



HRVATSKA NARODNA BANKA

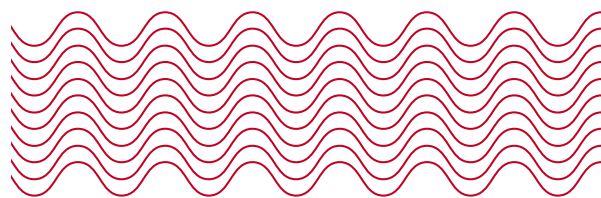
EUROSYSTEM

2024

ANNUAL REPORT

2024

24



ZAGREB, JUNE 2025

Annual Report **2024**

Climate Report
Financial Statements

Foreword

In 2024, economic growth in Croatia significantly exceeded the euro area average, while the inflation rate was only half as much as in the year before. This shows that the monetary policy of the European Central Bank, which we actively help to shape, is successfully contributing to bringing back inflation to its target without holding back economic activity. Lowering inflation without entering recession – “soft landing” in central banking circles – is considered the best possible outcome when battling high inflation. The nominal price level, now significantly higher than in the pre-inflation period, is a cause of public discontent, but the noticeable mitigation of inflation and the substantial increase in real personal income have enabled citizens to maintain and even to increase their standard of living.

Following the strongest monetary policy tightening cycle since the introduction of the euro in 2022, average annual inflation more than halved, having gone down from 8.0% in 2023 to 3.0% in 2024 measured by the national inflation indicator (CPI), and is expected to slow down further. Having ended the tightening cycle, from June to December 2024, the Governing Council of the European Central Bank reduced the central bank deposit facility rate on four occasions, by a total of 100 points, which is an indicator of the ECB’s current monetary policy stance.

Real GDP increased by 3.9%, primarily on the back of strong domestic demand, favourable labour market developments, stimulative fiscal policy and vigorous investment activity in the private sector. GDP per capita, measured by the purchasing power standard, has reached 77% of the EU average.

In the area of supervision, resolution and macroprudential policy, we continued to strengthen the stability and resilience of the financial system to macroeconomic and geopolitical shocks. Special attention was devoted to the monitoring of risks associated with trade tensions, climate change and cyber risks as part of regular supervisory activities and assessments, both independently and within the scope of activity of the Single Supervisory Mechanism, Single Resolution Mechanism, European Banking Authority and European Systemic Risk Board.

Over the course of 2024, we improved the security and effectiveness of the payment system, striving to ensure safety for consumers and to enable innovation in all areas of financial services, which included preparations for the introduction of the



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National Bank

digital euro and support for FinTech innovations. We have further boosted consumer protection by bringing consumers up to speed on the rights and risks associated with financial services and by strengthening the regulatory framework.

Despite the rapid development of innovation and the ever more widespread use of digital payments, cash remains the means of payment most frequently used by citizens of Croatia. With that in mind, we ensured an adequate supply of euro banknotes and coins, and our citizens participated in the selection of motifs to be included in new euro banknotes, “European Culture: Shared Cultural Spaces” and “Rivers and Birds: Resilience in Diversity”. The theme “European Culture” places emphasis on shared cultural spaces and famous Europeans, while the theme “Rivers and Birds” focuses on the diversity and resilience of nature, and, metaphorically, on European institutions which, like birds and rivers, span across European countries. The motifs on banknotes remind us that Europe is a political and cultural ecosystem which draws its strength from the wealth, adaptability and diversity of all of its constituents.

As before, we have striven to increase the CNB’s openness to the public significantly and are particularly delighted by the keen interest in the education we provide, reflected in the record number of visitors on Open Door Day, the participation of students from all parts of Croatia in the student debate and the exceptional interest in educational activities offered by the Visitor Centre and for events organised by Moneterra, our newly-opened money museum. The lectures provided by the Visitor Centre in 2024 attracted total audiences of 11,000, and in only six months, Moneterra was visited by almost six thousand members of the public.

Special attention was devoted to operational sustainability, both by identifying and monitoring the risks that climate change might occasion for credit institutions and other supervised entities, and, with regard to our own operations, by taking measures to reduce the CNB’s carbon footprint.

Although the maintenance of the stability of prices and the financial system remains ultimately – or rather, primarily – our main task, it is essential nevertheless to operate in a wider context and promote responsible governance, contribute to a stimulative economic climate and ensure that the central bank remains a stabilising force in times of uncertainty.



Boris Vujčić
Governor of the Croatian National Bank

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1

Economic developments and monetary policy

In 2024, economic developments in Croatia were marked by continued pronounced economic growth amid relatively weak foreign demand, geopolitical tensions and the step-by-step easing of the ECB's monetary policy stance. The Croatian economy continued to grow at a noticeably faster pace than the euro area average; this was mostly a result of robust domestic demand, partly spurred by expansionary fiscal policy. Inflation continued to decline due to the easing of imported inflationary pressures resulting from the stabilisation of global supply chains, the decrease in energy prices on the global market and the still restrictive monetary policy stance. At the same time, domestic upward pressures on prices caused by growth in wages and employment continued against the backdrop of lack of labour force. Following the most substantial monetary policy tightening cycle to date, which directed euro area inflation towards its target, in the second half of 2024, the ECB began a gradual reduction of key interest rates. This was reflected in the more favourable financing conditions of domestic sectors, most notably of the corporate sector, with corporate and household loans recording relatively strong increases.

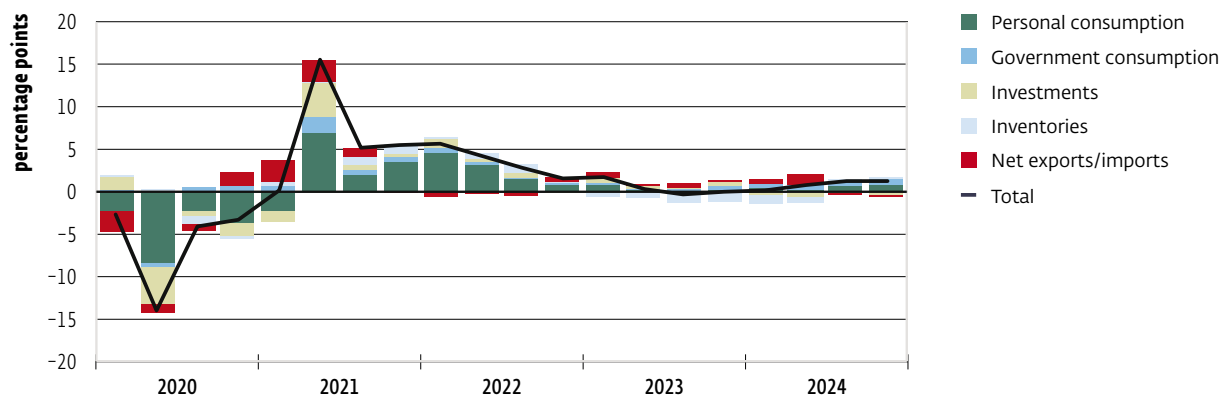
EURO AREA

Real and price movements

Euro area economic growth stood at 0.9% in 2024, following a slight growth of 0.4% in the year before. The increase was relatively evenly distributed throughout the year, with a slightly more pronounced momentum recorded in the third quarter, in part owing to large sports events that took place in that period (Summer Olympics in Paris and the European Football Championship in Germany) and stronger personal consumption. The weakening of inflationary pressures coupled with a tight labour market and the still relatively strong wage growth led to a further increase in real income and personal consumption. Government consumption also increased faster than in the preceding year and, apart from personal consumption, contributed the most to the rise in total economic activity. On the other hand, although improved financing conditions supported the gradual recovery of investments in the second half of the year, at the level of 2024 as a whole, investments fell on account of rising uncertainty and significant structural weaknesses in the largest European economies. These weaknesses were particularly pronounced in industry, with industrial production and exports of goods dropping for the second consecutive year. Unfavourable trends in industry were mostly linked to high energy prices and the relative technological lag behind the competition from China – in particular in activities in which euro area specialises, such as the manufacturing of cars and machinery. In addition, demand from China, a significant euro area trading partner, weakened further. On the other hand, exports of services increased substantially, aided by the still strong demand for services following the pandemic, particularly for tourism-related services, so that the positive contribution of exports of services to GDP surpassed the negative contribution of exports of goods. After having decreased in 2023, imports of goods and services grew slightly in 2024 owing to the gradual strengthening of domestic demand.

