b>	5.2	<b>4,517,000</b>	<b>16,333</b>	–	<b>4,533,333</b>
<b>Securities of the Republic of Croatia held for monetary policy purposes</b>	7.1	<b>19,842,649</b>	<b>151,521</b>	–	<b>19,994,170</b>
<b>Other kuna financial assets</b>	8.4 and 8.5	<b>27,505</b>	–	–	<b>27,505</b>
<b>TOTAL</b>		<b>145,837,950</b>	<b>511,129</b>	<b>(2,697)</b>	<b>146,346,382</b>

## 6.2 – LIQUIDITY RISK

Liquidity risk is the risk of inability to settle all the liabilities and obligations arising from the operations of the Croatian National Bank as they fall due. Hence, the Croatian National Bank has to ensure, through its strategy, sufficient liquid funds on a daily basis to settle all of its liabilities and commitments. Liquidity risk is controlled by investing the international reserve funds into highly marketable bonds and partly in deposit instruments with short maturities.

Liquid funds include all assets that are convertible into cash within a period of one to three days. The Croatian National Bank invests international reserves into deposits with maturities of up to three months and into securities, provided that securities not held to maturity are readily convertible into cash at any time. At 31 December 2021, approximately 66% of net international reserves were liquid and at the beginning of 2021 approximately 68% of net international reserves were liquid.

In accordance with the accounting policies of the Croatian National Bank, the tables below show the exposure of the Croatian National Bank to foreign currency liquidity risk. . The tables classify the financial liabilities of the Croatian National Bank into relevant groupings by remaining contractual maturity from the reporting date. The tables have been drawn up based on the undiscounted cash flows of financial liabilities in foreign currency on the earliest date on which payment could be required, and include both interest and principal cash flows as well as future interest expenses.

*(All amounts are expressed in thousands of kuna)*

**As at 31 December 2021**

	Up to 1 month	1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total	Book value
7 Liabilities to residents in Croatia denominated in foreign currency	16,843,088	–	–	–	–	16,843,088	16,843,088
8 Liabilities to residents outside Croatia denominated in foreign currency	17,209,728	–	–	–	–	17,209,728	17,224,820
8.1 Deposits, balances and other liabilities	17,209,728	–	–	–	–	17,209,728	17,224,820
8.2 Liabilities arising from the credit facility under ERM II	–	–	–	–	–	–	–
9 Counterpart of special drawing rights allocated by the IMF	–	–	–	–	9,227,912	9,227,912	9,227,912
10 Other liabilities	1,359,325	–	–	–	–	1,359,325	1,372,616
10.1 Off-balance-sheet instruments revaluation differences	–	–	–	–	–	–	–
10.2 Accruals and income collected in advance	2,405	–	–	–	–	2,405	15,694
10.3 Sundry	1,356,922	–	–	–	–	1,356,922	1,356,922
<b>Total liabilities</b>	<b>35,412,141</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>9,227,912</b>	<b>44,640,053</b>	<b>44,668,436</b>

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## 6.2 – LIQUIDITY RISK (continued)

*(All amounts are expressed in thousands of kuna)*

As at 1 January 2021

	Up to 1 month	1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Total	Book value
7 Liabilities to residents in Croatia denominated in foreign currency	8,715,990	–	–	–	–	8,715,990	8,715,990
8 Liabilities to residents outside Croatia denominated in foreign currency	3,755,004	–	–	–	–	3,755,004	3,757,361
8.1 Deposits, balances and other liabilities	3,755,004	–	–	–	–	3,755,004	3,757,361
8.2 Liabilities arising from the credit facility under ERM II	–	–	–	–	–	–	–
9 Counterpart of special drawing rights allocated by the IMF	–	–	–	–	2,688,716	2,688,716	2,688,716
10 Other liabilities	1,997,329	–	–	–	–	1,997,329	2,000,022
10.1 Off-balance-sheet instruments revaluation differences	–	–	–	–	–	–	–
10.2 Accruals and income collected in advance	5,468	–	–	–	–	5,468	8,161
10.3 Sundry	1,991,861	–	–	–	–	1,991,861	1,991,861
<b>Total liabilities</b>	<b>14,468,325</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,688,716</b>	<b>17,157,059</b>	<b>17,162,089</b>

**Note:** Liabilities to residents outside Croatia denominated in foreign currency comprise accrued negative interest reported as assets in the balance sheet line item A8.4 Other liabilities do not include accrued negative interest on financial assets reported as liabilities in the balance sheet line item L10.2.

## 6.3 – MARKET RISK

Market risk is the risk of fluctuations in the fair value or future cash flows of a financial instrument due to changes in market prices. Market risk includes foreign exchange risk, interest rate risk and other price risks.

Foreign exchange risk (risk of changes in value of one currency against another) is the risk of fluctuation in fair value or future cash flows of a financial instrument due to changes in foreign exchange rates.

