

CROATIAN NATIONAL BANK

FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 2022, 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 2022, 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.

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 skepticism 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 controls.
- 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 controls.
- 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

Ivana Lučića 2a
10000 Zagreb
Hrvatska

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


Goran Horvat
President of the Management Board,
Croatian certified auditor

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

Zagreb, 8 March 2023

Croatian National Bank
Financial Statements for the year ended 31 December 2022

BALANCE SHEET

(All amounts are expressed in thousands of kuna)

| Assets | 31/12/2022 | 31/12/2021 |
|---|--------------------|--------------------|
| 1. Gold and gold receivables | 804,668 | 4,601 |
| 2. Claims on residents outside Croatia denominated in foreign currency | 226,508,374 | 200,179,428 |
| 2.1 Receivables from the International Monetary Fund (IMF) | 9,376,663 | 9,253,337 |
| 2.2 Balances with banks and security investments, external loans and other external assets | 217,131,711 | 190,926,091 |
| 3. Claims on residents in Croatia denominated in foreign currency | 128,731 | - |
| 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 | 2,827,000 | 3,067,000 |
| 5.1 Regular operations | - | - |
| 5.2 Structural operations | 2,827,000 | 3,067,000 |
| 5.3 Fine-tuning operations | - | - |
| 5.4 Overnight loans | - | - |
| 6. Other claims on credit institutions from Croatia denominated in kuna | - | - |
| 7. Securities of residents in Croatia denominated in kuna | 16,206,272 | 18,357,930 |
| 7.1 Securities held for monetary policy purposes | 16,206,272 | 18,357,930 |
| 7.2 Other securities | - | - |
| 8. Other assets | 1,497,921 | 1,332,428 |
| 8.1 Tangible and intangible fixed assets | 689,095 | 645,652 |
| 8.2 Other financial assets | 129,087 | 120,224 |
| 8.3 Off-balance-sheet instruments revaluation differences | - | 27,336 |
| 8.4 Accruals and prepaid expenditure | 593,212 | 506,635 |
| 8.5 Sundry | 86,527 | 32,581 |
| 9. Loss for the year | - | - |
| Total | 247,972,966 | 222,941,387 |

Croatian National Bank
Financial Statements for the year ended 31 December 2022

(All amounts are expressed in thousands of kuna)

| Payables | 31/12/2022 | 31/12/2021 |
|---|--------------------|--------------------|
| 1. Banknotes and coins in circulation | 26,017,847 | 44,260,230 |
| 2. Liabilities to credit institutions from Croatia related to monetary policy operations denominated in kuna | 123,017,830 | 103,934,113 |
| 2.1 Current accounts (covering the reserve requirement system) | 123,017,830 | 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 | 11,104,338 | 92,888 |
| 4 Debt securities of the Croatian National Bank | — | — |
| 5. Liabilities to other residents in Croatia denominated in kuna | 9,366,135 | 14,385,151 |
| 5.1 General government | 9,207,863 | 14,142,448 |
| 5.2 Other liabilities | 158,272 | 242,703 |
| 6. Liabilities to residents outside Croatia denominated in kuna | 889,426 | 474,754 |
| 7. Liabilities to residents in Croatia denominated in foreign currency | 29,669,186 | 16,843,088 |
| 8. Liabilities to residents outside Croatia denominated in foreign currency | 21,638,745 | 17,224,820 |
| 8.1 Deposits, balances and other liabilities | 21,638,745 | 17,224,820 |
| 8.2 Liabilities arising from the credit facility under ERM II | — | — |
| 9. Counterpart of special drawing rights allocated by the IMF | 9,353,867 | 9,227,912 |
| 10. Other liabilities | 471,392 | 1,472,000 |
| 10.1 Off-balance-sheet instruments revaluation differences | 151,137 | — |
| 10.2 Accruals and income collected in advance | 42,954 | 17,811 |
| 10.3 Sundry | 277,301 | 1,454,189 |
| 11. Provisions | 3,766,771 | 3,563,833 |
| 12 Revaluation accounts | 8,650,483 | 7,877,426 |
| 13. Capital and reserves | 3,544,719 | 3,528,784 |
| 13.1 Capital | 2,500,000 | 2,500,000 |
| 13.2 Reserves | 1,044,719 | 1,028,784 |
| 14. Profit for the year | 482,227 | 56,388 |
| Total | 247,972,966 | 222,941,387 |

Croatian National Bank
Financial Statements for the year ended 31 December 2022

PROFIT AND LOSS ACCOUNT

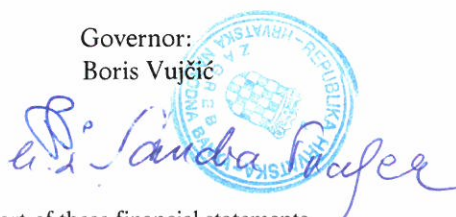
(All amounts are expressed in thousands of kuna)

| | 2022 | 2021 |
|---|------------------|------------------|
| 1.1 Interest income | 2,149,234 | 1,777,024 |
| 1.2 Interest expense | (1,162,403) | (1,478,329) |
| 1. Net interest income/expense | 986,831 | 298,695 |
| 2.1 Realised gains/losses arising from financial operations | 566,093 | 380,961 |
| 2.2 Write-downs on financial assets and positions | (165,452) | (3,489) |
| 2.3 Transfer to/from provisions for financial risks | (200,000) | — |
| 2. Net result of financial operations, write-downs and risk provisions | 200,641 | 377,472 |
| 3.1 Fees and commissions income | 68,381 | 64,115 |
| 3.2 Fees and commissions expense | (41,250) | (23,505) |
| 3. Net income/expense from fees and commissions | 27,131 | 40,610 |
| 4. Income from equity shares and participating interests | 6,394 | 11,425 |
| 5. Other income | 10,647 | 7,962 |
| Total net income | 1,231,644 | 736,164 |
| 6. Staff costs | (247,752) | (218,756) |
| 7. Administrative expenses | (180,656) | (110,992) |
| 8. Depreciation of tangible and intangible fixed assets | (54,795) | (40,045) |
| 9. Costs of production of kuna banknotes and coins | (265,057) | (161,664) |
| 10. Other costs | (1,157) | (148,319) |
| Total operating expenses | (749,417) | (679,776) |
| 11. PROFIT/(LOSS) FOR THE YEAR | 482,227 | 56,388 |

The financial statements set out on pages 4 to 70 were approved on 8 March 2023:

Director of the Accounting Department:
Mario Varović

Governor:
Boris Vujčić



The notes on pages 7 to 70 form an integral part of these financial statements.

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 was 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. 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. Ivana Jakir-Bajo, Vicegovernor
- D. Sc. Tomislav Ćorić, Vicegovernor (since 27 May 2022)

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 2022 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.

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. According to the ECB Guideline, 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.

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

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

1.2.2 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 are of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and decisions.

1.2.3 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.

1.2.4 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.

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

1.2.5 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.

1.2.6 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 2022 were as follows:

1 USD = 7.064035 HRK (2021: 6.643548 HRK)

1 EUR = 7.53450 HRK (2021: 7.517174 HRK)

1 XDR = 9.441364 HRK(2021: 9.314231 HRK).

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 Croatian National Bank 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.

1.2.7 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 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.

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.

1.2.8 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.

1.2.9 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.

1.2.10 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 recognised as interest income.

1.2.11 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.

1.2.12 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.

1.2.13 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.

1.2.14 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.

1.2.15 Taxation

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

1.2.16 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 2022 (number of years) | Expected useful life in 2021 (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, the 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 accumulated 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 2022, 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.

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NOTE 2 – Items of assets

1 Gold and gold receivables

| | 31/12/2022 | 31/12/2021 | Change | |
|---|----------------|--------------|----------------|------------------|
| | | | Absolute | % |
| Quantity in gold ounces | 62,450.25 | 378.78 | 62,071.47 | 16,387.21 |
| Price | | | | |
| USD/gold ounce | 1,824.02 | 1,828.45 | (4.43) | (0.24) |
| HRK/USD | 7.064035 | 6.643548 | 0.42 | 6.33 |
| Carrying amount in thousands of kuna | 804,668 | 4,601 | 800,067 | 17,388.98 |

Council Decision (EU) 2022/1211 of 12 July 2022 on the adoption by Croatia of the euro on 1 January 2023 stipulates that Croatia fulfils the necessary conditions for the adoption of the euro and that the derogation referred to in Article 5 of the 2012 Act on Accession is abrogated with effect from 1 January 2023. Article 48.1 in conjunction with Article 30.1 of the Statute of the ESCB and of the ECB prescribes that the central bank of a Member State whose derogation has been abrogated must transfer foreign reserve assets to the ECB. On 30 December 2022, the ECB adopted Decision (EU) 2023/135 on the paying-up of capital, transfer of foreign reserve assets, and contributions by Hrvatska narodna banka to the ECB's reserves and provisions (ECB/2022/51).

The foreign reserve assets expressed in euro at the exchange rate applicable on 30 December 2022 to be transferred to the ECB amount to EUR 639,850 thousands, with the structure of the transfer defined as follows: 15% in gold and 85% in US dollars. Accordingly, 15% of the amount of EUR 639,850 thousands is transferred in gold, which at the exchange rate applicable on 30 December 2022 amounts to EUR 96,978 thousands, i.e., 56,256.29 ounces of gold, and 85% is transferred in US dollars, which at the stated exchange rate amounts to EUR 543,872 thousands, i.e., USD 580,094 thousands. The Croatian National Bank acquired gold for this need during December 2022, and transferred it to the ECB on January 3, 2023.