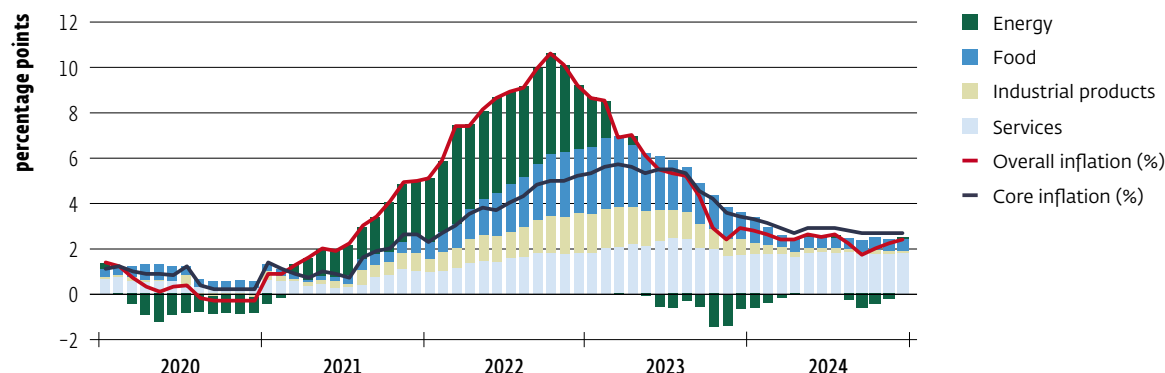
Euro area economic growth stood at 0.9% in 2024, following a slight growth of 0.4% in the year before.

FIGURE 1.1 Euro area real GDP growth
contributions by components



Source: Eurostat.

FIGURE 1.2 Euro area inflation indicators
contributions by components



Note: Core inflation is measured by the harmonised index of consumer prices, which excludes energy, food, alcoholic beverages and tobacco prices.
Source: Eurostat.

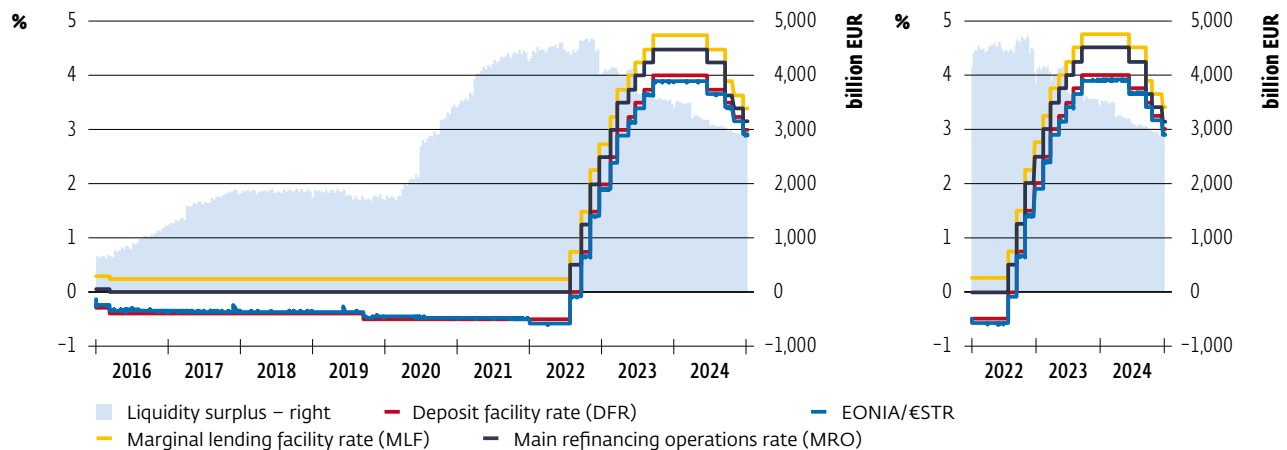
Unfavourable trends in industry were mostly linked to high energy prices and the lag behind the competition from China, in particular in activities such as the manufacturing of cars and machinery.

Euro area inflation measured by the harmonised index of consumer prices in 2024 continued to decelerate primarily due to the decrease in energy prices on the global market and the lagged effects of monetary policy tightening on the weakening of demand. Average annual inflation decelerated to 2.4% from the 5.4% recorded in 2023, which was a result of decreases in the contributions of all main components, primarily food and non-energy industrial goods. Food price inflation slowed down significantly in 2024, reaching 2.9%, after the 10.9% seen in 2023. At the same time, energy prices dropped in spite of the discontinuance of energy subsidies to households. Inflationary pressures were mostly linked to the labour market in 2024, as nominal wage growth remained elevated in the euro area. However, the contribution of wage growth was partly mitigated by lower unit corporate profits. Against such a backdrop, core inflation (excluding energy and food prices) slowed down to 2.8% in 2024 from 5.0% in 2023, remaining above overall inflation. Services price inflation remained elevated at 4.0% in 2024 (4.9% in 2023) due to the increase in labour costs. NEIG inflation, the second main component of core inflation, slowed down considerably (to 0.8% in 2024 from 5.0% in 2023), converging to the long-term average. Among other things, this was a result of the easing of inflationary pressures in the earlier stages of the price chain, primarily reflected in the slight annual growth in producer prices and the decrease in the import prices of non-food consumer goods.

Monetary policy and financial markets

The recent inflation episode, driven by the strong recovery from the crisis caused by the COVID-19 pandemic and Russia's aggression against Ukraine, triggered the strongest round of monetary policy tightening since the creation of the euro, with key interest rates being increased by 450 basis points¹. The cycle culminated be-

¹ A basis point is one hundredth of one percentage point.

FIGURE 1.3 Key ECB interest rates

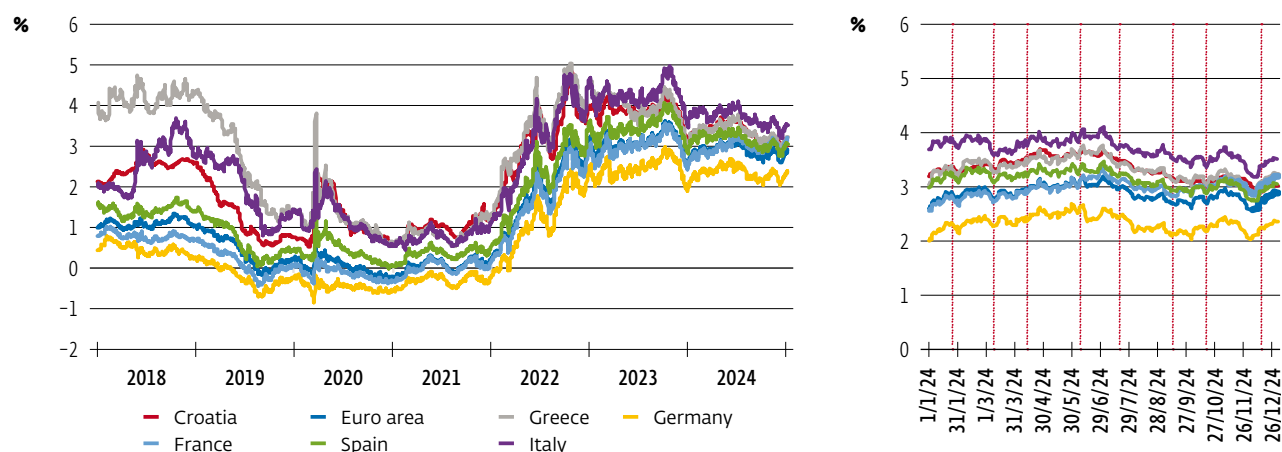
Notes: DFR (deposit facility rate); MLF (marginal lending facility); MRO (main refinancing operations). Since the beginning of 2022, EONIA has been replaced with €STR.
Source: ECB.

tween September 2023 and June 2024. After that, from June to December 2024, the Governing Council lowered the deposit facility rate (DFR) of the central bank on four occasions, by a total of 100 basis points. Amid current high liquidity surpluses, the DFR is the best indicator of the still restrictive monetary policy stance of the ECB.

During the last reduction of interest rates in December 2024, the ECB stressed that inflation had slowed down, converging towards the 2% medium-term target, and that monetary policy decisions would continue to reflect a data-dependent approach. The Governing Council emphasised that it was not pre-committed to a particular rate path. From mid-December 2024, the deposit facility rate (DFR) was 3.00%, the main refinancing operations (MRO) rate stood at 3.15% and the marginal lending facility (MLF) rate was 3.40%.

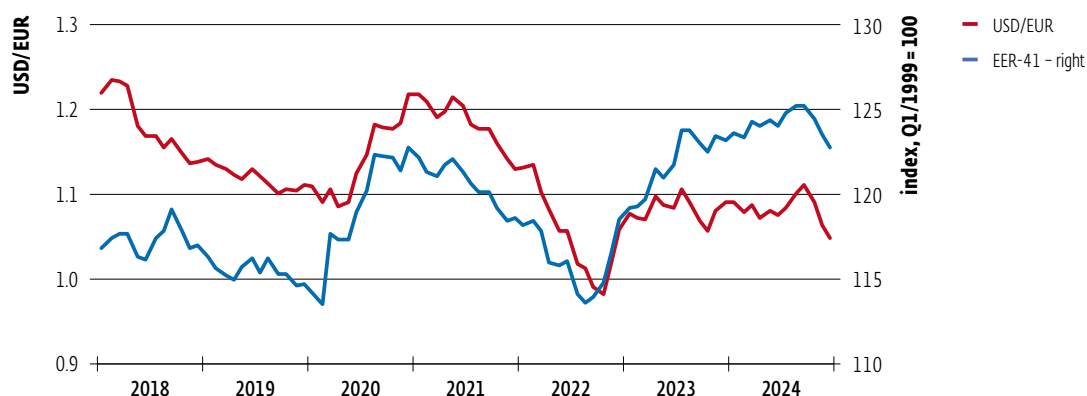
The lowering of key ECB interest rates rapidly caused interest rates on the money market to decrease as well. After the ECB for the fourth time lowered its key interest rates in December 2024 by 0.25 percentage points, the overnight interest rate, €STR, declined to 2.9%, a level that is around 100 basis points lower than at the end of 2023, which points to the full transmission of the key ECB interest rate reduction to the money market. Throughout the year, the EURIBOR rates, i.e. interest rates with different maturities (up to one year) used in lending between the largest banks in the euro area, were also on a declining path. For example, the three-month EURIBOR went down from 3.9% to 2.7% in the course of 2024 and ended the year at a level below the overnight €STR rate, reflecting expectations of further key ECB interest rate decreases in 2025.