Interest rate risk is the risk of fluctuations in fair value or future cash flows of a financial instrument due to changes in market interest rates.

Other price risks include the risk of fluctuations in fair value or future cash flows of financial instruments due to changes in market prices that do not arise from interest rate or foreign exchange risk.

### **6.3.1 – Foreign exchange risk**

The Croatian National Bank holds most of its assets in foreign currencies, which exposes it to foreign exchange risk in terms of fluctuations in the exchange rates of the kuna against the euro and the US dollar. These cross-currency changes affect the balances of revaluation accounts in the balance sheet and the profit and loss account result.

The Croatian National Bank takes on exposure to foreign exchange risk only in respect of net international reserves, covering part of the reserves it manages in accordance with its own guidelines (net international reserves exclude the Ministry of Finance and European Commission funds, XDR holdings with the IMF and investments in repo agreements). A high proportion of the euro contributes to reducing volatility due to the stable exchange rate of the euro against the kuna. Although VaR analysis for foreign exchange risk and various stress tests are made, the currency structure is not defined by these measures, but primarily by the currency structure of debt and imports. Accordingly, VaR limits are not set, nor is back-testing implemented.

The portion of international reserves formed out of the allocated foreign exchange reserve requirement, the Ministry of Finance funds, repo deals and funds in special drawing rights (XDR) is managed passively by the central bank, based on the currency structure of foreign currency obligations; hence, there is no exposure to foreign exchange risk on this basis.

Currency VaR for a period of one year with a confidence level of 95% is HRK 4.4 billion.

#### **6.3.1.1 Sensitivity analysis – impact of percentage fluctuations in exchange rates on the profit and loss account and balance sheet**

*Sensitivity analysis at 31 December 2021*

*(All amounts are expressed in thousands of kuna)*

<b>31/12/2021</b>	<b>USD</b>	<b>EUR</b>
Exchange rate appreciation/depreciation	+/-5%	+/-1%
Effect of change in exchange rates on the revaluation account /profit and loss account	982,390/(982,390)	1,422,068/(1,422,068)

The table above shows the sensitivity of the Croatian National Bank balance sheet and profit and loss account result in the case of an increase/decrease in the EUR/HRK exchange rate by  $\pm 1\%$  and in the case of an increase/decrease in the USD/HRK exchange rate by  $\pm 5\%$ . Historically, the yearly volatility of the USD/HRK exchange rate has been five times higher than the EUR/HRK exchange rate volatility.

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A positive figure denotes an increase in the revaluation account in the balance sheet if the kuna exchange rate appreciates against the relevant currency by the selected percentage (i.e. the kuna value depreciates in relation to the relevant currency), and if the kuna exchange rate depreciates against the relevant currency (i.e. the kuna value appreciates in relation to the relevant currency) the negative figure denotes a decrease in the profit and loss account result (if it exceeds previous revaluation gains registered in the corresponding revaluation account).

In the case of a 1% decrease in the EUR/HRK exchange rate as at 31 December 2021, negative impact would be lower by approximately HRK 1,422,068 thousands, while in the case of a 5% decrease in the USD/HRK exchange rate, the negative impact would be lower by approximately HRK 982,390 thousands.

*Calculation methodology*

The amount of the net euro and net US dollar international reserves as at balance sheet date is multiplied by the difference between the EUR/HRK exchange rate or the USD/HRK exchange rate valid at that date and those rates increased/decreased by the relevant percentages.

*Sensitivity analysis at 1 January 2021*

*(All amounts are expressed in thousands of kuna)*

<b>01/01/2021</b>	<b>USD</b>	<b>EUR</b>
Exchange rate appreciation/depreciation	+/-5%	+/-1%
Effect of change in exchange rates on the revaluation account /profit and loss account	924,931/(924,931)	1,199,195/(1,199,195)

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**NOTE 6.3.1 – Foreign exchange risk (continued)**