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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)

| | 31/12/2022 | 31/12/2021 | Change | |
|--|------------------|------------------|----------------|-------------|
| | | | Absolute | % |
| <i>Kuna-denominated balances with the IMF</i> | | | | |
| Membership quota | 6,773,228 | 6,682,066 | 91,162 | 1.36 |
| Kuna-denominated bills of exchange | (6,752,796) | (6,662,142) | (90,654) | 1.36 |
| IMF account no. 1 | (16,947) | (16,705) | (242) | 1.45 |
| <i>Reserve position with the IMF</i> | 3,485 | 3,219 | 266 | 8.26 |
| IMF account no. 2 | (109) | (72) | (37) | 51.39 |
| <i>Total</i> | 3,376 | 3,147 | 229 | 7.28 |
| <i>Balances with the IMF denominated in special drawing rights</i> | | | | |
| Foreign currency current account with the IMF | 9,368,385 | 9,245,354 | 123,031 | 1.33 |
| PRG-HIPC fund deposit | 4,902 | 4,836 | 66 | 1.36 |
| <i>Total</i> | 9,373,287 | 9,250,190 | 123,097 | 1.33 |
| Total | 9,376,663 | 9,253,337 | 123,326 | 1.33 |

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).

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

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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.

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

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|---|--------------------|--------------------|-------------------|--------------|
| | | | Absolute | % |
| Securities | 133,522,020 | 91,745,493 | 41,776,527 | 45.54 |
| Balances with banks, external loans and other external assets | 83,609,691 | 99,180,598 | (15,570,907) | (15.70) |
| Total | 217,131,711 | 190,926,091 | 26,205,620 | 13.73 |

Investments in held-to-maturity securities increased in 2022, mostly due to the diversion of investments from effective foreign currency to securities.

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)

| | 31/12/2022 | 31/12/2021 | Change | |
|--|--------------------|-------------------|-------------------|--------------|
| | | | Absolute | % |
| Marketable debt securities other than held-to-maturity | 34,804,356 | 54,365,256 | (19,560,900) | (35.98) |
| Marketable held-to-maturity securities | 98,717,664 | 37,380,237 | 61,337,427 | 164.09 |
| Total | 133,522,020 | 91,745,493 | 41,776,527 | 45.54 |

Investments in securities by currency

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|------------------|--------------------|-------------------|-------------------|--------------|
| | | | Absolute | % |
| EUR | 118,680,109 | 74,326,039 | 44,354,070 | 59.68 |
| USD | 12,913,202 | 15,757,524 | (2,844,322) | (18.05) |
| Other currencies | 1,928,709 | 1,661,930 | 266,779 | 16.05 |
| Total | 133,522,020 | 91,745,493 | 41,776,527 | 45.54 |

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2.2.2 Balances with banks, external loans and other external assets

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|---|-------------------|-------------------|---------------------|----------------|
| | | | Absolute | % |
| Cash and current accounts | 49,201 | 59,659,098 | (59,609,897) | (99.92) |
| Deposits with other banks | 14,720,538 | 8,164,056 | 6,556,482 | 80.31 |
| Reverse repo agreements | 48,063,174 | 17,569,486 | 30,493,688 | 173.56 |
| Assets under management with international financial institutions | 1,407,656 | 1,326,339 | 81,317 | 6.13 |
| Balance of CNB's TARGET2 account | 1,776,624 | 70,134 | 1,706,490 | 2,433.19 |
| Balances of other TARGET2 participants | 17,592,498 | 12,391,485 | 5,201,013 | 41.97 |
| Total | 83,609,691 | 99,180,598 | (15,570,907) | (15.70) |

In 2022, the Croatian National Bank sold euro-denominated foreign cash in the amount of EUR 4,338,891 thousands and investments in deposits with other banks and reverse repo agreements increased.

Balances with banks, external loans and other external assets

by currency

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|------------------|-------------------|-------------------|---------------------|----------------|
| | | | Absolute | % |
| EUR | 75,509,802 | 95,995,230 | (20,485,428) | (21.34) |
| USD | 8,065,060 | 3,107,730 | 4,957,330 | 159.52 |
| Other currencies | 34,829 | 77,638 | (42,809) | (55.14) |
| Total | 83,609,691 | 99,180,598 | (15,570,907) | (15.70) |

3 Claims on residents in Croatia denominated in foreign currency

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|--|----------------|------------|----------------|----------|
| | | | Absolute | % |
| Claims on residents in Croatia denominated in foreign currency | 128,731 | – | 128,731 | – |
| Total | 128,731 | – | 128,731 | – |

The initial package of euro coins is a package of euro coins that contains a precisely determined amount of different denominations of euro coins with the national side of the Republic of Croatia in a predetermined value, and the initial packages are supplied by banks. Initial packages of euro coins cannot be put into circulation or used as legal tender before the day of introduction of the euro. Sold initial packages of euro coins are recorded in the balance sheet in position A3 Receivables from residents in Croatia denominated in foreign currency and P10 Other liabilities.

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

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|------------------------|------------------|------------------|------------------|---------------|
| | | | Absolute | % |
| Regular operations | - | - | - | - |
| Structural operations | 2,827,000 | 3,067,000 | (240,000) | (7.83) |
| Fine-tuning operations | - | - | - | - |
| Overnight loans | - | - | - | - |
| Total | 2,827,000 | 3,067,000 | (240,000) | (7.83) |

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).

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5.4 Overnight loans

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/ 2022 | 31 12/ 2021 | Change | |
|----------------------------------|-------------------|-------------------|--------------------|----------------|
| | | | Absolute | % |
| Bonds of the Republic of Croatia | 16,206,272 | 18,357,930 | (2,151,658) | (11.72) |
| Total | 16,206,272 | 18,357,930 | (2,151,658) | (11.72) |

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/ 2022 | 31/ 12/ 2021 | Change | |
|---|------------------|------------------|----------------|--------------|
| | | | Absolute | % |
| Tangible and intangible fixed assets | 689,095 | 645,652 | 43,443 | 6.73 |
| Other financial assets | 129,087 | 120,224 | 8,863 | 7.37 |
| Off-balance-sheet instruments revaluation differences | – | 27,336 | (27,336) | (100.00) |
| Accruals and prepaid expenditure | 593,212 | 506,635 | 86,577 | 17.09 |
| Sundry | 86,527 | 32,581 | 53,946 | 165.58 |
| Total | 1,497,921 | 1,332,428 | 165,493 | 12.42 |

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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 ASSETS | TOTAL TANGIBLE AND INTANGIBLE FIXED ASSETS |
|---|--|---|---------------|-------------------------|----------------|---|-----------------------------|-----------------------|--|-------------------------|--|
| Balance at 1 January 2021 | | | | | | | | | | | |
| Cost or revaluation | 481,445 | 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) |
| Net book value | 474,059 | 5,425 | 64,369 | 8,939 | 303 | 10,208 | 563,303 | 28,140 | 18,725 | 46,865 | 610,168 |
| For the year ended 31 December 2021 | | | | | | | | | | | |
| 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) |
| Closing net book amount | 466,106 | 15,124 | 84,388 | 11,107 | 333 | 22,748 | 599,806 | 23,946 | 21,900 | 45,846 | 645,652 |
| Balance as at 31 December 2021 | | | | | | | | | | | |
| 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) |
| Net book value | 466,106 | 15,124 | 84,388 | 11,107 | 333 | 22,748 | 599,806 | 23,946 | 21,900 | 45,846 | 645,652 |

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8.1 Tangible and intangible fixed assets (continued)

(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 |
|---|--|---|----------------|-------------------------|----------------|---|-----------------------------|-----------------------|--|-------------------------------|--|
| Balance as at 01 January 2022 | | | | | | | | | | | |
| 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) |
| Net book value | 466,106 | 15,124 | 84,388 | 11,107 | 333 | 22,748 | 599,806 | 23,946 | 21,900 | 45,846 | 645,652 |
| For the year ended 31 December 2022 | | | | | | | | | | | |
| Opening net book amount | 466,106 | 15,124 | 84,388 | 11,107 | 333 | 22,748 | 599,806 | 23,946 | 21,900 | 45,846 | 645,652 |
| Additions | 1,814 | 36,754 | 27,293 | 2,437 | – | 26,989 | 95,287 | 2,855 | 125 | 2,960 | 98,247 |
| Brought into use | 651 | – | 17,921 | 715 | – | (19,287) | – | 37 | (37) | – | – |
| Revaluation | – | – | – | – | – | – | – | – | – | – | – |
| Impairment | – | – | – | – | – | – | – | – | – | – | – |
| Net written off | – | – | (4) | (5) | – | – | (9) | – | – | – | (9) |
| Depreciation/amortisation (charge for the year, Note 5, item 6) | (7,562) | (9,101) | (29,499) | (3,173) | (163) | – | (49,298) | (5,497) | – | (5,497) | (54,795) |
| Closing net book amount | 461,209 | 42,777 | 100,099 | 11,081 | 170 | 30,450 | 645,786 | 21,321 | 21,988 | 43,309 | 689,095 |
| Balance as at 31 December 2022 | | | | | | | | | | | |
| Cost or revaluation | 483,244 | 53,888 | 259,124 | 54,529 | 8,906 | 30,450 | 890,141 | 71,294 | 21,988 | 93,282 | 983,423 |
| Accumulated depreciation/amortisation | (22,035) | (11,111) | (159,025) | (43,448) | (8,736) | – | (244,355) | (49,973) | – | (49,973) | (294,328) |
| Net book value | 461,209 | 42,777 | 100,099 | 11,081 | 170 | 30,450 | 645,786 | 21,321 | 21,988 | 43,309 | 689,095 |

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8.2 Other financial assets

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|---------------------------------|----------------|----------------|--------------|-------------|
| | | | Absolute | % |
| BIS shares | 41,914 | 41,914 | - | 0.00 |
| SWIFT shares | 80 | 80 | - | 0.00 |
| ECB paid-up capital | 19,954 | 19,954 | - | 0.00 |
| Investment in the Croatian Mint | 67,139 | 58,276 | 8,863 | 15.21 |
| Total | 129,087 | 120,224 | 8,863 | 7.37 |