The recent inflation episode triggered the strongest round of monetary policy tightening since the introduction of the euro in 2022, with key interest rates being increased by 450 basis points.

FIGURE 1.4 Yields on long-term government bonds with the remaining maturity of approximately 10 years

Government bond yields were more stable in 2024 than in 2023. At the beginning of the fourth quarter, the euro area GDP-weighted average of long-term government bond yields stood at 2.6%, close to the levels seen in late 2023. By the end of December, it had increased to 2.9%, up by 27 basis points from the end of 2023, reflecting mainly the rising yields on long-term US government bonds induced by expectations of the potential inflationary effects of the steps announced by the new administration.

On the global foreign exchange market, the exchange rate of the euro against the US dollar moved within a very narrow range for the most part of the year. The most significant change occurred in the last quarter when the exchange rate of the euro against the US dollar depreciated strongly. This was mostly due to the shift in mar-

FIGURE 1.5 USD/EUR exchange rate and nominal effective exchange rate of the euro

ket expectations towards a smaller reduction of key interest rates in the US and a bigger reduction in key interest rates in the euro area, since the US economy proved more resilient than expected, while the economic outlook for the euro area worsened. Such divergent expectations widened further after US elections, reflecting concerns that the propensity of the new US administration for protectionist measures might increase inflationary pressures in the US and have an unfavourable impact on the euro area economy. The exchange rate of the euro for the US dollar stood at USD/EUR 1.03 at end-December, its lowest level in the last two years, having depreciated by around 6% from the end of 2023. Over the same period, the nominal effective exchange rate of the euro against a basket of currencies of the euro area main trading partners depreciated only slightly, by around 1%. The weakening of the euro against the US dollar was offset by its strengthening against the Japanese yen, the Swedish krona and the Hungarian forint.

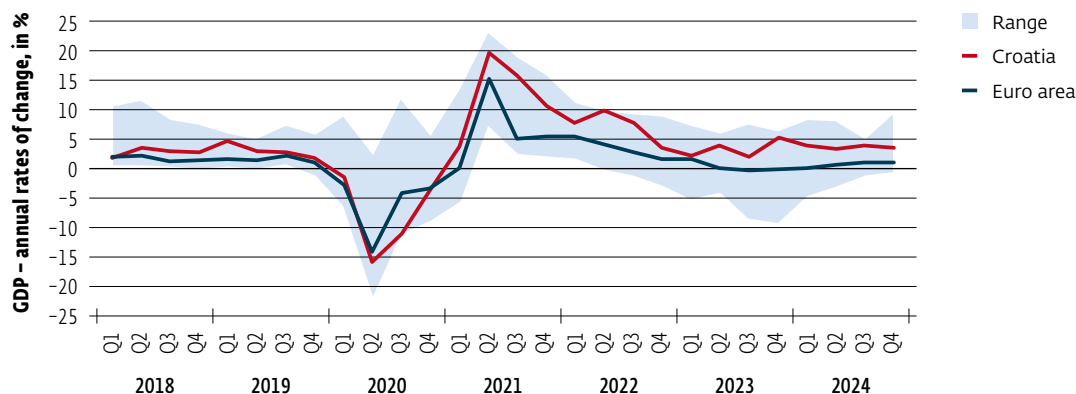
CROATIA

Real developments

Vigorous economic expansion continued in Croatia in 2024, with growth being stronger than in 2023, despite the still relatively weak foreign demand, delayed effects of monetary policy tightening on financing conditions and pronounced geopolitical tensions. The growth of the Croatian economy continued to significantly exceed the euro area and the EU average in 2024, with the GDP per capita (in terms of purchasing power standard) increasing to 77% of the EU average from 76% in 2023. Economic activity growth this year, similarly to that seen in 2023, primarily reflects strong domestic demand, which accelerated the growth in employment and real wages. Increased need for labour was partly met by the import of foreign labour and the activation of some pensioners on the labour market. The continued increase in domestic demand was supported by a very expansionary fiscal policy and vigorous investment activity in the private

The growth of the Croatian economy continued to significantly exceed the euro area and the EU average with the GDP per capita increasing to 77% of the EU average.

FIGURE 1.6 Trends in economic activity in Croatia and the euro area



Note: The figure shows the range of values of real GDP growth of individual euro area member states.
Sources: CBS and Eurostat.

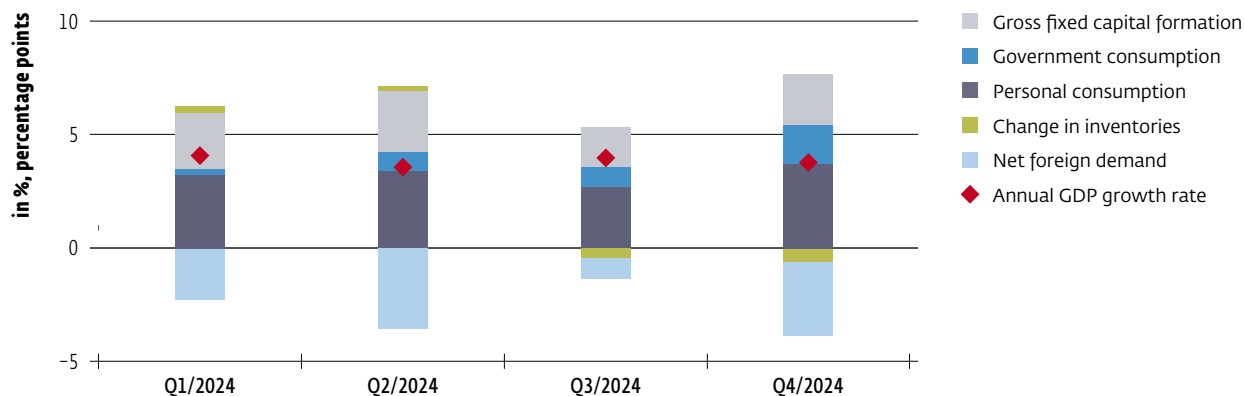
sector. The first half of the year was marked by relatively strong economic growth; however, the somewhat less favourable tourism performance during peak tourist season and the slowdown in investment growth contributed to slower growth during the summer months. Nevertheless, as 2024 drew to a close, economic activity picked up again, primarily under the influence of an increase in domestic demand, as well as in the exports of goods, so that real GDP surged by 3.9% in 2024 as a whole.

The growth in real GDP in 2024 was primarily driven by personal consumption fuelled by the growth in real disposable income of households and strong consumer optimism.

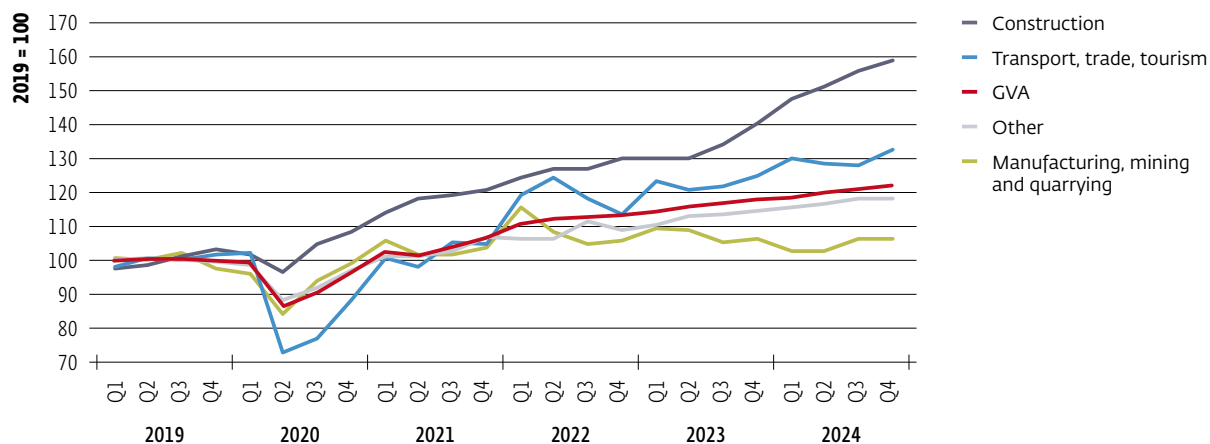
The growth in real GDP in 2024 was primarily driven by personal consumption fuelled by the growth in real disposable income of households and strong consumer optimism. Employment picked up, as did real wage growth, largely due to wage increases in the public sector. In addition, government consumption and gross fixed capital formation also contributed greatly to growth. Investments continued to increase at an almost two-digit rate for the third consecutive year, particularly under the influence of the investment activity of the private sector. Not only was there higher domestic demand, but exports of goods also grew, in contrast to the drop seen in the year before; however, this positive contribution was largely offset by the decline in the exports of services. A decrease in the exports of services was mainly a result of a drop in real tourism revenues, which may be linked to the worsened price competitiveness of Croatian tourism in the past two years amid the relatively weak economic activity in the main outbound markets. Furthermore, it may also partly be attributed to large sports events taking place elsewhere in Europe during peak tourist season, namely the Olympics in Paris and the European Football Championship in Germany. The consumption of residents on services abroad rose, which, coupled with higher imports of goods, led to a high negative contribution of net exports to the growth in real GDP.