**6.3.1.2 CNB exposure to foreign exchange risk – analysis of assets and liabilities by currency**

*(All amounts are expressed in thousands of kuna)*

As at 31 December 2021

	EUR	HRK linked to EUR	USD	XDR	HRK linked to XDR	Other foreign currencies	HRK	Total
<b>Assets</b>								
1 Gold and gold receivables	–	–	–	–	–	–	4,601	<b>4,601</b>
2 Claims on residents outside Croatia denominated in foreign currency	170,321,269	–	18,865,254	9,250,190	3,147	1,739,568	–	<b>200,179,428</b>
2.1 Receivables from the International Monetary Fund (IMF)	–	–	–	9,250,190	3,147	–	–	<b>9,253,337</b>
2.2 Balances with banks and security investments, external loans and other external assets	170,321,269	–	18,865,254	–	–	1,739,568	–	<b>190,926,091</b>
3 Claims on residents in Croatia denominated in foreign currency	–	–	–	–	–	–	–	–
4 Claims on residents outside Croatia denominated in kuna	–	–	–	–	–	–	–	–
4.1 Balances with banks, security investments and loans	–	–	–	–	–	–	–	–
4.2 Claims arising from the credit facility under Exchange Rate Mechanism (ERM) II	–	–	–	–	–	–	–	–
5 Lending to credit institutions from Croatia related to monetary policy operations denominated in kuna	–	–	–	–	–	–	3,067,000	<b>3,067,000</b>
5.1 Regular operations	–	–	–	–	–	–	–	–
5.2 Structural operations	–	–	–	–	–	–	3,067,000	<b>3,067,000</b>
5.3 Fine-tuning operations	–	–	–	–	–	–	–	–
5.4 Overnight credits	–	–	–	–	–	–	–	–
6 Other claims on credit institutions from Croatia denominated in kuna	–	–	–	–	–	–	–	–
7 Securities of residents in Croatia denominated in kuna	–	3,260,725	–	–	–	–	15,097,205	<b>18,357,930</b>
7.1 Securities held for monetary policy purposes	–	3,260,725	–	–	–	–	15,097,205	<b>18,357,930</b>
7.2 Other securities	–	–	–	–	–	–	–	–
8 Other assets	251,423	25,449	78,835	–	–	314	976,407	<b>1,332,428</b>
8.1 Tangible and intangible fixed assets	–	–	–	–	–	–	645,652	<b>645,652</b>
8.2 Other financial assets	–	–	–	–	–	–	120,224	<b>120,224</b>
8.3 Off-balance-sheet instruments revaluation differences	–	–	–	–	–	–	27,336	<b>27,336</b>
8.4 Accruals and prepaid expenditure	251,281	25,930	78,835	–	–	314	152,275	<b>506,635</b>
8.5 Sundry	142	1,519	–	–	–	–	30,920	<b>32,581</b>
9 Loss for the year	–	–	–	–	–	–	–	–
<b>Total assets</b>	<b>170,572,692</b>	<b>3,286,174</b>	<b>18,944,089</b>	<b>9,250,190</b>	<b>3,147</b>	<b>1,739,882</b>	<b>19,145,213</b>	<b>222,941,587</b>

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**NOTE 6.3.1 – Foreign exchange risk (continued)**

**6.3.1.2 CNB exposure to foreign exchange risk – analysis of assets and liabilities by currency (continued)**

*(All amounts are expressed in thousands of kuna)*

As at 31 December 2021

	EUR	HRK linked to EUR	USD	XDR	HRK linked to XDR	Other foreign currencies	HRK	Total
<b>Liabilities</b>								
1 Banknotes and coins in circulation	–	–	–	–	–	–	44,260,230	<b>44,260,230</b>
2 Liabilities to credit institutions from Croatia related to monetary policy operations denominated in kuna	–	–	–	–	–	–	103,934,113	<b>103,934,113</b>
2.1 Current accounts (covering the reserve requirement system)	–	–	–	–	–	–	103,934,113	<b>103,934,113</b>
2.2 Overnight deposits	–	–	–	–	–	–	–	–
2.3 Fixed-term deposits	–	–	–	–	–	–	–	–
2.4 Deposits related to margin calls	–	–	–	–	–	–	–	–
3 Other liabilities to credit institutions from Croatia denominated in kuna	–	–	–	–	–	–	92,888	<b>92,888</b>
4 Debt securities of the Croatian National Bank	–	–	–	–	–	–	–	–
5 Liabilities to other residents in Croatia denominated in kuna	–	–	–	–	–	–	14,385,151	<b>14,385,151</b>
5.1 General government	–	–	–	–	–	–	14,142,448	<b>14,142,448</b>
5.2 Other liabilities	–	–	–	–	–	–	242,703	<b>242,703</b>
6 Liabilities to residents outside Croatia denominated in kuna	–	–	–	–	–	–	474,754	<b>474,754</b>
7 Liabilities to residents in Croatia denominated in foreign currency	16,712,369	–	37,452	17,299	–	75,968	–	<b>16,845,088</b>
8 Liabilities to residents outside Croatia denominated in foreign currency	16,590,222	–	634,598	–	–	–	–	<b>17,224,820</b>
8.1 Deposits, balances and other liabilities	16,590,222	–	634,598	–	–	–	–	<b>17,224,820</b>
8.2 Liabilities arising from the credit facility under ERM II	–	–	–	–	–	–	–	–
9 Counterpart of special drawing rights allocated by the IMF	–	–	–	9,227,912	–	–	–	<b>9,227,912</b>
10 Other liabilities	1,221,382	14,885	151,228	–	–	6	84,499	<b>1,472,000</b>
10.1 Off-balance-sheet instruments revaluation differences	–	–	–	–	–	–	–	–
10.2 Accruals and income collected in advance	15,688	–	–	–	–	6	2,117	<b>17,811</b>
10.3 Sundry	1,205,694	14,885	151,228	–	–	–	82,382	<b>1,454,189</b>
<b>Total liabilities</b>	<b>34,523,973</b>	<b>14,885</b>	<b>825,278</b>	<b>9,245,211</b>	<b>–</b>	<b>75,974</b>	<b>163,231,635</b>	<b>207,914,956</b>
<b>Net position</b>	<b>136,048,719</b>	<b>3,271,289</b>	<b>18,120,811</b>	<b>4,979</b>	<b>3,147</b>	<b>1,663,908</b>	<b>(144,086,422)</b>	<b>15,026,451</b>