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 2022, the Croatian National Bank received a dividend in the amount of HRK 6,394 thousands (31 December 2021: 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 Statute of the ESCB 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 | 320,745 |
| Deutsche Bundesbank | 21.4394 | 2,320,817 |
| Eesti Pank | 0.2291 | 24,800 |
| Central Bank of Ireland | 1.3772 | 149,082 |
| Bank of Greece | 2.0117 | 217,767 |
| Banco de España | 9.6981 | 1,049,820 |
| Banque de France | 16.6108 | 1,798,120 |
| Banca d'Italia | 13.8165 | 1,495,637 |
| Central Bank of Cyprus | 0.1750 | 18,944 |
| Latvijas Banka | 0.3169 | 34,304 |
| Lietuvos bankas | 0.4707 | 50,953 |
| Banque centrale du Luxembourg | 0.2679 | 29,000 |
| Central Bank of Malta | 0.0853 | 9,234 |
| De Nederlandsche Bank | 4.7662 | 515,941 |
| Oesterreichische Nationalbank | 2.3804 | 257,679 |
| Banco de Portugal | 1.9035 | 206,054 |
| Banka Slovenije | 0.3916 | 42,391 |
| Národná banka Slovenska | 0.9314 | 100,824 |
| Suomen Pankki – Finlands Bank | 1.4939 | 161,715 |
| Subtotal for euro area NCBs | 81.3286 | 8,803,827 |
| 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 |
| Subtotal for non-euro area NCBs | 18.6714 | 75,794 |
| TOTAL | 100.00 | 8,879,621 |

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 is a domestic company whose core operation is the production of coins and medals of gold and other precious metals, production of coins and commemorative circulation coins, manufacturing of jewellery and related products, trade in gold and other precious metals, trade in jubilee coins and 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)

| | |
|--|---------------|
| Net asset value as at 1/1/2022 | 58,276 |
| Revaluation in 2022 | 8,863 |
| Net asset value as at 31/12/2022/ | 67,139 |

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)

| | 31/12/2022 | 31/12/2021 | Change | |
|---|------------|---------------|-----------------|--------------|
| | | | Absolute | % |
| Foreign exchange swaps (FX SWAP) in JPY | – | 15,195 | (15,195) | (100) |
| Foreign exchange swaps (FX SWAP) in USD | – | 8,552 | (8,552) | (100) |
| Foreign exchange swaps (FX SWAP) in EUR | – | 3,589 | (3,589) | (100) |
| Total | – | 27,336 | (27,336) | (100) |

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8.4 Accruals and prepaid expenditure

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|--|----------------|----------------|---------------|--------------|
| | | | Absolute | % |
| Deposits with other banks | 3,728 | 95 | 3,633 | 3,824.21 |
| Foreign currency denominated securities not held to maturity | 25,592 | 139,279 | (113,687) | (81.63) |
| Foreign currency denominated securities held to maturity | 340,283 | 178,825 | 161,458 | 90.29 |
| | 114,741 | 136,796 | (22,055) | (16.12) |
| Securities held for monetary policy purposes | | | | |
| Lending to credit institutions from RC related to monetary policy operations | 22,008 | 23,576 | (1,568) | (6.65) |
| Foreign currency reverse repo agreements | 53,754 | 61 | 53,693 | 88,021.31 |
| Foreign exchange swaps (FX SWAP) | 14,286 | 795 | 13,491 | 1,696.98 |
| Negative remuneration for TARGET2 participants | – | 1,779 | (1,779) | (100.00) |
| Negative interest rates (repo deposits) | – | 8,047 | (8,047) | (100.00) |
| Prepaid expenditure | 17,636 | 15,801 | 1,835 | 11.61 |
| Other | 1,184 | 1,581 | (397) | (25.11) |
| Total | 593,212 | 506,635 | 86,577 | 17.09 |

The largest part of this position refers to accrued interest on various bases. Due to the increase in investments in deposits with other banks and reverse repo agreements and increase in interest rates in 2022, income from investments in deposits with other banks and in foreign exchange repo reverse contracts increased.

8.5 Sundry

(All amounts are expressed in thousands of kuna)

| | 31/ 12/ 2022 | 31/ 12/ 2021 | Change | |
|-----------------------|---------------|---------------|---------------|---------------|
| | | | Absolute | % |
| Cash on hand | – | 286 | (286) | (100.00) |
| Numismatics | 10,767 | 11,180 | (413) | (3.69) |
| Receivables | 7,356 | 6,840 | 516 | 7.54 |
| Advances given | 55,709 | 2,520 | 53,189 | 2,110.67 |
| Other tangible assets | 9,887 | 9,351 | 536 | 5.73 |
| Other | 2,808 | 2,404 | 404 | 16.81 |
| Total | 86,527 | 32,581 | 53,946 | 165.58 |

The largest amount within the item Advances given in the line item Sundry, HRK 54,889 thousands, is accounted for by advances given for the production of euro coins.

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NOTE 3 – Items of liabilities

1 Banknotes and coins in circulation

(All amounts are expressed in thousands of kuna)

| | 2022 | Change % |
|---|-------------------|-------------|
| Banknotes and coins in circulation – as at 1 January | 44,260,230 | – |
| Increase/(decrease) | (18,242,383) | (41.22) |
| Banknotes and coins in circulation – total as at 31 December | 26,017,847 | – |

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

| In HRK | Nominal value | 31/12/2022 | | 31/12/2021 | |
|--------------|---------------|-------------|----------------------------------|-------------|----------------------------------|
| | | Pieces | Value in thousands of kuna | Pieces | Value in thousands of kuna |
| Coins | 0.01 | 129,620,531 | 1,296 | 128,917,880 | 1,289 |
| Coins | 0.02 | 86,297,680 | 1,726 | 85,940,198 | 1,719 |
| Coins | 0.05 | 426,104,497 | 21,305 | 433,722,399 | 21,686 |
| Coins | 0.10 | 604,994,906 | 60,500 | 619,830,928 | 61,983 |
| Coins | 0.20 | 470,045,484 | 94,009 | 488,997,610 | 97,800 |
| Coins | 0.50 | 271,920,708 | 135,960 | 283,957,151 | 141,979 |
| Coins | 1 | 301,288,137 | 301,288 | 320,952,373 | 320,952 |
| Coins | 2 | 181,549,514 | 363,099 | 201,374,879 | 402,750 |
| Coins | 5 | 108,947,644 | 544,738 | 135,057,778 | 675,289 |
| Coins | 25 | 1,472,941 | 36,824 | 1,404,104 | 35,103 |
| Banknotes | 5 | 4,118,141 | 20,591 | 4,120,763 | 20,604 |
| Banknotes | 10 | 50,496,028 | 504,960 | 55,801,984 | 558,020 |
| Banknotes | 20 | 35,410,799 | 708,216 | 40,265,969 | 805,319 |
| Banknotes | 50 | 16,393,195 | 819,660 | 20,012,423 | 1,000,621 |
| Banknotes | 100 | 36,206,252 | 3,620,625 | 50,303,499 | 5,030,350 |
| Banknotes | 200 | 58,891,527 | 11,778,305 | 101,430,201 | 20,286,040 |
| Banknotes | 500 | 4,415,745 | 2,207,873 | 9,698,321 | 4,849,160 |
| Banknotes | 1,000 | 4,796,872 | 4,796,872 | 9,949,566 | 9,949,566 |
| TOTAL | | | 26,017,847 | | 44,260,230 |

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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/ 2022 | 31/ 12/ 2021 | Change | |
|--|--------------------|--------------------|-------------------|--------------|
| | | | Absolute | % |
| Reserve requirements | – | 22,550,089 | (22,550,089) | (100.00) |
| Settlement accounts | 123,017,830 | 68,031,877 | 54,985,953 | 80.82 |
| Accounts for National Clearing System (NCS) limits | – | 675,000 | (675,000) | (100.00) |
| Cash accounts | – | 12,677,147 | (12,677,147) | (100.00) |
| Total | 123,017,830 | 103,934,113 | 19,083,717 | 18.36 |

Pursuant to the Decision amending the Decision on reserve requirements (Official Gazette 83/2022), in the maintenance period from 14 December 2022 to 31 December 2022 banks were obliged to maintain the foreign exchange component of reserve requirements by the average daily balance of funds in own foreign exchange (euro) settlement accounts with the Croatian National Bank.

The Decision on the termination of operation of the Croatian Large Value Payment System and the National Clearing System (Official Gazette 133/2022) prescribes the termination of operation of the Croatian Large Value Payment System (hereinafter referred to as 'CLVPS') and the National Clearing System (hereinafter referred to as 'NCS') at the end of the clearing day 30 December 2022. At the end of a clearing day 30 December 2022, the Croatian National Bank closed the accounts of all CLVPS participants, the technical account of the instant payment system operator and the clearing account for the final settlement of payment transactions cleared in the NCS. After the closure of the accounts of CLVPS participants, the funds of CLVPS participants transferred to the account of the Croatian National Bank pursuant to Article 3, paragraph (2), item (c) of this Decision continue to be recorded as the funds in the settlement accounts of banks and other former participants of the CLVPS with the Croatian National Bank. After conversion to the euro at the fixed exchange rate of the amount of kuna funds of an individual participant of the CLVPS, the Croatian National Bank, as at 2 January 2023, credits the PM account of this participant in the TARGET2-HR system in the euro equivalent of the transferred kuna amount.