If developments in economic activity are broken down according to main activities, growth is noticeable in construction and services, but also in activities related to trade, the real estate market and information and communication activities. Expansionary fiscal policy influenced the growth in the contribution of public

FIGURE 1.7 Contributions to the change in real economic activity



Source: CBS.

FIGURE 1.8 Gross value added by activity in Croatia

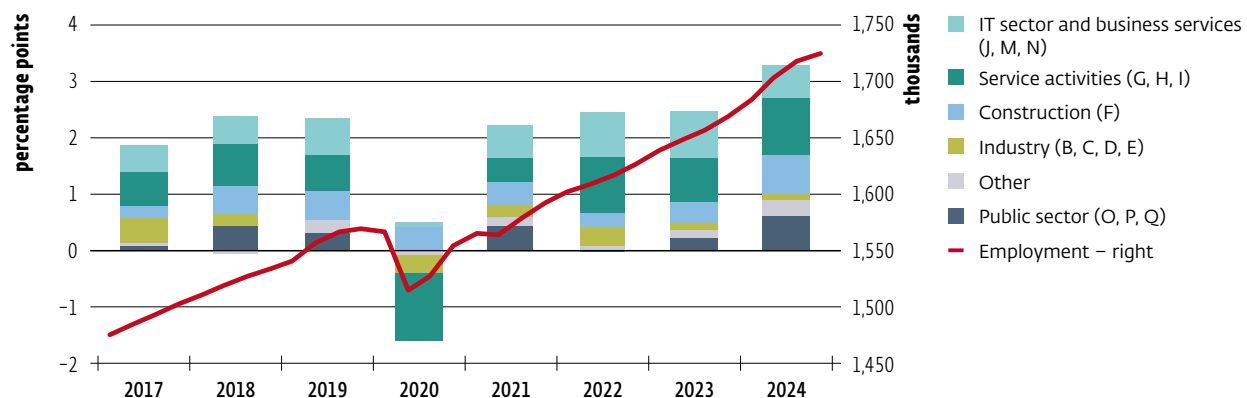
Source: CBS.

services. Agricultural production also increased slightly, while manufacturing continued to decline.

Labour market

In 2024, the labour market was characterised by a pronounced increase in employment and wages and a drop in unemployment. According to CPII data, employment increased by 3.3% in 2024, versus 2.5% in 2022, mainly as a result of the most new hirings being seen in services and construction. In services, the growth was relatively broadly based, including the general government, while employment dropped only in financial and insurance activities. Unemployment continued its downward path in 2024 as well as the average registered unemployment rate, which

In 2024, the labour market was characterised by a pronounced increase in employment and wages and a drop in unemployment.

FIGURE 1.9 Employment by NCA, seasonally adjusted data, contributions to the annual rate of change and total employment

Note: NCA means the National Classification of Activities.
Source: CPII (seasonally adjusted by the CNB).

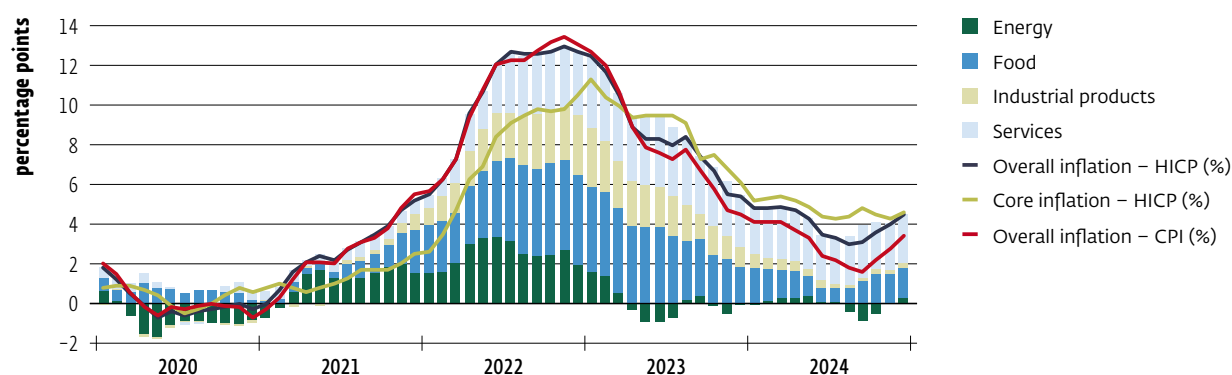
The average nominal gross and net wages rose by some 15% in 2024, with wage growth in the public sector being more pronounced than that in the rest of the economy.

fell to 5.3% of the labour force (from 6.1% in 2023). At the same time, the average ILO unemployment rate was 5.1%, or down by one percentage point from 2023. Employer needs for recruiting were largely met by the increased recruitment of workers from third countries (outside the EU) and pensioners. Pronounced demand for labour amid low unemployment affected the continued growth in wages in 2024, which was significantly impacted by wage increase in the public sector following the reform in the remuneration policy system. Wage growth in 2024 also reflected the rise in minimum wages. As a result, the average nominal gross and net wages again rose by some 15% in 2024, with wage growth in the public sector being more pronounced than that in the rest of the economy. At the same time, the growth in real net wages picked up, from 4% to more than 11%, as a result of a drop in inflation.

Price developments

Inflation in Croatia continued to slow down noticeably in 2024. The average annual rate of inflation as measured by the harmonised index of consumer prices (HICP) more than halved from 2023 (from 8.4% to 4.0%), and according to the national inflation indicator (CPI), the decrease was even more pronounced (from 8.0% in 2023 to 3.0% in 2024). Inflation is higher when measured by the harmonised indicator in relation to the national indicator due to the wider scope of consumers included in the calculation of the harmonised indicator, which encompasses the consumption of foreign tourists, while CPI covers only the consumption of domestic households and thus better reflects the increase in prices for Croatian residents. Prices of services contribute the most to the difference in inflation as measured by the HICP and CPI respectively, particularly the prices of tourism-related services, which account for a larger share in the consumer basket used to calculate the HICP¹. The slowdown of inflation in 2024 was also affected by the still restrictive monetary

FIGURE 1.10 Inflation indicators in Croatia
contributions by components



Note: Core inflation is measured by the harmonised index of consumer prices, which excludes energy, food, alcoholic beverages and tobacco prices.
Sources: Eurostat, CBS and CNB calculations.

¹ For more information on the methodological differences between the calculations of the harmonised and the national consumer indices, see Box 2 *Comparison of the national and harmonised index of consumer prices in Croatia*, *Macroeconomic Developments and Outlook No 12*, Croatian National Bank, July 2022

policy stance as well as by the weakening of imported inflationary pressures resulting from the stabilisation of global supply chains and the decrease in the prices of energy on the global market. In contrast, domestic inflationary pressures remained pronounced due to robust economic growth in Croatia, labour shortages and strong wage growth. Hence, despite the slowdown, inflation remained elevated compared with the euro area, where economic developments were relatively weak. Unfavourable base effects coupled with stronger current pressures (including the increase in the prices of refined petroleum products on the domestic market and the lifting of caps on administered prices of electricity, gas and heat energy) caused inflation to pick up again towards the end of the year.

As regards the developments in the prices of the main inflation components, lower core inflation contributed the most to the slowdown of overall inflation in 2024. Core inflation (measured by the HICP which excludes food and energy prices) decelerated from 8.8% in 2023 to 4.8% in 2024, with industrial prices exhibiting a particularly pronounced slowdown (from 7.2% to 1.3%). Inflation of industrial prices dropped below its pre-pandemic long-term average in the second half of 2024 due to the easing of imported inflationary pressures and a noticeable slowdown in the growth of producer prices. In contrast, the slowdown in services inflation was considerably less pronounced (from 10.1% in 2023 to 7.6% in 2024), for several reasons. Strong growth in demand, supported by expansionary fiscal policy, and labour shortages combined with high nominal wage growth created upward pressures on the prices of services, where costs of labour constitute a significant part of total costs. Elevated services price inflation greatly reflects the growth in the prices of catering and accommodation services, which have been growing faster in Croatia than in competitive countries for several years now. This growth in prices has had an unfavourable effect on the price competitiveness of the tourist sector, and, in turn, on the demand for tourist services. Inflation of prices of services, particularly of those related to tourism, remained elevated against such a backdrop and contributed the most to overall inflation.