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**NOTE 6.3.1 – Foreign exchange risk (continued)**

**6.3.1.2 CNB exposure to foreign exchange risk – analysis of assets and liabilities by currency (continued)**

*(All amounts are expressed in thousands of kuna)*

As at 1 January 2021

	EUR	HRK linked to EUR	USD	XDR	HRK linked to XDR	Other foreign currencies	HRK	Total
<b>Assets</b>								
1 Gold and gold receivables	–	–	–	–	–	–	4,405	4,405
2 Claims on residents outside Croatia denominated in foreign currency	126,792,182	–	18,323,940	2,701,058	2,779	26,448	–	147,846,407
2.1 Receivables from the International Monetary Fund (IMF)	–	–	–	2,701,058	2,779	–	–	2,703,837
2.2 Balances with banks and security investments, external loans and other external assets	126,792,182	–	18,323,940	–	–	26,448	–	145,142,570
3 Claims on residents in Croatia denominated in foreign currency	–	–	–	–	–	–	–	–
4 Claims on residents outside Croatia denominated in kuna	–	–	–	–	–	–	–	–
4.1 Balances with banks, security investments and loans	–	–	–	–	–	–	–	–
4.2 Claims arising from the credit facility under Exchange Rate Mechanism (ERM) II	–	–	–	–	–	–	–	–
5 Lending to credit institutions from Croatia related to monetary policy operations denominated in kuna	–	–	–	–	–	–	4,517,000	4,517,000
5.1 Regular operations	–	–	–	–	–	–	–	–
5.2 Structural operations	–	–	–	–	–	–	4,517,000	4,517,000
5.3 Fine-tuning operations	–	–	–	–	–	–	–	–
5.4 Overnight credits	–	–	–	–	–	–	–	–
6 Other claims on credit institutions from Croatia denominated in kuna	–	–	–	–	–	–	–	–
7 Securities of residents in Croatia denominated in kuna	–	3,297,577	–	–	–	–	16,545,072	19,842,649
7.1 Securities held for monetary policy purposes	–	3,297,577	–	–	–	–	16,545,072	19,842,649
7.2 Other securities	–	–	–	–	–	–	–	–
8 Other assets	271,639	26,104	77,297	–	–	20	960,348	1,335,408
8.1 Tangible and intangible fixed assets	–	–	–	–	–	–	610,168	610,168
8.2 Other financial assets	–	–	–	–	–	–	115,024	115,024
8.5 Off-balance-sheet instruments revaluation differences	–	–	–	–	–	–	–	–
8.4 Accruals and prepaid expenditure	271,405	24,001	77,297	–	–	20	154,746	527,469
8.5 Sundry	234	2,105	–	–	–	–	82,410	84,747
9 Loss for the year	–	–	–	–	–	–	–	–
<b>Total assets</b>	<b>127,065,821</b>	<b>3,525,681</b>	<b>18,401,237</b>	<b>2,701,058</b>	<b>2,779</b>	<b>26,468</b>	<b>22,026,825</b>	<b>173,545,869</b>

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**NOTE 6.3.1 – Foreign exchange risk (continued)**