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3 Other liabilities to credit institutions from Croatia denominated in kuna

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|--|-------------------|---------------|-------------------|------------------|
| | | | Absolute | % |
| Cash deposits – collateral for the frontloading of euro cash | 11,032,851 | – | 11,032,851 | – |
| Court-mandated deposits | 71,487 | 92,888 | (21,401) | (23.04) |
| Total | 11,104,338 | 92,888 | 11,011,450 | 11,854.55 |

Pursuant to the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia (Official Gazette 57/2022) credit institutions concluded frontloading agreements with the Croatian National Bank, after which the Croatian National Bank started frontloading euro cash to credit institutions. For the purpose of establishing financial collateral on funds, credit institutions were obliged to transfer funds in the kuna to the account of the Croatian National Bank for the amount of the euro to be received in the frontloading as well as for fulfilling the obligations assumed under the agreement. Financial collateral is considered financial collateral in the sense of the regulation governing financial collaterals, which is based on the transfer of these funds to the account of the Croatian National Bank, and these funds may not be subject to enforcement. The amount of funds transferred by a credit institution to the account of the Croatian National Bank for the purpose of establishing financial collateral on those funds as well as the use and return of funds are regulated by the stated agreement between the Croatian National Bank and the credit institution.

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)

| | 31/12/2022 | 31/12/2021 | Change | |
|--------------------|------------------|-------------------|--------------------|----------------|
| | | | Absolute | % |
| General government | 9,207,863 | 14,142,448 | (4,934,585) | (34.89) |
| Other liabilities | 158,272 | 242,703 | (84,431) | (34.79) |
| Total | 9,366,135 | 14,385,151 | (5,019,016) | (34.89) |

6 Liabilities to residents outside Croatia denominated in kuna

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|----------------------------|----------------|----------------|----------------|--------------|
| | | | Absolute | % |
| Due to European Commission | 889,354 | 474,611 | 414,743 | 87.39 |
| Other liabilities | 72 | 143 | (71) | (49.65) |
| Total | 889,426 | 474,754 | 414,672 | 87.34 |

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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)

| | 31/12/2022 | 31/12/2021 | Change | |
|---|-------------------|-------------------|-------------------|--------------|
| | | | Absolute | % |
| Due to the State and State institutions | 11,910,871 | 4,434,304 | 7,476,567 | 168.61 |
| Bank accounts for EuroNCSInst limits | 151,444 | – | 151,444 | – |
| Foreign currency accounts of TARGET2 participants | 17,592,498 | 12,391,485 | 5,201,013 | 41.97 |
| Other liabilities | 14,373 | 17,299 | (2,926) | (16.91) |
| Total | 29,669,186 | 16,843,088 | 12,826,098 | 76.15 |

EuroNCSInst is a payment system for the execution of payment transactions in euro, between the payer and the payee, in almost real time (SEPA instant credit transfer). A SEPA instant credit transfer is a credit transfer that is executed in a very short period (in almost real time, in just a few seconds) – 24 hours a day, 7 days a week and 365 days a year (24/7/365). The Financial Agency (FINA) is the owner and operator of the EuroNCSInst payment system. Instant payment transactions in euro are executed up to the amount of available funds in the bank's clearing account in EuroNCSInst. The bank's available funds in its clearing account consist of the amount of funds the bank allocates as coverage for the execution of instant payment transactions with the Croatian National Bank plus the amount for executed instant payment transactions credited to the bank's clearing account in EuroNCSInst and minus the executed instant payment transactions debited from the bank's clearing account in EuroNCSInst.

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 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.

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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)

| | 31/12/2022 | 31/12/2021 | Change | |
|----------------------------------|-------------------|-------------------|------------------|--------------|
| | | | Absolute | % |
| Foreign currency repo agreements | 21,627,740 | 17,224,021 | 4,403,719 | 25.57 |
| Due to European Commission | 11,005 | 799 | 10,206 | 1,277.35 |
| Total | 21,638,745 | 17,224,820 | 4,413,925 | 25.63 |

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/ 2022 | 31/ 12/ 2021 | Change | |
|----------------------------|------------------|------------------|----------------|-------------|
| | | | Absolute | % |
| Net cumulative allocations | 9,353,867 | 9,227,912 | 125,955 | 1.36 |
| Total | 9,353,867 | 9,227,912 | 125,955 | 1.36 |

This balance sheet line item is the kuna equivalent of XDR 990,733 thousands (31 December 2021: XDR 990,733 thousands).

10 Other liabilities

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|---|----------------|------------------|--------------------|----------------|
| | | | Absolute | % |
| Off-balance-sheet instruments revaluation differences | 151,137 | – | 151,137 | – |
| Accruals and income collected in advance | 42,954 | 17,811 | 25,143 | 141.17 |
| Sundry | 277,301 | 1,454,189 | (1,176,888) | (80.93) |
| Total | 471,392 | 1,472,000 | (1,000,608) | (67.98) |

10.1 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.

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(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|---|----------------|------------|----------------|----------|
| | | | Absolute | % |
| Foreign exchange swaps (FX SWAP) in JPY | 38,031 | – | 38,031 | – |
| Foreign exchange swaps (FX SWAP) in USD | 113,106 | – | 113,106 | – |
| Total | 151,137 | – | 151,137 | – |

10.2 Accruals and income collected in advance

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|----------------------------------|---------------|---------------|---------------|---------------|
| | | | Absolute | % |
| Deposits of RC | 2,336 | 994 | 1,342 | 135.01 |
| Repo agreements | 15,066 | – | 15,066 | – |
| Foreign exchange swaps (FX SWAP) | – | 316 | (316) | (100.00) |
| Negative remuneration in TARGET2 | – | 1,811 | (1,811) | (100.00) |
| Negative interest rates | 29 | 13,291 | (13,262) | (99.78) |
| Other | 25,523 | 1,399 | 24,124 | 1,724.37 |
| Total | 42,954 | 17,811 | 25,143 | 141.17 |

Negative interest includes accrued negative interest on current accounts, deposits and reverse repo agreements. The largest part of the item Other is accounted for by accrued costs for the received euro coins in the amount of HRK 20,912 thousands.

10.3 Sundry

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|--------------------------------|----------------|------------------|--------------------|----------------|
| | | | Absolute | % |
| Amounts due to employees | 19,908 | 9,869 | 10,039 | 101.72 |
| Taxes and contributions | 12,679 | 7,956 | 4,723 | 59.36 |
| Due to the Ministry of Finance | 16,807 | 16,341 | 466 | 2.85 |
| Trade payables | 52,522 | 49,885 | 2,637 | 5.29 |
| Other | 175,385 | 1,370,138 | (1,194,753) | (87.20) |
| Total | 277,301 | 1,454,189 | (1,176,888) | (80.93) |

The item Other in 2022 comprises the present value of the lease liability in the amount of HRK 43,158 thousands (31 December 2021: HRK 14,885 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 2022 (on 31 December 2021 it was 3%).

The item Other as at 31 December 2021 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, generated during transition to the ECB Guideline and amortised under the straight-line

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method until the derecognition of the corresponding assets. These unrealised gains were completely realised in 2022 (Note 5, under 1, Net interest income/expense and under 2, Net result of financial operations, write-downs and risk provisions).

11 Provisions

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|----------------------------------|------------------|------------------|----------------|-------------|
| | | | Absolute | % |
| Provisions for financial risks | 3,700,000 | 3,500,000 | 200,000 | 5.71 |
| Provisions for court cases | 36,535 | 36,535 | – | 0.00 |
| Provisions for employee benefits | 30,236 | 27,298 | 2,938 | 10.76 |
| Total | 3,766,771 | 3,563,833 | 202,938 | 5.69 |

Pursuant to the decision of the Council of the Croatian National Bank, provisions for financial risks as at 31 December 2022 increased from the amount of provisions for financial risks as at 31 December 2021 by the amount of HRK 200,000 thousands on the basis of the Croatian National Bank's assessment of its own exposure to financial risks. The amount of provisions for financial risks of the Croatian National Bank is assessed taking into account risk assessment models, the expectations of changes in risk exposure due to new investments or the reduction of existing investments as well as expectations of interest rate trends, currency exchange rates and other market factors, and other expert assessments.

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)

| | 31/12/2022 | 31/12/2021 | Change | |
|--|------------------|------------------|----------------|-------------|
| | | | Absolute | % |
| Securities | 2,423 | 2,149 | 274 | 12.75 |
| Foreign currency positions | 2,522,251 | 1,431,162 | 1,091,089 | 76.24 |
| Gold | 5,426 | 197 | 5,229 | 2,654.31 |
| Other precious metals | 457 | – | 457 | – |
| Significant interests | 16,064 | 7,200 | 8,864 | 123.11 |
| Revaluation reserves for fixed assets | 331,762 | 336,419 | (4,657) | (1.38) |
| Revaluation accounts pursuant to the CNB Act | 5,772,100 | 6,100,299 | (328,199) | (5.38) |
| Total | 8,650,483 | 7,877,426 | 773,057 | 9.81 |

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

(All amounts are expressed in thousands of kuna)

| | 31/12/2022 | 31/12/2021 | Change | |
|------------------|------------------|------------------|------------------|--------------|
| | | | Absolute | % |
| EUR | 289,836 | – | 289,836 | – |
| USD | 2,232,105 | 1,430,887 | 801,218 | 55.99 |
| XDR | 306 | 238 | 68 | 28.57 |
| Other currencies | 4 | 37 | (33) | (89.19) |
| Total | 2,522,251 | 1,431,162 | 1,091,089 | 76.24 |

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)

| | 31/12/2022 | 31/12/2021 | Change | |
|----------------------------|------------------|------------------|------------------|---------------|
| | | | Absolute | % |
| Securities | – | 328,168 | (328,168) | (100.00) |
| Foreign currency positions | 5,772,100 | 5,772,131 | (31) | 0.00 |
| Total | 5,772,100 | 6,100,299 | (328,199) | (5.38) |

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/ 2022 | 31/ 12/ 2021 | Change | |
|------------------|------------------|------------------|---------------|-------------|
| | | | Absolute | % |
| Initial capital | 2,500,000 | 2,500,000 | - | 0.00 |
| General reserves | 1,044,719 | 1,028,784 | 15,935 | 1.55 |
| Total | 3,544,719 | 3,528,784 | 15,935 | 0.45 |

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.