The further slowdown in food price inflation from 11.5% in 2023 to 4.4% in 2024 also contributed to the deceleration of overall inflation, albeit to a somewhat lesser extent than core inflation. Food price inflation slowed down considerably in the second half of 2023 and the first half of 2024. This was a result of a drop in the prices of energy, food and other raw materials on the global market from the peaks seen in 2022. This decrease in prices spilled over to the slowdown in the growth of producer prices in the food industry with a delay, contributing to the decrease of food price inflation for consumers. However, food inflation speeded up in the second half of 2024, partly as a result of unfavourable base effects (sharp monthly decreases in food prices in September and October 2023) and partly due to mounting current inflationary pressures brought about by the dry summer season and recent increases in the prices of some food raw materials in the world market, in particular of coffee, sugar and cocoa. The average annual energy price inflation rate remained at a very low level in 2024 (having dropped from 0% in 2023 to -0.3% in 2024). However, energy price inflation

The average annual rate of inflation as measured by the harmonised index of consumer prices (HICP) more than halved from 2023, from 8.4% to 4.0%, and according to the national inflation indicator (CPI), the decrease was even more pronounced, from 8.0% in 2023 to 3.0% in 2024.

In 2024, inflation in Croatia was higher than the euro area average.

picked up significantly towards the end of the year due to the increase in the prices of refined petroleum products and the initial part of the rise in the administered prices of electricity, gas and heat energy. Nevertheless, the pick-up in inflation at the end of 2024 was only temporary, and in the months that followed, inflation continued to slow down.

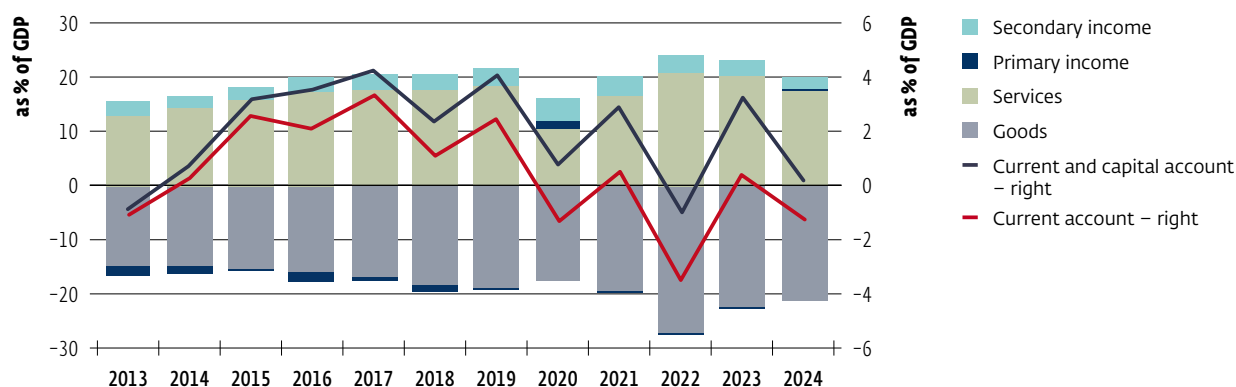
Overall, in 2024, inflation in Croatia was higher than the euro area average, which primarily reflects stronger economic growth than in other euro area member states and price convergence.

Economic relations with foreign countries

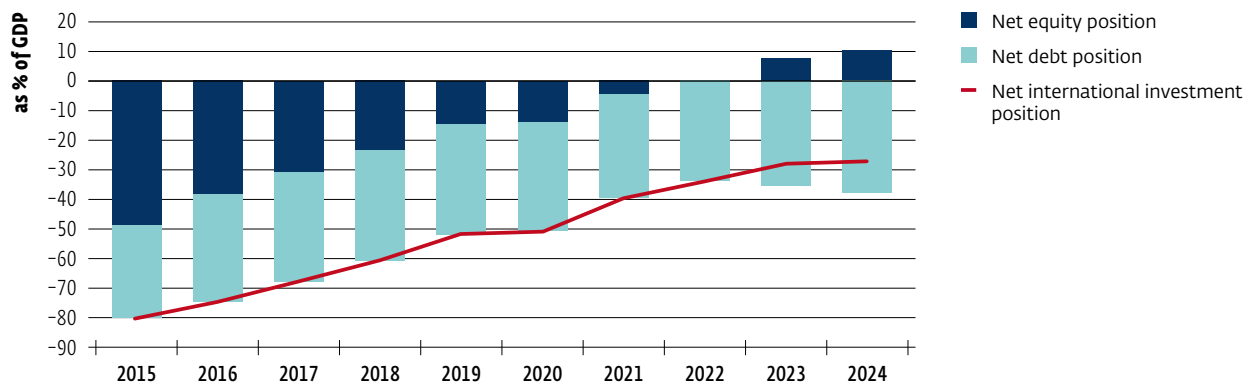
The current and capital account surplus dropped from 3.3% of GDP in 2023 to 0.2% of GDP in 2024. The decrease in the surplus was primarily brought about by the deterioration of the balance of trade in services, and, to a slightly smaller extent, by the deterioration of the trade balance. In addition, inflows from EU funds also dropped. The weakening of the services balance reflects a modest annual increase in tourism revenues (2.7%) paired with a noticeably faster growth in the tourist consumption of residents abroad (32.9%). Furthermore, due to robust domestic demand, the favourable export performance was more than offset by the increase in goods imports. Still, Croatian exporters improved their relative position on the European market, having succeeded in increasing their market share. As regards the use of EU funds, the drop in disbursements from 2023 resulted from the completed utilisation of funds allocated under the earlier financial envelope (for the period from 2014 to 2020) and of funds related to the post-earthquake reconstruction. Therefore, in 2024, end users received almost a billion euro less than in 2023, so that net inflows from EU funds dropped from the record level of 3.9% of GDP in 2023 to 2.1% of GDP. On the other hand, the income account balance increased noticeably in 2024, under the influence of, among other things, the growth in interest income of the CNB stemming from investments of foreign assets. Expenditures on foreign investments also increased, albeit to a lesser extent, primarily owing to the rise in the profits of foreign-owned banks.

Croatia's current and capital account surplus dropped from 3.3% of GDP in 2023 to 0.2% of GDP in 2024.

FIGURE 1.11 Current and capital accounts of the balance of payments



Sources: CNB and CBS.

FIGURE 1.12 International investment position

Sources: CNB and CBS.

Furthermore, even though the revenues from Croatian residents temporarily employed the large number of foreign workers temporarily employed in Croatia. In 2024, net revenues from personal remittances from abroad increased by EUR 200m from 2023, but due to the stronger GDP growth, their share dropped from 5.4% of GDP in 2023 to 5.2% of GDP in 2024.

In line with the decrease in the current and capital account surplus in 2024, the financial account of the balance of payments saw a smaller net outflow of capital than in 2023. In 2024, net capital outflow was EUR 0.8bn or 0.9% of GDP, while in 2023, it stood at EUR 3.8bn or almost 5% of GDP. Net debt position continued to improve, reflecting the decline in net foreign liabilities of all domestic sectors apart from the central government. The inflow of direct investments in Croatia in 2024 was around a billion euro higher than in 2023, reaching 5% of GDP. However, the largest part of the inflow was accounted for by borrowing from affiliated enterprises abroad. At the same time, direct equity investments remained relatively modest, and predominantly included investments in real estate, pharmaceutical industry, consulting activities and trade.

The gross external debt position stood at EUR 56.2bn or 65.7% of GDP at the end of 2024, having gone down by EUR 4.7bn or 12.4 percentage points from the end of 2023. The decrease in gross external debt was mainly driven by the decrease in central bank liabilities following their strong increase in 2023 due to the application of accounting rules related to the recording of receivables and liabilities for euro banknotes issued within the Eurosystem. On the other hand, other domestic sectors increased their gross external debt. The net external debt of Croatia, which also takes into account the changes in foreign assets of domestic sectors, dropped by EUR 3.6bn to 10.8% of GDP at the end of 2024. Although net external debt liabilities continued to decline, the net equity position worsened, so that the total net international investment position of Croatia ultimately remained relatively stable, standing at -27.3% of GDP at the end of 2024.

In 2024, net revenues from personal remittances from abroad increased by EUR 200m from 2023.