**6.3.1.2 CNB exposure to foreign exchange risk – analysis of assets and liabilities by currency (continued)**

*(All amounts are expressed in thousands of kuna)*

As at 1 January 2021

	EUR	HRK linked to EUR	USD	XDR	HRK linked to XDR	Other foreign currencies	HRK	Total
<b>Liabilities</b>								
1 Banknotes and coins in circulation	–	–	–	–	–	–	41,792,678	41,792,678
2 Liabilities to credit institutions from Croatia related to monetary policy operations denominated in kuna	–	–	–	–	–	–	83,235,638	83,235,638
2.1 Current accounts (covering the reserve requirement system)	–	–	–	–	–	–	83,235,638	83,235,638
2.2 Overnight deposits	–	–	–	–	–	–	–	–
2.3 Fixed-term deposits	–	–	–	–	–	–	–	–
2.4 Deposits related to margin calls	–	–	–	–	–	–	–	–
3 Other liabilities to credit institutions from Croatia denominated in kuna	–	–	–	–	–	–	270,124	270,124
4 Debt securities of the Croatian National Bank	–	–	–	–	–	–	–	–
5 Liabilities to other residents in Croatia denominated in kuna	–	–	–	–	–	–	16,342,330	16,342,330
5.1 General government	–	–	–	–	–	–	16,230,669	16,230,669
5.2 Other liabilities	–	–	–	–	–	–	111,661	111,661
6 Liabilities to residents outside Croatia denominated in kuna	–	–	–	–	–	–	287,910	287,910
7 Liabilities to residents in Croatia denominated in foreign currency	8,597,392	–	85,941	7,601	–	25,056	–	8,715,990
8 Liabilities to residents outside Croatia denominated in foreign currency	3,757,361	–	–	–	–	–	–	3,757,361
8.1 Deposits, balances and other liabilities	3,757,361	–	–	–	–	–	–	3,757,361
8.2 Liabilities arising from the credit facility under ERM II	–	–	–	–	–	–	–	–
9 Counterpart of special drawing rights allocated by the IMF	–	–	–	2,688,716	–	–	–	2,688,716
10 Other liabilities	1,828,914	4,864	171,102	–	–	6	272,330	2,277,216
10.1 Off-balance-sheet instruments revaluation differences	–	–	–	–	–	–	–	–
10.2 Accruals and income collected in advance	8,153	–	2	–	–	6	1,835	9,996
10.3 Sundry	1,820,761	4,864	171,100	–	–	–	270,495	2,267,220
<b>Total liabilities</b>	<b>14,183,667</b>	<b>4,864</b>	<b>257,043</b>	<b>2,696,317</b>	<b>–</b>	<b>25,062</b>	<b>142,201,010</b>	<b>159,367,963</b>
<b>Net position</b>	<b>112,880,154</b>	<b>3,318,817</b>	<b>18,144,194</b>	<b>4,741</b>	<b>2,779</b>	<b>1,406</b>	<b>(120,174,185)</b>	<b>14,177,906</b>

**NOTE 6.3.2 – Interest rate risk**

Interest rate risk is the risk of a decline in the value of the Croatian National Bank's foreign currency portfolios of international reserves due to possible changes in interest rates on the fixed-yield instrument markets.

Net international reserves, which are managed in accordance with the CNB's own guidelines, are invested in trading and investment portfolios. An investment portfolio of securities may be formed as a not held to maturity portfolio and as an available for sale portfolio. Both of such portfolios serve as long-term sources of stable income and are of long average maturity.

The Croatian National Bank has, through the profit and loss account, an open exposure to interest rate risk only with the trading portfolios, while with the investment portfolios it almost has no exposure to interest rate risk.

The part of the reserves that consists of the Ministry of Finance funds, funds based on repo agreements with banks, swap interventions in the domestic foreign exchange market, the membership in the IMF and other property owned by other legal entities, is operated by the CNB in accordance with commitments, in order to protect it against interest rate risk.

**6.3.2.1 Sensitivity analysis – exposure of the CNB's net international reserves to fluctuations in interest rates**

*Sensitivity analysis at 31 December 2021*

*(All amounts are expressed in thousands of kuna)*

<b>31/12/2021</b>	<b>USD</b>	<b>EUR</b>
Yield curve increase/decrease	+/-1 b. p.	+/-1 b. p.
Effect of change in the level of the yield curve on the revaluation account and profit and loss account	(551)/551	(4,615)/4,615

Should as at 31 December 2021 the entire USD yield curve increase by 1 basis point (0.01%), the Croatian National Bank profit and loss account result would be lower by approximately HRK 551 thousands, while in the case of the EUR yield curve increasing by 1 basis point, the result would be lower by approximately HRK 4,615 thousands.

In the case of a 1 basis point decrease of the yield curve, the result in the revaluation account in the Balance Sheet would be higher by approximately the same amounts.

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*Calculation methodology*

The values of USD and EUR trade portfolios as at balance sheet date were multiplied by modified duration and by 1 basis point (0.01%). Modified duration denotes by how many basis points the value of the portfolio will decrease should the interest rate curve increase by 1 percentage point.

*Sensitivity analysis at 1 January 2021*

*(All amounts are expressed in thousands of kuna)*

<b>01/01/2021</b>	<b>USD</b>	<b>EUR</b>
Yield curve increase/decrease	+/-1 b. p.	+/-1 b. p.
Effect of change in the level of the yield curve on the revaluation account and profit and loss account	(567)/567	(4,148)/4,148

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**NOTE 6.3.2 – Interest rate risk (continued)**