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General reserves as at 31 December 2022 amounted to HRK 1,044,719 thousands, which is an increase of HRK 15,935 thousands from 31 December 2021, when they stood at HRK 1,028,784 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) in the amount of HRK 4,657 thousands and the allocation of profit for 2021 according to which a part of the profit in the amount of HRK 11,278 thousands was allocated to general reserves.

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

Foreign exchange swaps (FX SWAP)

In 2022, 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 | 31/12/2022 | | |
|------------------------|------------|-------------|-------------|
| | USD | JPY | Total |
| Receivables | 1,778,236 | – | 1,778,236 |
| Payables | – | (1,929,373) | (1,929,373) |
| Total | 1,778,236 | (1,929,373) | (151,137) |

(All amounts are expressed in thousands of kuna)

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

Collateral

Total fair value of collateral obtained for collateralised credits as at 31 December 2022 amounted to HRK 3,471,755 thousands (31 December 2021: HRK 3,539,437 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 2022 amounts to HRK 43,387,430 thousands (31 December 2021: HRK 17,542,969 thousands).

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Total fair value of collateral given in repo agreements as at 31 December 2022 amounts to HRK 21,221,004 thousands (31 December 2021: HRK 17,182,851 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: At 31 December 2022, 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 2022, the capital commitments of the Croatian National Bank amounted to HRK 18,632 thousands (31 December 2021: HRK 7,298 thousands).

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NOTE 5 – Notes to the Profit and Loss Account

1 Net interest income/expense

(All amounts are expressed in thousands of kuna)

| | 2022 | 2021 | Change | |
|---|--------------------|--------------------|-----------------|----------------|
| | | | Absolute | % |
| Foreign currency interest income: | | | | |
| Foreign currency deposits | 58,561 | 558 | 58,003 | 10,394.80 |
| Foreign currency reverse repo agreements | 166,274 | 1,369 | 164,905 | 12,045.65 |
| Foreign currency denominated securities not held to maturity | 219,543 | 299,299 | (79,756) | (26.65) |
| Foreign currency denominated securities held to maturity | 978,222 | 494,549 | 483,673 | 97.80 |
| Foreign exchange swaps | 36,596 | 797 | 35,799 | 4,491.72 |
| Foreign currency repo agreements (negative interest) | 82,179 | 79,158 | 3,021 | 3.82 |
| Remuneration of TARGET2 HR component | 1,391 | — | 1,391 | — |
| Other | 124,072 | 367,260 | (243,188) | (66.22) |
| Total | 1,666,838 | 1,242,990 | 423,848 | 34.10 |
| Kuna interest income: | | | | |
| Loans to domestic banks | 9,750 | 11,721 | (1,971) | (16.82) |
| Securities held for monetary policy purposes | 472,646 | 522,311 | (49,665) | (9.51) |
| Other | — | 2 | (2) | (100.00) |
| Total | 482,396 | 534,034 | (51,638) | (9.67) |
| Total interest income | 2,149,234 | 1,777,024 | 372,210 | 20.95 |
| Foreign currency interest expense | | | | |
| Ministry of Finance deposits | (2,459) | (38) | (2,421) | 6,371.05 |
| Foreign currency repo agreements | (119,141) | (26) | (119,115) | 458,134.62 |
| Amortised premium on securities not held to maturity | (250,957) | (615,157) | 364,200 | (59.20) |
| Amortised premium on held-to-maturity securities | (286,416) | (254,613) | (31,803) | 12.49 |
| Foreign exchange swaps (FX SWAP) | (1,512) | (315) | (1,197) | 380.00 |
| Foreign exchange forward (FX FORWARD) | — | (108) | 108 | (100.00) |
| Current accounts of CNB clients | (24,972) | — | (24,972) | — |
| Foreign currency deposits (negative interest) | (53,969) | (81,062) | 27,093 | (33.42) |
| Foreign currency reverse repo agreements (negative interest) | (85,892) | (144,188) | 58,296 | (40.43) |
| Other | (239) | (381) | 142 | (37.27) |
| Total | (825,557) | (1,095,888) | 270,331 | (24.67) |
| Kuna interest expense: | | | | |
| Ministry of Finance deposits | (1,152) | (7,744) | 6,592 | (85.12) |
| Amortised premium on securities held for monetary policy purposes | (334,889) | (374,476) | 39,587 | (10.57) |
| Leases | (805) | (221) | (584) | 264.25 |
| Total | (336,846) | (382,441) | 45,595 | (11.92) |
| Total interest expense | (1,162,403) | (1,478,329) | 315,926 | (21.37) |
| Total net interest income/(expense) | 986,831 | 298,695 | 688,136 | 230.38 |

The increase in interest income from foreign currency deposits and foreign currency repo agreements was influenced by the increase in investments in these instruments, as well as the increase in interest rates in 2022, which also affected the increase of interest expenses from foreign currency repo agreements.

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

(All amounts are expressed in thousands of kuna)

| | 2022 | 2021 | Change | |
|--|------------------|----------------|------------------|-----------------|
| | | | Absolute | % |
| Realised gains/(losses) arising from financial operations | | | | |
| Foreign exchange differences | 499,697 | 42,558 | 457,139 | 1,074.16 |
| Securities | 66,396 | 338,403 | (272,007) | (80.38) |
| Total | 566,093 | 380,961 | 185,132 | 48.60 |
| Write-downs on financial assets and positions: | | | | |
| <i>Foreign exchange:</i> | | | | |
| Foreign exchange differences | (31) | (277,869) | 277,838 | (99.99) |
| Income from the release of revaluation reserves for foreign exchange differences | 31 | 277,869 | (277,838) | (99.99) |
| Total foreign exchange differences | — | — | — | — |
| <i>Change in prices:</i> | | | | |
| Securities | (490,990) | (371,832) | (119,158) | 32.05 |
| Income from the release of revaluation reserves for change in the prices of securities | 328,169 | 371,832 | (43,663) | (11.74) |
| Assets under management with international financial institutions | (2,631) | (3,266) | 635 | (19.44) |
| Gold | — | — | — | — |
| Other precious metals | — | (223) | 223 | (100.00) |
| Significant interests | — | — | — | — |
| Total change in prices | (165,452) | (3,489) | (161,963) | 4,642.10 |
| Total | (165,452) | (3,489) | (161,963) | 4,642.10 |
| Transfer to/from provisions for financial risks | | | | |
| Income from the release of provisions for financial risks | — | — | — | — |
| Provisions for financial risks | (200,000) | — | (200,000) | — |
| Total | (200,000) | — | (200,000) | — |
| Total net result of financial operations, write-downs and risk provisions | 200,641 | 377,472 | (176,831) | (46.85) |

Foreign exchange losses were covered completely and losses from the prices of securities were covered partially 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)

| | 2022 | 2021 | Change Absolute | % |
|--|-----------------|-----------------|--------------------|----------------|
| Fees and commissions income | | | | |
| Fees for the supervision of credit institutions | 58,293 | 55,426 | 2,867 | 5.17 |
| Other | 10,088 | 8,689 | 1,399 | 16.10 |
| Total | 68,381 | 64,115 | 4,266 | 6.65 |
| Fees and commissions expense | | | | |
| Securities deposit and custody costs | (13,222) | (11,402) | (1,820) | 15.96 |
| Obligatory contribution to EBA budget | (4,913) | (4,881) | (32) | 0.66 |
| Other | (23,115) | (7,222) | (15,893) | 220.06 |
| Total | (41,250) | (23,505) | (17,745) | 75.49 |
| Net fees and commissions income/(expense) | 27,131 | 40,610 | (13,479) | (33.19) |

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 registered offices in the Republic of Croatia and branches of credit institutions with registered 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.

The item Other shows the costs of the frontloading of euro cash to banks and of the withdrawing of kuna cash from banks in the amount of HRK 15,561 thousands.

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4 Income from equity shares and participating interests

(All amounts are expressed in thousands of kuna)

| | 2022 | 2021 | Change | |
|---------------------|--------------|---------------|----------------|----------------|
| | | | Absolute | % |
| BIS dividend income | 6,394 | 11,425 | (5,031) | (44.04) |
| Total | 6,394 | 11,425 | (5,031) | (44.04) |

5 Other income

(All amounts are expressed in thousands of kuna)

| | 2022 | 2021 | Change | |
|---|---------------|--------------|--------------|--------------|
| | | | Absolute | % |
| Sale of numismatics and investment gold | 2,312 | 1,653 | 659 | 39.87 |
| Other income | 8,335 | 6,309 | 2,026 | 32.11 |
| Total | 10,647 | 7,962 | 2,685 | 33.72 |

6 Total operating expenses

(All amounts are expressed in thousands of kuna)

| | 2022 | 2021 | Change | |
|--|------------------|------------------|-----------------|--------------|
| | | | Absolute | % |
| Staff costs | (247,752) | (218,756) | (28,996) | 13.25 |
| Administrative expenses | (180,656) | (110,992) | (69,664) | 62.76 |
| Depreciation of tangible and intangible fixed assets | (54,795) | (40,045) | (14,750) | 36.83 |
| Costs of production of banknotes and coins | (265,057) | (161,664) | (103,393) | 63.96 |
| Other costs | (1,157) | (148,319) | 147,162 | (99.22) |
| Total | (749,417) | (679,776) | (69,641) | 10.24 |

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, the costs of informing and educating the public on the introduction of the euro in the RC, provisions for court cases and other current costs. Depreciation costs for the right of use asset amount to HRK 9,101 thousands in 2022 (31 December 2021: HRK 3,715 thousands) and are reported under Depreciation and amortisation costs. In 2022, the costs of production of banknotes and coins include the amount of HRK 264,595 thousands related to the costs of the procurement and minting of euro coins.