Banking system

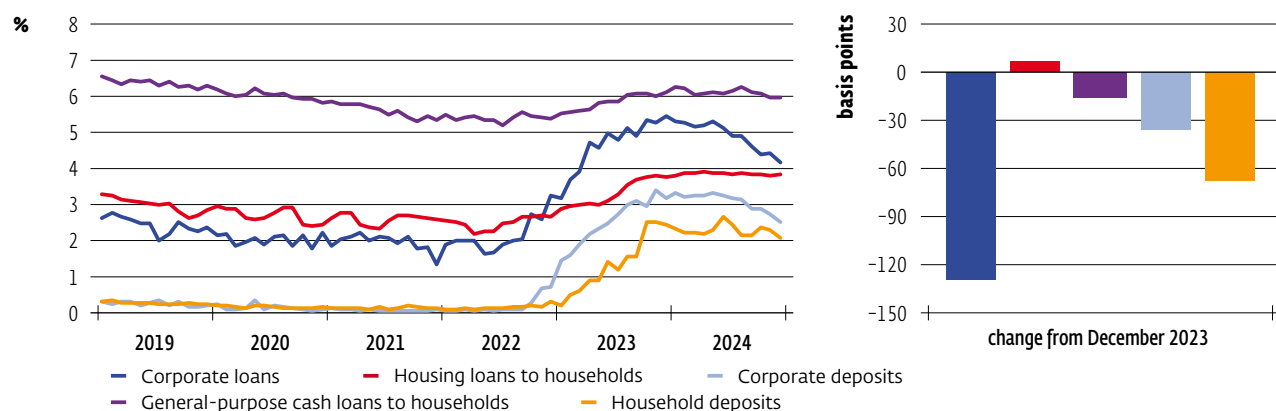
The easing of the restrictive ECB monetary policy in the second half of 2024 was reflected in the more favourable financing conditions of credit institutions, while the cost of household borrowing saw no significant changes during that period. At the same time, interest rates on corporate time deposits fell, while those on household deposits hovered around levels seen in the first half of the year.

The easing of the restrictive ECB monetary policy in the second half of 2024 was reflected in the more favourable financing conditions of credit institutions, while the cost of household borrowing saw no significant changes during that period.

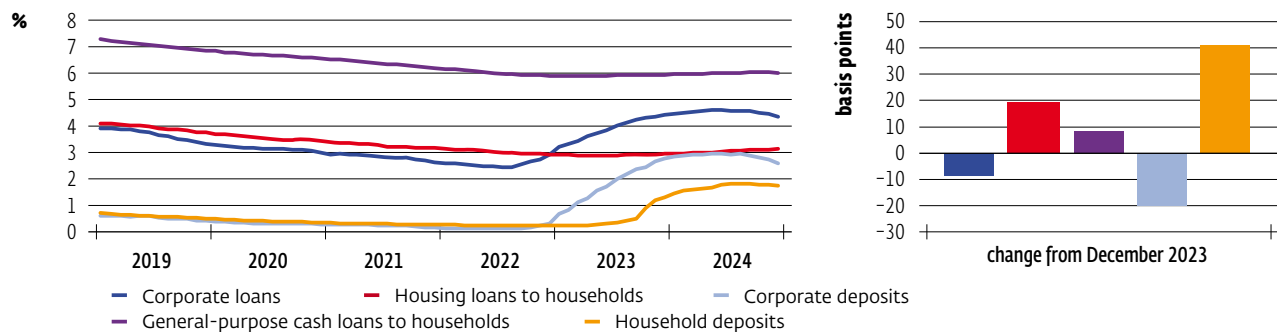
The average interest rate on pure new loans granted to non-financial corporations dropped by 129 basis points in December 2024 from the end of 2023, reaching 4.1%, its lowest level in almost two years. In the same period, the interest rate on general-purpose cash loans to households decreased by 16 basis points, to 5.9%, while the average interest rate on pure new housing loans stood at 3.8% in December 2024, having remained at approximately the same level throughout the year. The stagnation of interest rates on household loans at approximately the same level as in 2023 was largely due to the continued strong growth in lending to the sector, granted mainly at long maturities and fixed interest rates, which makes these loans less sensitive to changes in market conditions than shorter-maturity loans. At the same time, according to Bank Lending Survey results, at the end of 2024, banks reported that corporate and household lending standards had eased for the first time in almost three years, citing competition among banks and more favourable risk perception as the main reasons for this trend.

Interest rates on existing corporate loans also decreased, while interest rates on existing household loans edged up. Having increased steadily for two years, interest rates on existing corporate loans peaked in June 2024 (4.6%), before edging down gradually in the second half of the year and reaching 4.3% in December. The aforementioned decrease was due to the large share of loans granted at variable

FIGURE 1.13 Interest rates on pure new loans and time deposits of corporates and households



Notes: Data up to December 2022 refer to loans and deposits in kuna and currencies indexed to kuna and in euro and currencies indexed to euro, and from January 2023 to loans and deposits in euro and currencies indexed to euro. Data refer to pure new loans and deposits. Deposits with a maturity of up to one month have been excluded. Source: CNB.

FIGURE 1.14 Interest rates on existing loans and time deposits of corporates and households

Source: CNB.

interest rates linked to the EURIBOR reference parameter, which had shrunk as a result of the lowering of key ECB interest rates. In contrast, interest rates on existing housing loans and general-purpose cash loans increased slightly, by 19 and 8 basis points respectively, reaching 3.1% and 6.0% in December. The dominant reference parameter in existing variable interest rate loans is the national reference rate (NRR), which began to move up in late 2023 due to the rise in interest rates on deposits. Since banks usually change their interest rates every six months, the growth in the NRR was reflected in the increase in interest rates on existing housing loans in July 2024. However, in August, interest rates on existing loans linked to the NRR were already stabilised. Additionally, the level of interest rates on existing household loans is also influenced by the legal cap on the level of interest rates on loans granted at variable interest rates linked to the EURIBOR. During the period of monetary policy tightening, the cap prevented the spillover of the rise in the EURIBOR to interest rates, causing them to remain at levels lower than they would have been had the legal cap not been applied, which reduced the banks' margins on such loans. Therefore, the banks, in principle, do not transfer the decrease in the EURIBOR to interest rates on existing household loans until margins reach the agreed upon level again.

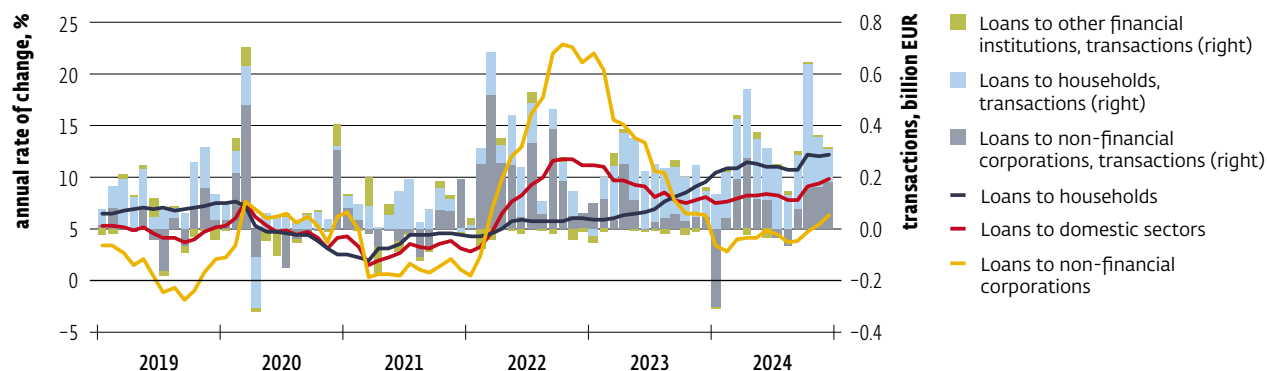
The average interest rate on newly created corporate time deposits decreased in the second half of the year, reaching 2.5% at the end of 2024, which is 67 basis points down from the end of 2023. As regards households, following a considerable increase in June 2024, average interest rates on pure new household time deposits were on a downward trajectory in the second half of the year until October, when some credit institutions offered higher interest rates. In addition, amounts of renewed time deposits increased. Despite the increase, the average interest rate on pure new household time deposits stood at 2.1% in December, down 36 basis points from the end of 2023. On the other hand, interest rates on existing total household and corporate deposits increased from the end of 2023 by around 10 basis points, reaching 0.5% and 0.6%, respectively, in December 2024.

More favourable financing conditions led to a relatively strong growth in corporate and household loans. Corporate loans rose by EUR 0.9bn (based on transactions) in

The average interest rate on corporate loans dropped in December 2024 from the end of 2023, reaching 4.1%, its lowest level in almost two years.