**6.3.2.2 Interest rate risk analysis**

*(All amounts are expressed in thousands of kuna)*

**As at 31 December 2021**

	Up to 1 month	1 to 5 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non- interest bearing	Total
<b>Assets</b>							
1 Gold and gold receivables	–	–	–	–	–	4,601	4,601
2 Claims on residents outside Croatia denominated in foreign currency	124,450,033	7,480,611	2,832,804	15,968,322	15,495,358	33,952,300	200,179,428
2.1 Receivables from the International Monetary Fund (IMF)	9,245,354	–	–	–	–	7,983	9,253,337
2.2 Balances with banks and security investments, external loans and other external assets	115,204,679	7,480,611	2,832,804	15,968,322	15,495,358	33,944,317	190,926,091
3 Claims on residents in Croatia denominated in foreign currency	–	–	–	–	–	–	–
4 Claims on residents outside Croatia denominated in kuna	–	–	–	–	–	–	–
4.1 Balances with banks, security investments and loans	–	–	–	–	–	–	–
4.2 Claims arising from the credit facility under Exchange Rate Mechanism (ERM) II	–	–	–	–	–	–	–
5 Lending to credit institutions from Croatia related to monetary policy operations denominated in kuna	–	–	150,000	2,917,000	–	–	3,067,000
5.1 Regular operations	–	–	–	–	–	–	–
5.2 Structural operations	–	–	150,000	2,917,000	–	–	3,067,000
5.5 Fine-tuning operations	–	–	–	–	–	–	–
5.4 Overnight credits	–	–	–	–	–	–	–
6 Other claims on credit institutions from Croatia denominated in kuna	–	–	–	–	–	–	–
7 Securities of residents in Croatia denominated in kuna	–	1,436,668	407,683	9,248,791	7,264,788	–	18,357,930
7.1 Securities held for monetary policy purposes	–	1,436,668	407,683	9,248,791	7,264,788	–	18,357,930
7.2 Other securities	–	–	–	–	–	–	–
8 Other assets	–	–	–	–	–	1,332,428	1,332,428
8.1 Tangible and intangible fixed assets	–	–	–	–	–	645,652	645,652
8.2 Other financial assets	–	–	–	–	–	120,224	120,224
8.3 Off-balance-sheet instruments revaluation differences	–	–	–	–	–	27,336	27,336
8.4 Accruals and prepaid expenditure	–	–	–	–	–	506,635	506,635
8.5 Sundry	–	–	–	–	–	32,581	32,581
9 Loss for the year	–	–	–	–	–	–	–
<b>Total assets</b>	<b>124,450,033</b>	<b>8,917,279</b>	<b>3,390,487</b>	<b>28,134,113</b>	<b>22,760,146</b>	<b>35,289,329</b>	<b>222,941,387</b>

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**NOTE 6.3.2 – Interest rate risk (continued)**

**6.3.2.2 Interest rate risk analysis (continued)**

*(All amounts are expressed in thousands of kuna)*

As at 31 December 2021

	Up to 1 month	1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing	Total
<b>Liabilities</b>							
1 Banknotes and coins in circulation	–	–	–	–	–	44,260,230	44,260,230
2 Liabilities to credit institutions from Croatia related to monetary policy operations denominated in kuna	–	–	–	–	–	103,934,113	103,934,113
2.1 Current accounts (covering the reserve requirement system)	–	–	–	–	–	103,934,113	103,934,113
2.2 Overnight deposits	–	–	–	–	–	–	–
2.3 Fixed-term deposits	–	–	–	–	–	–	–
2.4 Deposits related to margin calls	–	–	–	–	–	–	–
3 Other liabilities to credit institutions from Croatia denominated in kuna	–	–	–	–	–	92,888	92,888
4 Debt securities of the Croatian National Bank	–	–	–	–	–	–	–
5 Liabilities to other residents in Croatia denominated in kuna	10,665,261	–	–	–	–	3,719,890	14,385,151
5.1 General government	10,665,261	–	–	–	–	3,477,187	14,142,448
5.2 Other liabilities	–	–	–	–	–	242,703	242,703
6 Liabilities to residents outside Croatia denominated in kuna	–	–	–	–	–	474,754	474,754
7 Liabilities to residents in Croatia denominated in foreign currency	12,391,485	–	–	–	–	4,451,603	16,843,088
8 Liabilities to residents outside Croatia denominated in foreign currency	17,224,021	–	–	–	–	799	17,224,820
8.1 Deposits, balances and other liabilities	17,224,021	–	–	–	–	799	17,224,820
8.2 Liabilities arising from the credit facility under ERM II	–	–	–	–	–	–	–
9 Counterpart of special drawing rights allocated by the IMF	9,227,912	–	–	–	–	–	9,227,912
10 Other liabilities	–	–	4,025	10,860	–	1,457,115	1,472,000
10.1 Off-balance-sheet instruments revaluation differences	–	–	–	–	–	–	–
10.2 Accruals and income collected in advance	–	–	–	–	–	17,811	17,811
10.3 Sundry	–	–	4,025	10,860	–	1,439,304	1,454,189
<b>Total liabilities</b>	<b>49,508,679</b>	<b>–</b>	<b>4,025</b>	<b>10,860</b>	<b>–</b>	<b>158,391,392</b>	<b>207,914,956</b>
<b>Net position</b>	<b>74,941,354</b>	<b>8,917,279</b>	<b>3,386,462</b>	<b>28,123,253</b>	<b>22,760,146</b>	<b>(123,102,063)</b>	<b>15,026,431</b>