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6.1 Staff costs

(All amounts are expressed in thousands of kuna)

| | 2022 | 2021 | Change | |
|--|----------------|----------------|---------------|--------------|
| | | | Absolute | % |
| Net salaries | 131,344 | 114,635 | 16,709 | 14.58 |
| Contributions from and contributions on salaries | 65,554 | 58,954 | 6,600 | 11.20 |
| Taxes and surtaxes | 24,225 | 21,060 | 3,165 | 15.03 |
| Other employee related expenses | 23,691 | 22,977 | 714 | 3.11 |
| Provisions for employee benefits | 2,938 | 1,130 | 1,808 | 160.0 |
| Total | 247,752 | 218,756 | 28,996 | 13.25 |

The average number of employees during 2022 was 727 (31 December 2021: 696).

11 Profit/(loss) for the year

The Croatian National Bank realised profit for 2022 in the amount of HRK 482,227 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 2022.

In accordance with the decision of the Council of the Croatian National Bank on the financial statements of the Croatian National Bank for 2021, the realised profit in the amount of HRK 56,388 thousands was allocated as follows: 20% of the profit, i.e., the amount of HRK 11,278 thousands, was allocated to general reserves and 80% of the profit, i.e., the amount of HRK 45,110 thousands constitutes revenue to the State Budget.

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, considerable 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 the 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. 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 the 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 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 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)

Balance as at 31 December 2022

| Balance sheet line item | | Amount | Accrued interest (Balance sheet line item A8.4) | Accrued negative interest (Balance sheet line item O10.2) | Maximum exposure to credit risk as at 31/12/2022 |
|--|--------------|--------------------|--|--|--|
| Description | Code | | | | |
| Receivables from the International Monetary Fund | 2.1 | 9,373,287 | – | – | 9,373,287 |
| Foreign currency denominated securities not held to maturity | 2.2 | – | – | – | – |
| Government securities | | 34,427,854 | 25,592 | – | 34,453,446 |
| Guaranteed bonds | | – | – | – | – |
| Securities of international financial institutions | | 376,502 | – | – | 376,502 |
| Bank bonds with government guarantees | | – | – | – | – |
| Total foreign currency denominated securities not held to maturity | | 34,804,356 | 25,592 | – | 34,829,948 |
| Foreign currency denominated securities held to maturity | 2.2 | – | – | – | – |
| Government securities | | 80,685,456 | 277,470 | – | 80,962,926 |
| Guaranteed bonds | | 3,029,611 | 16,226 | – | 3,045,837 |
| Securities of international financial institutions | | 9,408,429 | 31,002 | – | 9,439,431 |
| Bank bonds with government guarantees | | 5,594,168 | 15,585 | – | 5,609,753 |
| Total foreign currency denominated securities held to maturity | | 98,717,664 | 340,283 | – | 99,057,947 |
| Foreign currency deposits | 2.2 | – | – | – | – |
| Current accounts | | 47,955 | 1 | (29) | 47,927 |
| Deposits with other banks | | 14,720,538 | 3,727 | – | 14,724,265 |
| Funds in TARGET2 | | 19,369,122 | 547 | – | 19,369,669 |
| Total foreign currency deposits | | 34,137,615 | 4,275 | (29) | 34,141,861 |
| Foreign currency reverse repo agreements | 2.2 | 48,063,174 | 53,754 | – | 48,116,928 |
| Foreign exchange swaps | 8.3 | – | – | – | – |
| Other foreign currency financial assets | 8.4. and 8.5 | 128,907 | – | – | 128,907 |
| Kuna loans | 5.2 | 2,827,000 | 22,008 | – | 2,849,008 |
| Securities of the Republic of Croatia held for monetary policy purposes | 7.1 | 16,206,272 | 114,741 | – | 16,321,013 |
| Other kuna financial assets | 8.4. and 8.5 | 6,085 | – | – | 6,085 |
| TOTAL | | 244,264,360 | 560,653 | (29) | 244,824,984 |

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6.1.1 Maximum balance sheet exposure to credit risk (continued)

(All amounts are expressed in thousands of kuna)

Balance as at 31 December 2021

| Balance sheet line item | | Amount | Accrued interest (Balance sheet line item A8.4) | Accrued negative interest (Balance sheet line item O10.2) | Maximum exposure to credit risk as at 31/12/2021 |
|--|--------------|--------------------|--|--|--|
| Description | Code | | | | |
| Receivables from the International Monetary Fund | 2.1 | 9,250,190 | – | – | 9,250,190 |
| Foreign currency denominated securities not held to maturity | 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 |
| Total foreign currency denominated securities not held to maturity | | 54,365,256 | 139,279 | – | 54,504,535 |
| Foreign currency denominated securities held to maturity | 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 |
| Total foreign currency denominated securities held to maturity | | 37,380,237 | 178,825 | – | 37,559,062 |
| Foreign currency deposits | 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 |
| Total foreign currency deposits | | 47,666,795 | 95 | (6,072) | 47,660,818 |
| Foreign currency reverse repo agreements | 2.2 | 17,569,486 | 61 | (7,219) | 17,562,328 |
| Foreign exchange swaps | 8.3 | 27,336 | 795 | (316) | 27,815 |
| Other foreign currency financial assets | 8.4. and 8.5 | 10,905 | – | – | 10,905 |
| Kuna loans | 5.2 | 3,067,000 | 23,576 | – | 3,090,576 |
| Securities of the Republic of Croatia held for monetary policy purposes | 7.1 | 18,357,930 | 136,796 | – | 18,494,726 |
| Other kuna financial assets | 8.4. and 8.5 | 6,928 | – | – | 6,928 |
| TOTAL | | 187,702,063 | 479,427 | (13,607) | 188,167,883 |

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 2022, 18.5% of net international reserves were liquid and at the 31 December of 2021 approximately 66% 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)

**Balance as at 31 December
2022**

| | 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 | 29,669,186 | – | – | – | – | 29,669,186 | 29,669,186 |
| 8. Liabilities to residents outside Croatia denominated in foreign currency | 21,638,745 | – | – | – | – | 21,638,745 | 21,638,745 |
| 8.1 Deposits, balances and other liabilities | 21,638,745 | – | – | – | – | 21,638,745 | 21,638,745 |
| 8.2 Liabilities arising from the credit facility under Exchange Rate Mechanism (ERM) II | – | – | – | – | – | – | – |
| 9. Counterpart of special drawing rights allocated by the IMF | – | – | – | – | 9,353,867 | 9,353,867 | 9,353,867 |
| 10. Other liabilities | 151.702 | – | – | – | – | 151.702 | 151.731 |
| 10.1 Off-balance-sheet instruments revaluation differences | – | – | – | – | – | – | – |
| 10.2 Accruals and income collected in advance | 17.686 | – | – | – | – | 17.686 | 17.715 |
| 10.3 Sundry | 134.016 | – | – | – | – | 134.016 | 134.016 |
| Total liabilities | 51.459.633 | – | – | – | 9.353.867 | 60.813.500 | 60.813.529 |

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6.2 – LIQUIDITY RISK (continued)

(All amounts are expressed in thousands of kuna)

Balance 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 Exchange Rate Mechanism (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 | 2,403 | – | – | – | – | 2,403 | 15,694 |
| 10.3 Sundry | 1,356,922 | – | – | – | – | 1,356,922 | 1,356,922 |
| Total liabilities | 35,412,141 | – | – | – | 9,227,912 | 44,640,053 | 44,668,436 |

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 in the table above do not include accrued negative interest on financial assets, presented as other liabilities in the statement of financial position.

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 5.1 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 2022

(All amounts are expressed in thousands of kuna)

| 31/12/2022 | USD | EUR |
|--|-----------------------|-----------------------|
| Exchange rate appreciation/depreciation | +/-5% | +/-1% |
| Effect of change in exchange rates on the revaluation account /profit and loss account | 1,063,570/(1,063,570) | 1,470,947/(1,470,947) |

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

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increase/decrease in the USD/HRK exchange rate by $\pm 5\%$. Historically, the yearly volatility of the USD/HRK exchange rate has been about five times higher than the EUR/HRK exchange rate volatility.

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 2022, negative impact would be lower by approximately HRK 1,470,947 thousands, while in the case of a 5% decrease in the USD/HRK exchange rate, the negative impact would be lower by approximately HRK 1,063,570 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 31 December 2021

(All amounts are expressed in thousands of kuna)

| 31/12/2021 | USD | EUR |
|--|-------------------|-----------------------|
| 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) |

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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)

**Balance as at 31 December
2022**

| | EUR | HRK linked to EUR | USD | XDR | HRK linked to XDR | Other foreign currencies | HRK | Total |
|--|--------------------|-------------------------|-------------------|------------------|-------------------------|--------------------------------|-------------------|--------------------|
| Assets | | | | | | | | |
| 1. Gold and gold receivables | – | – | – | – | – | – | 804,668 | 804,668 |
| 2. Claims on residents outside Croatia denominated in foreign currency | 194,189,911 | – | 20,978,262 | 9,373,287 | 3,376 | 1,963,538 | – | 226,508,374 |
| 2.1 Receivables from the International Monetary Fund (IMF) | – | – | – | 9,373,287 | 3,376 | – | – | 9,376,663 |
| 2.2 Balances with banks and security investments, external loans and other external assets | 194,189,911 | – | 20,978,262 | – | – | 1,963,538 | – | 217,131,711 |
| 3. Claims on residents in Croatia denominated in foreign currency | 128,731 | – | – | – | – | – | – | 128,731 |
| 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 | – | – | – | – | – | – | 2,827,000 | 2,827,000 |
| 5.1 Regular operations | – | – | – | – | – | – | – | – |
| 5.2 Structural operations | – | – | – | – | – | – | 2,827,000 | 2,827,000 |
| 5.3 Fine-tuning operations | – | – | – | – | – | – | – | – |
| 5.4 Overnight loans | – | – | – | – | – | – | – | – |
| 6. Other claims on credit institutions from Croatia denominated in kuna | – | – | – | – | – | – | – | – |
| 7. Securities of residents in Croatia denominated in kuna | – | 2,365,739 | – | – | – | – | 13,840,533 | 16,206,272 |
| 7.1 Securities held for monetary policy purposes | – | 2,365,739 | – | – | – | – | 13,840,533 | 16,206,272 |
| 7.2 Other securities | – | – | – | – | – | – | – | – |
| 8. Other assets | 359,006 | 12,688 | 80,438 | – | – | 665 | 1,045,124 | 1,497,921 |
| 8.1 Tangible and intangible fixed assets | 1036 | – | – | – | – | – | 688,059 | 689,095 |
| 8.2 Other financial assets | – | – | – | – | – | – | 129,087 | 129,087 |
| 8.3 Off-balance-sheet instruments revaluation differences | – | – | – | – | – | – | – | – |
| 8.4 Accruals and prepaid expenditure | 357,708 | 11,516 | 80,437 | – | – | 665 | 142,886 | 593,212 |
| 8.5 Sundry | 262 | 1,172 | 1 | – | – | – | 85,092 | 86,527 |
| 9. Loss for the year | – | – | – | – | – | – | – | – |
| Total assets | 194,677,648 | 2,378,427 | 21,058,700 | 9,373,287 | 3,376 | 1,964,203 | 18,517,325 | 247,972,966 |