FIGURE 1.15 Loans

transactions and annual rates of change, transaction-based



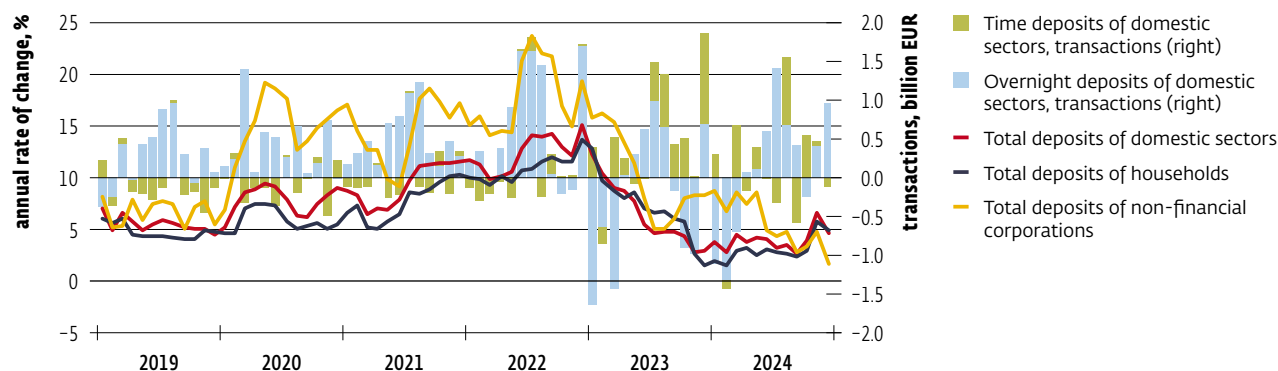
Note: Loans to domestic sectors exclude loans to the general government.
Source: CNB.

Household loans increased in 2024 by EUR 2.6bn, with general-purpose cash loans accounting for almost half of the growth.

2024, almost the same as in the previous year. However, if the effect of the January repayment of a syndicated loan of a large corporation is excluded (for which funds were allocated by the Government of the Republic of Croatia), the growth in corporate loans stood at EUR 1.2bn. Working capital loans to corporations engaged in trade and manufacturing and investment loans to corporations engaged in construction, real estate activities and accommodation and food service activities increased the most. Observed on an annual basis, corporate loans grew at the same pace in December 2024 as in 2023 (6.4%, based on transactions), while, if the aforementioned one-off effect is excluded, the rise stood at 8.2%. Household loans increased in 2024 by EUR 2.6bn, with general-purpose cash loans accounting for almost half of the growth (EUR 1.3bn). According to Bank Lending Survey results, the demand for these loans was mainly spurred by the increase in demand for durable consumer goods against the backdrop of an exceptionally strong wage increase and

FIGURE 1.16 Deposits

transactions and annual rates of change, transaction-based



Note: Deposits of domestic sectors exclude deposits to the general government.
Source: CNB.

boosted consumer optimism. Housing loans continued to grow steadily (EUR 1.0bn) despite the end of the government housing loan subsidy programme which was implemented from 2017 to 2023. The growth in total household loans accelerated on an annual level from 9.5% in December 2023 to 12.1% (or 11.1%, if the effect of a credit institution acquiring the segment of credit card issue is excluded) in December 2024, owing to a fast acceleration in the growth of general-purpose cash loans, from 11.1% to 15.9%, while the growth in housing loans decelerated from 9.9% to 9.1%.

Total deposits of domestic sectors (excluding the general government) rose by EUR 2.6bn in 2024, or EUR 1.0bn more than in 2023. The acceleration in deposit growth was primarily brought about by stronger lending to the private sector, and, to a lesser extent, by inflows from abroad. In the structure of total deposits, time deposits grew by EUR 1.4bn, as against EUR 4.1bn in 2023, with the growth slowing down the most in the non-financial corporate sector. Overnight deposits also increased in 2024 (by EUR 1.2bn), following a decline of EUR 2.5bn in 2023, with the growth being almost completely attributable to household overnight deposits.

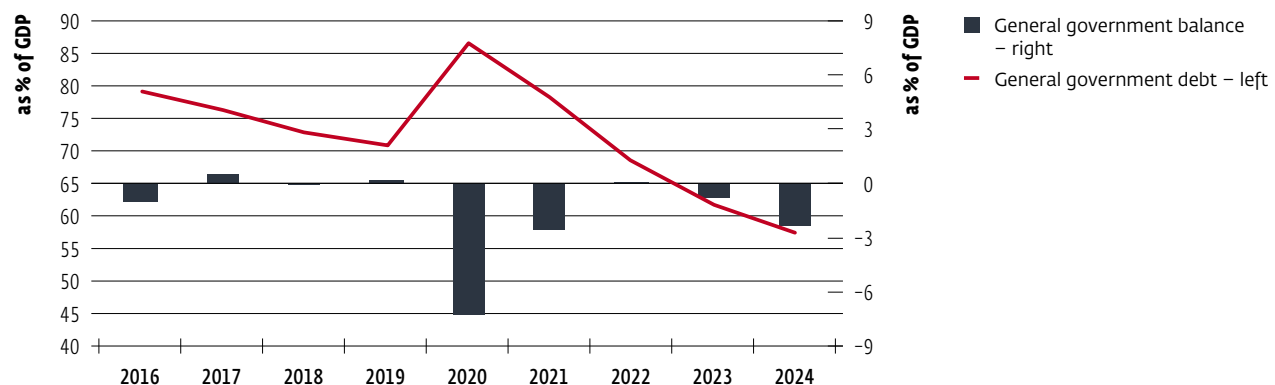
In 2024, the general government budget ran a significant deficit, while the public debt-to-GDP ratio continued its downward trend.

Fiscal indicators

According to the internationally comparable methodology of the European System of National and Regional Accounts (ESA 2010), in 2024, the general government budget ran a significant deficit, while the public debt-to-GDP ratio continued its downward trend. The general government budget deficit was 2.4% of GDP, which is a significant deterioration from the deficit seen in 2023 (0.8% of GDP). Nevertheless, the general government debt-to-GDP ratio shrank on an annual basis, reflecting robust economic growth in real terms and the still relatively strong increase in the GDP deflator.

The deterioration in the general government budget balance in 2024 reflects a stronger annual growth of budgetary expenditure (12.6%) than of revenues (8.8%).

FIGURE 1.17 Fiscal indicators



Sources: CBS and CNB.

Employee compensation made a noticeable contribution to the expenditure side, reflecting the comprehensive wage increase reform in government administration and public services. Total expenditures also grew significantly on account of expenditures for social benefits, which largely reflects trends in pension expenditures (influenced by pension indexation) and the payouts of allowances to protect pensioners' standard of living. On the other hand, subsidies decreased in annual terms, reflecting, to a large extent, the termination of subsidies aimed at mitigating elevated inflation. The revenue side showed a sharp increase in revenues from indirect taxes, which was due to the strong increase in domestic demand. The growth in

The relative indicator of public debt stood at 57.6% of GDP at the end of 2024, which corresponds to an annual decrease of 4.2 percentage points (61.8% of GDP in 2023).

revenues was also attributable to revenues from direct taxes, which increased on the back of a rise in the economy's wage bill. Favourable labour market trends also contributed positively to the annual rise in social contributions.

Despite the deterioration in the general government budget balance, the increase in real economic activity and the GDP deflator resulted in a decrease in the public debt-to-GDP ratio on an annual level. The relative indicator of public debt stood at 57.6% of GDP at the end of 2024, which corresponds to an annual decrease of 4.2 percentage points (61.8% of GDP in 2023). In 2024, the government mostly borrowed on the domestic capital market, resulting in an increase in short-term debt, albeit from relatively low levels. Such developments were, by and large, linked to the issue of securities, mainly aimed at households.

2

Financial stability and macroprudential policy

Growing global uncertainty surrounding geopolitical tensions, coupled with the local spillover of strong domestic demand and relatively high economic growth to a sharp increase in household lending and property prices constituted the main factors of risk to financial stability in 2024. Against the backdrop of elevated risks, in its macroprudential policy, the CNB continued to focus on maintaining the capital buffers built up over the past years, continuously warned about intensifying risks and announced the possibility of introducing new measures.

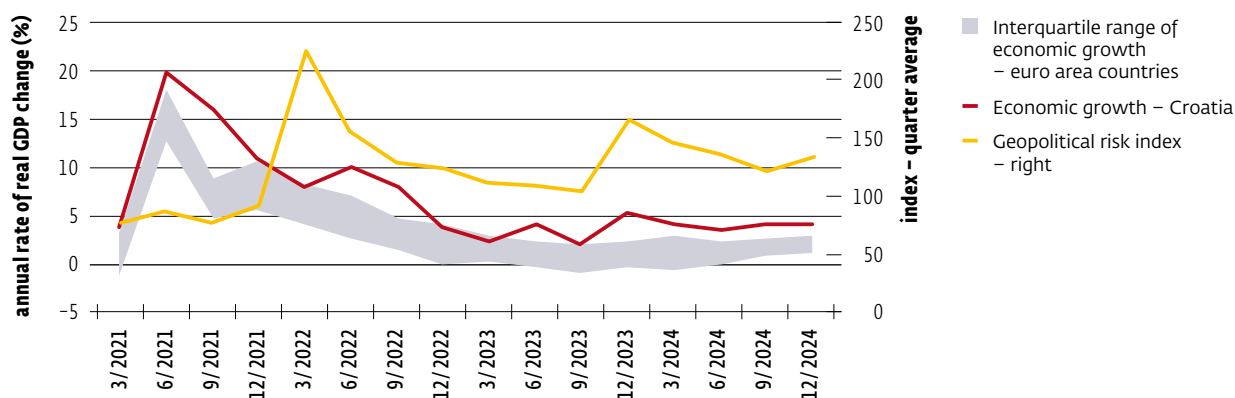
OVERALL ASSESSMENT OF THE MAIN RISKS AND CHALLENGES TO FINANCIAL STABILITY

The main risks to financial stability in 2024 stemmed from growing global uncertainty surrounding geopolitical tensions and from the local spillover of strong domestic demand and the relatively high rates of economic growth to a sharp increase in household lending and property prices.