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**NOTE 6.3.2 – Interest rate risk (continued)**

**6.3.2.2 Interest rate risk analysis (continued)**

*(All amounts are expressed in thousands of kuna)*

**As at 1 January 2021**

	Up to 1 month	1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non- interest bearing	Total
<b>Assets</b>							
1 Gold and gold receivables	–	–	–	–	–	4,405	4,405
2 Claims on residents outside Croatia denominated in foreign currency	93,078,911	2,164,785	357,276	17,670,829	8,171,838	26,402,768	147,846,407
2.1 <i>Receivables from the International Monetary Fund (IMF)</i>	2,696,453	–	–	–	–	7,384	2,703,837
2.2 <i>Balances with banks and security investments, external loans and other external assets</i>	90,382,458	2,164,785	357,276	17,670,829	8,171,838	26,395,384	145,142,570
3 Claims on residents in Croatia denominated in foreign currency	–	–	–	–	–	–	–
4 Claims on residents outside Croatia denominated in kuna	–	–	–	–	–	–	–
4.1 <i>Balances with banks, security investments and loans</i>	–	–	–	–	–	–	–
4.2 <i>Claims arising from the credit facility under Exchange Rate Mechanism (ERM) II</i>	–	–	–	–	–	–	–
5 Lending to credit institutions from Croatia related to monetary policy operations denominated in kuna	–	–	–	4,517,000	–	–	4,517,000
5.1 <i>Regular operations</i>	–	–	–	–	–	–	–
5.2 <i>Structural operations</i>	–	–	–	4,517,000	–	–	4,517,000
5.3 <i>Fine-tuning operations</i>	–	–	–	–	–	–	–
5.4 <i>Overnight credits</i>	–	–	–	–	–	–	–
6 Other claims on credit institutions from Croatia denominated in kuna	–	–	–	–	–	–	–
7 Securities of residents in Croatia denominated in kuna	–	–	1,123,124	6,119,324	12,600,201	–	19,842,649
7.1 <i>Securities held for monetary policy purposes</i>	–	–	1,123,124	6,119,324	12,600,201	–	19,842,649
7.2 <i>Other securities</i>	–	–	–	–	–	–	–
8 Other assets	–	–	–	–	–	1,335,408	1,335,408
8.1 <i>Tangible and intangible fixed assets</i>	–	–	–	–	–	610,168	610,168
8.2 <i>Other financial assets</i>	–	–	–	–	–	113,024	113,024
8.3 <i>Off-balance-sheet instruments revaluation differences</i>	–	–	–	–	–	–	–
8.4 <i>Accruals and prepaid expenditure</i>	–	–	–	–	–	527,469	527,469
8.5 <i>Sundry</i>	–	–	–	–	–	84,747	84,747
9 Loss for the year	–	–	–	–	–	–	–
<b>Total assets</b>	<b>93,078,911</b>	<b>2,164,785</b>	<b>1,480,400</b>	<b>28,307,153</b>	<b>20,772,039</b>	<b>27,742,581</b>	<b>173,545,869</b>

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**NOTE 6.3.2 – Interest rate risk (continued)**