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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)

**Balance as at 31 December
2022**

| | EUR | HRK linked to EUR | USD | XDR | HRK linked to XDR | Other foreign currencies | HRK | Total |
|--|--------------------|-------------------------|-------------------|------------------|-------------------------|--------------------------------|----------------------|--------------------|
| Payables | | | | | | | | |
| 1. Banknotes and coins in circulation | – | – | – | – | – | – | 26,017,847 | 26,017,847 |
| 2. Liabilities to credit institutions from Croatia related to monetary policy operations denominated in kuna | – | – | – | – | – | – | 123,017,830 | 123,017,830 |
| 2.1 Current accounts (covering the reserve requirement system) | – | – | – | – | – | – | 123,017,830 | 123,017,830 |
| 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 | – | – | – | – | – | – | 11,104,338 | 11,104,338 |
| 4. Debt securities of the Croatian National Bank | – | – | – | – | – | – | – | – |
| 5. Liabilities to other residents in Croatia denominated in kuna | – | – | – | – | – | – | 9,366,135 | 9,366,135 |
| 5.1 General government | – | – | – | – | – | – | 9,207,863 | 9,207,863 |
| 5.2 Other liabilities | – | – | – | – | – | – | 158,272 | 158,272 |
| 6. Liabilities to residents outside Croatia denominated in kuna | – | – | – | – | – | – | 889,426 | 889,426 |
| 7. Liabilities to residents in Croatia denominated in foreign currency | 29,587,524 | – | 34,214 | 14,373 | – | 33,075 | – | 29,669,186 |
| 8. Liabilities to residents outside Croatia denominated in foreign currency | 20,107,519 | – | 1,531,226 | – | – | – | – | 21,638,745 |
| 8.1 Deposits, balances and other liabilities | 20,107,519 | – | 1,531,226 | – | – | – | – | 21,638,745 |
| 8.2 Liabilities arising from the credit facility under Exchange Rate Mechanism (ERM) II | – | – | – | – | – | – | – | – |
| 9. Counterpart of special drawing rights allocated by the IMF | – | – | – | 9,353,867 | – | – | – | 9,353,867 |
| 10. Other liabilities | 150,361 | 30,276 | 1,245 | – | – | 125 | 289,385 | 471,392 |
| 10.1 Off-balance-sheet instruments revaluation differences | – | – | – | – | – | – | 151,137 | 151,137 |
| 10.2 Accruals and income collected in advance | 16,506 | – | 1,208 | – | – | 1 | 25,239 | 42,954 |
| 10.3 Sundry | 133,855 | 30,276 | 37 | – | – | 124 | 113,009 | 277,301 |
| Total liabilities | 49,845,404 | 30,276 | 1,566,685 | 9,368,240 | – | 33,200 | 170,684,961 | 231,528,766 |
| Net position | 144,832,244 | 2,348,151 | 19,492,015 | 5,047 | 3,376 | 1,931,003 | (152,167,636) | 16,444,200 |

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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)

Balance as at 31 December
2021

| | EUR | HRK linked to EUR | USD | XDR | HRK linked to XDR | Other foreign currencies | HRK | Total |
|--|--------------------|-------------------------|-------------------|------------------|-------------------------|--------------------------------|-------------------|--------------------|
| Assets | | | | | | | | |
| 1. Gold and gold receivables | – | – | – | – | – | – | 4,601 | 4,601 |
| 2. Claims on residents outside Croatia denominated in foreign currency | 170,321,269 | – | 18,865,254 | 9,250,190 | 3,147 | 1,739,568 | – | 200,179,428 |
| 2.1 Receivables from the International Monetary Fund (IMF) | – | – | – | 9,250,190 | 3,147 | – | – | 9,253,337 |
| 2.2 Balances with banks and security investments, external loans and other external assets | 170,321,269 | – | 18,865,254 | – | – | 1,739,568 | – | 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 | – | – | – | – | – | – | 3,067,000 | 3,067,000 |
| 5.1 Regular operations | – | – | – | – | – | – | – | – |
| 5.2 Structural operations | – | – | – | – | – | – | 3,067,000 | 3,067,000 |
| 5.3 Fine-tuning operations | – | – | – | – | – | – | – | – |
| 5.4 Overnight loans | – | – | – | – | – | – | – | – |
| 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 | 18,357,930 |
| 7.1 Securities held for monetary policy purposes | – | 3,260,725 | – | – | – | – | 15,097,205 | 18,357,930 |
| 7.2 Other securities | – | – | – | – | – | – | – | – |
| 8. Other assets | 251,423 | 25,449 | 78,835 | – | – | 314 | 976,407 | 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 | 251,281 | 23,930 | 78,835 | – | – | 314 | 152,275 | 506,635 |
| 8.5 Sundry | 142 | 1,519 | – | – | – | – | 30,920 | 32,581 |
| 9. Loss for the year | – | – | – | – | – | – | – | – |
| Total assets | 170,572,692 | 3,286,174 | 18,944,089 | 9,250,190 | 3,147 | 1,739,882 | 19,145,213 | 222,941,387 |

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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)

**Balance as at 31 December
2021**

| | EUR | HRK linked to EUR | USD | XDR | HRK linked to XDR | Other foreign currencies | HRK | Total |
|---|--------------------|-------------------------|-------------------|------------------|-------------------------|--------------------------------|----------------------|--------------------|
| Payables | | | | | | | | |
| 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 | – | – | – | – | – | – | 14,385,151 | 14,385,151 |
| 5.1. General government | – | – | – | – | – | – | 14,142,448 | 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 | 16,712,369 | – | 37,452 | 17,299 | – | 75,968 | – | 16,843,088 |
| 8. Liabilities to residents outside Croatia denominated in foreign currency | 16,590,222 | – | 634,598 | – | – | – | – | 17,224,820 |
| 8.1 Deposits, balances and other liabilities | 16,590,222 | – | 634,598 | – | – | – | – | 17,224,820 |
| 8.2. Liabilities arising from the credit facility under Exchange Rate Mechanism (ERM) II | – | – | – | – | – | – | – | – |
| 9. Counterpart of special drawing rights allocated by the IMF | – | – | – | 9,227,912 | – | – | – | 9,227,912 |
| 10 Other liabilities | 1,221,382 | 14,885 | 151,228 | – | – | 6 | 84,499 | 1,472,000 |
| 10.1. Off-balance-sheet instruments revaluation differences | – | – | – | – | – | – | – | – |
| 10.2 Accruals and income collected in advance | 15,688 | – | – | – | – | 6 | 2,117 | 17,811 |
| 10.3 Sundry | 1,205,694 | 14,885 | 151,228 | – | – | – | 82,382 | 1,454,189 |
| Total liabilities | 34,523,973 | 14,885 | 823,278 | 9,245,211 | – | 75,974 | 163,231,635 | 207,914,956 |
| Net position | 136,048,719 | 3,271,289 | 18,120,811 | 4,979 | 3,147 | 1,663,908 | (144,086,422) | 15,026,431 |

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 2022

(All amounts are expressed in thousands of kuna)

| 31/12/2022 | USD | EUR |
|---|------------|---------------|
| 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 | (827)/827 | (3,275)/3,275 |

Should as at 31 December 2022 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 827 thousands, while in the case of the EUR yield curve increasing by 1 basis point, the result would be lower by approximately HRK 3.275 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 31 December 2021

(All amounts are expressed in thousands of kuna)

| 31/12/2021 | USD | EUR |
|---|------------|---------------|
| 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 |

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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)

Balance as at 31 December 2022

| | Up to 1 month | 1 to 3 months | 3 months to 1 year | From 1 to 5 years | Over 5 years | Non-interest bearing | Total |
|--|--------------------|------------------|--------------------|-------------------|-------------------|----------------------|--------------------|
| Assets | | | | | | | |
| 1. Gold and gold receivables | – | – | – | – | – | 804,668 | 804,668 |
| 2. Claims on residents outside Croatia denominated in foreign currency | 127,877,617 | 1,052,120 | 2,899,749 | 49,520,748 | 43,627,942 | 1,530,198 | 226,508,374 |
| 2.1 Receivables from the International Monetary Fund (IMF) | 9,368,385 | – | – | – | – | 8,278 | 9,376,663 |
| 2.2 Balances with banks and security investments, external loans and other external assets | 118,509,232 | 1,052,120 | 2,899,749 | 49,520,748 | 43,627,942 | 1,521,920 | 217,131,711 |
| 3. Claims on residents in Croatia denominated in foreign currency | – | – | – | – | – | 128,731 | 128,731 |
| 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 | – | – | 67,000 | 2,760,000 | – | – | 2,827,000 |
| 5.1 Regular operations | – | – | – | – | – | – | – |
| 5.2 Structural operations | – | – | 67,000 | 2,760,000 | – | – | 2,827,000 |
| 5.3 Fine-tuning operations | – | – | – | – | – | – | – |
| 5.4 Overnight loans | – | – | – | – | – | – | – |
| 6. Other claims on credit institutions from Croatia denominated in kuna | – | – | – | – | – | – | – |
| 7. Securities of residents in Croatia denominated in kuna | – | – | 1,135,842 | 7,879,982 | 7,190,448 | – | 16,206,272 |
| 7.1 Securities held for monetary policy purposes | – | – | 1,135,842 | 7,879,982 | 7,190,448 | – | 16,206,272 |
| 7.2 Other securities | – | – | – | – | – | – | – |
| 8. Other assets | – | – | – | – | – | 1,497,921 | 1,497,921 |
| 8.1 Tangible and intangible fixed assets | – | – | – | – | – | 689,095 | 689,095 |
| 8.2 Other financial assets | – | – | – | – | – | 129,087 | 129,087 |
| 8.3 Off-balance-sheet instruments revaluation differences | – | – | – | – | – | – | – |
| 8.4 Accruals and prepaid expenditure | – | – | – | – | – | 593,212 | 593,212 |
| 8.5 Sundry | – | – | – | – | – | 86,527 | 86,527 |
| 9. Loss for the year | – | – | – | – | – | – | – |
| Total assets | 127,877,617 | 1,052,120 | 4,102,591 | 60,160,730 | 50,818,390 | 3,961,518 | 247,972,966 |

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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)

**Balance as at 31 December
2022**

| | Up to 1 month | 1 to 3 months | 3 months to 1 year | From 1 to 5 years | Over 5 years | Non-interest bearing | Total |
|--|-------------------|------------------|-----------------------|----------------------|-------------------|-------------------------|--------------------|
| Payables | | | | | | | |
| 1. Banknotes and coins in circulation | – | – | – | – | – | 26,017,847 | 26,017,847 |
| 2. Liabilities to credit institutions from Croatia related to monetary policy operations denominated in kuna | – | – | – | – | – | 123,017,830 | 123,017,830 |
| 2.1 Current accounts (covering the reserve requirement system) | – | – | – | – | – | 123,017,830 | 123,017,830 |
| 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 | – | – | – | – | – | 11,104,338 | 11,104,338 |
| 4. Debt securities of the Croatian National Bank | – | – | – | – | – | – | – |
| 5. Liabilities to other residents in Croatia denominated in kuna | 7,778,374 | – | – | – | – | 1,587,761 | 9,366,135 |
| 5.1 General government | 7,778,374 | – | – | – | – | 1,429,489 | 9,207,863 |
| 5.2 Other liabilities | – | – | – | – | – | 158,272 | 158,272 |
| 6. Liabilities to residents outside Croatia denominated in kuna | – | – | – | – | – | 889,426 | 889,426 |
| 7. Liabilities to residents in Croatia denominated in foreign currency | 28,140,798 | – | – | – | – | 1,528,388 | 29,669,186 |
| 8. Liabilities to residents outside Croatia denominated in foreign currency | 21,627,740 | – | – | – | – | 11,005 | 21,638,745 |
| 8.1 Deposits, balances and other liabilities | 21,627,740 | – | – | – | – | 11,005 | 21,638,745 |
| 8.2 Liabilities arising from the credit facility under Exchange Rate Mechanism (ERM) II | – | – | – | – | – | – | – |
| 9. Counterpart of special drawing rights allocated by the IMF | 9,353,867 | – | – | – | – | – | 9,353,867 |
| 10. Other liabilities | 1,064 | 2,135 | 9,739 | 30,220 | – | 428,234 | 471,392 |
| 10.1 Off-balance-sheet instruments revaluation differences | – | – | – | – | – | 151,137 | 151,137 |
| 10.2 Accruals and income collected in advance | – | – | – | – | – | 42,954 | 42,954 |
| 10.3 Sundry | 1,064 | 2,135 | 9,739 | 30,220 | – | 234,143 | 277,301 |
| Total liabilities | 66,901,843 | 2,135 | 9,739 | 30,220 | – | 164,584,829 | 231,528,766 |
| Net position | 60,975,774 | 1,049,985 | 4,092,852 | 60,130,510 | 50,818,390 | (160,623,311) | 16,444,200 |

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NOTE 6.3.2 – Interest rate risk (continued)

(All amounts are expressed in thousands of kuna)

Balance as at 31 December 2021

| | Up to 1 month | 1 to 3 months | 3 months to 1 year | From 1 to 5 years | Over 5 years | Non-interest bearing | Total |
|--|--------------------|------------------|--------------------|-------------------|-------------------|----------------------|--------------------|
| Assets | | | | | | | |
| 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 |
| 5.3 Fine-tuning operations | – | – | – | – | – | – | – |
| 5.4 Overnight loans | – | – | – | – | – | – | – |
| 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 | – | – | – | – | – | – | – |
| Total assets | 124,450,033 | 8,917,279 | 3,390,487 | 28,134,113 | 22,760,146 | 35,289,329 | 222,941,387 |

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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)

**Balance as at 31 December
2021**

| | Up to 1 month | 1 to 3 months | 3 months to 1 year | From 1 to 5 years | Over 5 years | Non-interest bearing | Total |
|---|-------------------|------------------|-----------------------|----------------------|-------------------|-------------------------|--------------------|
| Payables | | | | | | | |
| 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 Exchange Rate Mechanism (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 |
| Total liabilities | 49,508,679 | – | 4,025 | 10,860 | – | 158,391,392 | 207,914,956 |
| Net position | 74,941,354 | 8,917,279 | 3,386,462 | 28,123,253 | 22,760,146 | (123,102,063) | 15,026,431 |

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 2022 – assets under management with international financial institutions

(All amounts are expressed in thousands of kuna)

31/12/2022

| | |
|---|-----------------|
| 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 | 14,077/(14,077) |

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 2022, the balance sheet revaluation account would be higher by approximately HRK 14,077 thousands, while the fall in prices by 1% would result in the profit and loss account result being lower by approximately HRK 14,077 thousands.

Sensitivity analysis at 31 December 2022 – gold and other precious metals

(All amounts are expressed in thousands of kuna)

31/12/2022

| | |
|---|-----------------|
| 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 | 40,498/(40,498) |

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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 2022, the balance sheet revaluation account would be higher by approximately HRK 40,498 thousands, while a fall in prices of 5% would result in the profit and loss account result being lower by approximately HRK 40,498 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 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) |

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) |

NOTE 7 – Events after the reporting period

Council Decision (EU) 2022/1211 of 12 July 2022 on the adoption by Croatia of the euro on 1 January 2023 (OJ L 187, 14.7.2022) stipulates that Croatia fulfils the necessary conditions for adopting the euro and that the derogation referred to in Article 5 of Act on Accession from 2012 is abrogated with effect from 1 January 2023.

Pursuant to Article 5 of the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia (Official Gazette 57/2022), and in connection with Council Decision (EU) 2022/1211 of 12 July 2022 on the adoption by Croatia of the euro on 1 January 2023 and Council Regulation (EU) 2022/1208 of 12 July 2022 amending Regulation (EC) No 2866/98 as regards the conversion rate to the euro for Croatia (OJ L 187, 14.7.2022), the Government of the Republic of Croatia adopted the Decision on the announcement of the introduction of the euro in the Republic of Croatia (Official Gazette 85/2022). The Decision on the announcement of the introduction of the euro in the Republic of Croatia stipulates that the euro becomes the official currency and legal tender in the Republic of Croatia on 1 January 2023.

Accordingly, the Croatian National Bank becomes part of the Eurosystem on 1 January 2023.

On 30 December 2022, the ECB adopted Decision (EU) 2023/155 on the paying-up of capital, transfer of foreign reserve assets, and contributions by Hrvatska narodna banka to the European Central Bank's reserves and provisions (ECB/2022/51).

Pursuant to Article 48.1 of the Statute of the ESCB and of the ECB the national central bank of a Member State whose derogation has been abrogated must pay up its subscribed share of the capital of the ECB to the same extent as the central banks of other Member States whose currency is the euro. With effect from 1 January 2023, the Croatian National Bank pays up the remaining part of its share in the subscribed capital of the ECB amounting to EUR 68,714 thousands.

Pursuant to Article 48.1 in conjunction with Article 30.1 of the Statute of the ESCB and of the ECB the national central bank of a Member State whose derogation has been abrogated must transfer to the ECB foreign reserve assets. The foreign reserve assets expressed in euro at the exchange rate applicable on 30 December 2022 transferred to the ECB by the Croatian National Bank with the settlement date of 3 January 2023 amount to EUR 639,850 thousands.

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Pursuant to Article 48.2 of the Statute of the ESCB and of the ECB the national central bank of a Member State whose derogation has been abrogated must contribute to the reserves of the ECB, to those provisions equivalent to reserves, and to the amount still to be appropriated to the reserves and provisions corresponding to the balance of the profit and loss account as at 31 December of the year prior to the abrogation of the derogation. In accordance with the approved Financial Statements of the ECB for 2022, the Croatian National Bank is obliged to pay a contribution to the reserves and provisions of the ECB in the amount of HRK 349,126 thousands. Given that in accordance with the Agreement of 30 December 2022 between the Croatian National Bank and the ECB regarding the claim credited to Hrvatska narodna banka by the ESB under Article 30.3 of the Statute of the ESCB and of the ECB the amount of EUR 312,697 thousands was credited as an advance payment of the contribution to the reserves and provisions of the ECB, the Croatian National Bank paid up the remaining net amount of EUR 36,429 thousands on 24 February 2023.

After 31 December 2022 there were no other significant events that would have an impact on the financial statements of the Croatian National Bank.