**6.3.2.2 Interest rate risk analysis (continued)**

*(All amounts are expressed in thousands of kuna)*

As at 1 January 2021

	Up to 1 month	1 to 5 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Non-interest bearing	Total
<b>Liabilities</b>							
1 Banknotes and coins in circulation	–	–	–	–	–	41,792,678	<b>41,792,678</b>
2 Liabilities to credit institutions from Croatia related to monetary policy operations denominated in kuna	–	–	–	–	–	83,235,638	<b>83,235,638</b>
2.1 Current accounts (covering the reserve requirement system)	–	–	–	–	–	83,235,638	<b>83,235,638</b>
2.2 Overnight deposits	–	–	–	–	–	–	–
2.3 Fixed-term deposits	–	–	–	–	–	–	–
2.4 Deposits related to margin calls	–	–	–	–	–	–	–
3 Other liabilities to credit institutions from Croatia denominated in kuna	–	–	–	–	–	270,124	<b>270,124</b>
4 Debt securities of the Croatian National Bank	–	–	–	–	–	–	–
5 Liabilities to other residents in Croatia denominated in kuna	10,501,815	–	–	–	–	5,840,515	<b>16,342,330</b>
5.1 General government	10,501,815	–	–	–	–	5,728,854	<b>16,230,669</b>
5.2 Other liabilities	–	–	–	–	–	111,661	<b>111,661</b>
6 Liabilities to residents outside Croatia denominated in kuna	–	–	–	–	–	287,910	<b>287,910</b>
7 Liabilities to residents in Croatia denominated in foreign currency	5,726,455	–	–	–	–	2,989,535	<b>8,715,990</b>
8 Liabilities to residents outside Croatia denominated in foreign currency	3,756,698	–	–	–	–	663	<b>3,757,361</b>
8.1 Deposits, balances and other liabilities	3,756,698	–	–	–	–	663	<b>3,757,361</b>
8.2 Liabilities arising from the credit facility under ERM II	–	–	–	–	–	–	–
9 Counterpart of special drawing rights allocated by the IMF	2,688,716	–	–	–	–	–	<b>2,688,716</b>
10 Other liabilities	–	–	2,317	2,547	–	2,272,352	<b>2,277,216</b>
10.1 Off-balance-sheet instruments revaluation differences	–	–	–	–	–	–	–
10.2 Accruals and income collected in advance	–	–	–	–	–	9,996	<b>9,996</b>
10.3 Sundry	–	–	2,317	2,547	–	2,262,356	<b>2,267,220</b>
<b>Total liabilities</b>	<b>22,673,684</b>	<b>–</b>	<b>2,317</b>	<b>2,547</b>	<b>–</b>	<b>136,689,415</b>	<b>159,367,963</b>
<b>Net position</b>	<b>70,405,227</b>	<b>2,164,785</b>	<b>1,478,083</b>	<b>28,304,606</b>	<b>20,772,039</b>	<b>(108,946,834)</b>	<b>14,177,906</b>

**NOTE 6.3.3 – Other price risks**

The Croatian National Bank is exposed to other price risks on funds entrusted to the management of international financial institutions and precious metals since price risks affect the change in value of these financial instruments.

**6.3.3.1 Sensitivity analysis – impact of changes in prices of financial instruments on the balance sheet and the profit and loss account**

*Sensitivity analysis at 31 December 2021 – assets under management with international financial institutions*

*(All amounts are expressed in thousands of kuna)*

**31/12/2021**

Financial assets price exposed to price risk increase/decrease	+/-1%
Effect of change in the level of price on the revaluation account and the profit and loss account	13,263/(13,263)

The table shows the sensitivity of the balance sheet and profit and loss account result in the case of a rise or fall of prices of financial instruments by  $\pm 1\%$ .

A positive number implies an increase in the balance sheet revaluation accounts if there is an increase in the prices of financial instruments by the selected percentage, while a negative number implies a reduction in the profit and loss account result if the prices of financial instruments fall.

Should the prices of a financial instrument increase by 1% compared to the prices recorded on 31 December 2021, the balance sheet revaluation account would be higher by approximately HRK 13,263 thousands, while the fall in prices by 1% would result in the profit and loss account result being lower by approximately HRK 13,263 thousands.

*Sensitivity analysis at 31 December 2021 – gold and other precious metals*

*(All amounts are expressed in thousands of kuna)*

**31/12/2021**

Financial assets price exposed to price risk increase/decrease	+/-5%
Effect of change in the level of price on the revaluation account and the profit and loss account	469/(469)

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The table shows the sensitivity of the balance sheet and profit and loss account result in the case of a rise or fall of prices of precious metals by  $\pm 5\%$ .

A positive number implies an increase in the balance sheet revaluation accounts if there is an increase in the prices of financial instruments by the selected percentage, while a negative number implies a reduction in the profit and loss account result if the prices of financial instruments fall.

Should the prices of precious metals increase by 5% compared to the prices recorded on 31 December 2021, the balance sheet revaluation account would be higher by approximately HRK 469 thousands, while a fall in prices of 5% would result in the profit and loss account result being lower by approximately HRK 469 thousands.

*Calculation methodology*

Investments in financial assets exposed to price risks as at balance sheet date have been increased or reduced by the selected percentage change in the price of financial instruments.

*Sensitivity analysis at 1 January 2021 – assets under management with international financial institutions*

*(All amounts are expressed in thousands of kuna)*

**01/01/2021**

Financial assets price exposed to price risk increase/decrease	+/-1%
Effect of change in the level of price on the revaluation account and the profit and loss account	12,286/(12,286)

*Sensitivity analysis at 1 January 2021 – gold and other precious metals*

*(All amounts are expressed in thousands of kuna)*

**01/01/2021**

Financial assets price exposed to price risk increase/decrease	+/-5%
Effect of change in the level of price on the revaluation account and the profit and loss account	471/(471)

**NOTE 7 – Events after the reporting period**

The outbreak of the war in Ukraine and the imposing of sanctions against Russia do not have a significant negative impact on the financial statements of the Croatian National Bank because the Croatian National Bank has no exposures to Ukraine and Russia.

After 31 December 2021 there were no other significant events that would have an impact on the financial statements of the Croatian National Bank.