The main risks to financial stability in 2024 stemmed from growing global uncertainty surrounding geopolitical tensions and from the local spillover of strong domestic demand and the relatively high rates of economic growth to a sharp increase in household lending and property prices. Global uncertainty was particularly fuelled by the continued war in Ukraine, conflicts in the Middle East and increasing trade tensions. Still, the global economy continued its steady upward trajectory in 2024, while inflation continued to decline. In contrast, economic activity in the euro area remained subdued, primarily due to weaknesses in the industrial sector, the services sector being the main driver of growth. At the same time, inflation slowed down in the euro area, which, from June, enabled the ECB to gradually ease its monetary policy stance by lowering key interest rates. In contrast to the euro area, the Croatian economy continued to expand strongly in 2024, on the back of increasingly stronger domestic demand supported by favourable labour market trends, stimulative fiscal policy and substantial wage increases in the public sector.

Despite elevated interest rates, loans to households increased sharply in 2024 amid high economic growth rates and wage increase. Housing loans continued their steady climb at a rate hovering around 10%, which reflects increasing average loan amounts, and, in turn, growing property prices as well as elevated interest rates, while the number of newly granted loans continued to decline. On the other hand, the growth in non-housing loans accelerated throughout the year and then stabilised at 15% towards the end of the year as a result of not only an increase in the average loan amount, but also of a steep increase in the number of new loans.

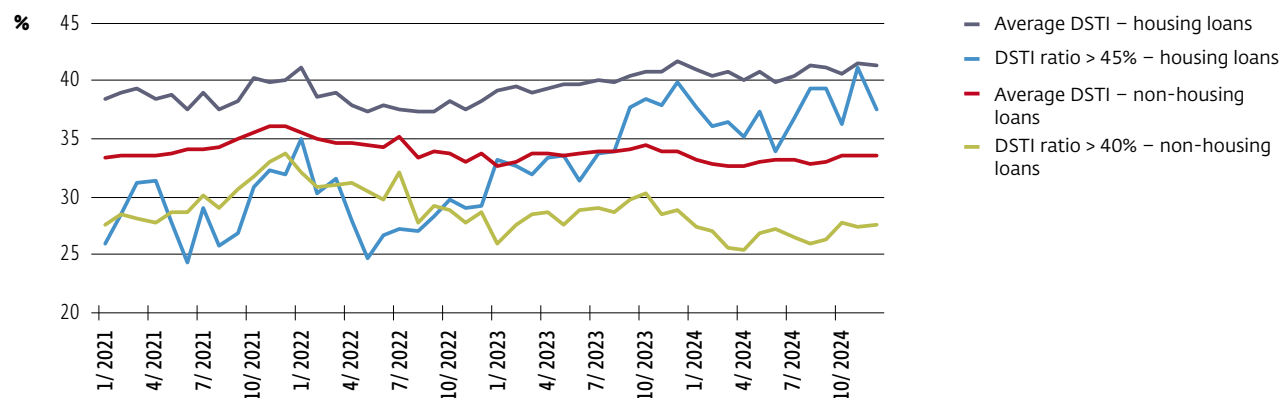
FIGURE 2.1 Economic growth in Croatia significantly surpassed the euro area average amid high geopolitical tensions



Note: The textual geopolitical risk index of Caldara and Iacoviello (2022) measures the frequency of occurrence of terms related to unfavourable geopolitical events, based on the text search of electronic archives of ten newspapers.

Sources: CNB and Caldara, D. and M. Iacoviello (2022), *Measuring Geopolitical Risk*, American Economic Review, April, 112(4), pp. 1225 – 1225, <https://www.matteoiacoviello.com/gpr.html>

FIGURE 2.2 A sizeable share of new housing and non-housing loans are granted under relatively accommodative criteria



Note: DSTI means debt-service-to-income ratio.
Source: CNB.

A strong increase in the number of household loans granted under relatively accommodative criteria strengthened risks to financial stability. The share of housing loans granted at elevated debt service-to-income (DSTI) ratios increased, so that in late 2024, more than a third of housing loans was granted with a DSTI ratio above 45%, which is an increase of around 10 percentage points from the first half of 2022. At the same time, slightly more than a quarter of non-housing loans were granted with DSTI ratios above 40% (Figure 2.2)¹.

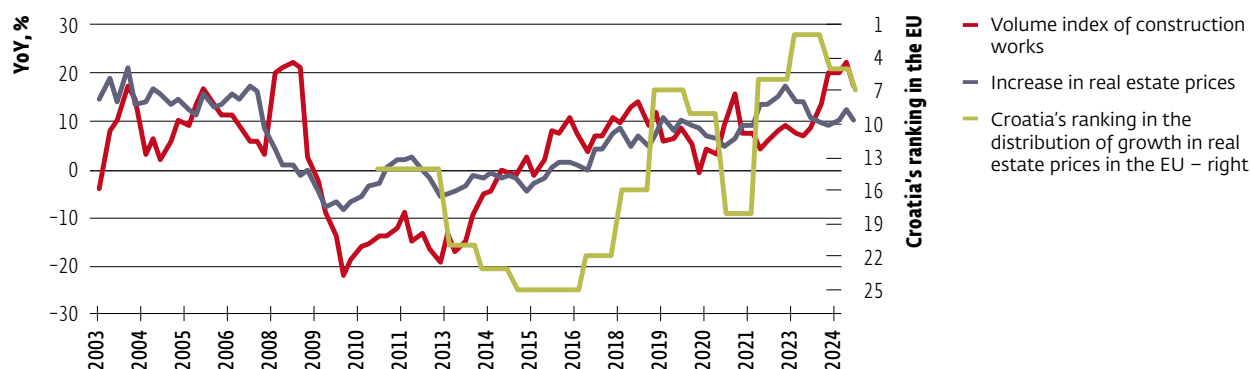
Residential real estate prices in Croatia continued to grow in 2024 at an average annual rate of 10.4%, making Croatia one of the top EU member states in terms of residential real estate price growth (Figure 2.3). Price pressures remained pronounced for the third consecutive year despite the stagnating number of purchase and sale transactions as demand continued to outstrip supply significantly. The number of purchase and sale transactions in residential real estate in 2024 remained at a level similar to that seen in 2023, having recorded only a slight increase of 0.4%. Still, this is a significantly better result than that seen in 2023, when an annual drop of 6.3% was recorded. The supply of new immovable property continued to grow as the volume of construction works on buildings climbed by 19.0% in 2024, and the number of residential units for which building permits were issued also increased further, by 8.5%.

Economic expansion seen in 2024 had a favourable effect on the business operations of non-financial corporations. Corporate revenues increase noticeably, and the favourable business environment led to an increase in the number of newly

A strong increase in the number of household loans granted under relatively accommodative criteria strengthened risks to financial stability.

Residential real estate prices in Croatia continued to grow in 2024, making Croatia one of the top EU member states in terms of residential real estate price growth.

¹ For more details on the increase in housing and non-housing household loans, risks stemming from that growth and measures taken to contain those risks, see Financial stability, No 26, Chapter C1 Risks of lending to households.

FIGURE 2.3 Sharp growth in real estate prices continued

Notes: International comparisons for the period before 2011 are not possible. The growth in real estate prices is calculated from the index of real estate prices.
Sources: CBS, Tax Administration and Eurostat.

established companies, particularly in the sectors of construction and services. Rising corporate revenues and monetary policy easing, which resulted in the lowering of interest rates on corporate loans in the second half of the year¹ facilitated debt servicing. The largest contribution to the growth in loans came from trade, activities related to construction and services.

The stimulative economic environment and elevated interest rates had a favourable effect on the profitability of credit institutions in 2024. However, the lowering of key ECB interest rates caused the net interest income of credit institutions, the main

The stimulative economic environment and elevated interest rates had a favourable effect on the profitability of credit institutions in 2024.

driver of profitability growth over the past two years, to decrease in the second half of the year. The favourable business performance of credit institutions was also attributable to the improvement in the loan portfolio quality, with the non-performing loan ratio dropping to a record low of 2.4% in mid-2024. At the same time, total capital ratio was 23.9% at the end of the year, significantly above regulatory requirements, which, coupled with high liquidity, contributed to

the resilience of credit institutions. Still, due to geopolitical tensions, operational risks have increased and the necessary investment in the building of resilience in the face of this type of risk could curtail bank profitability in the upcoming period.

MACROPRUDENTIAL ACTIVITIES OF THE CNB IN 2024

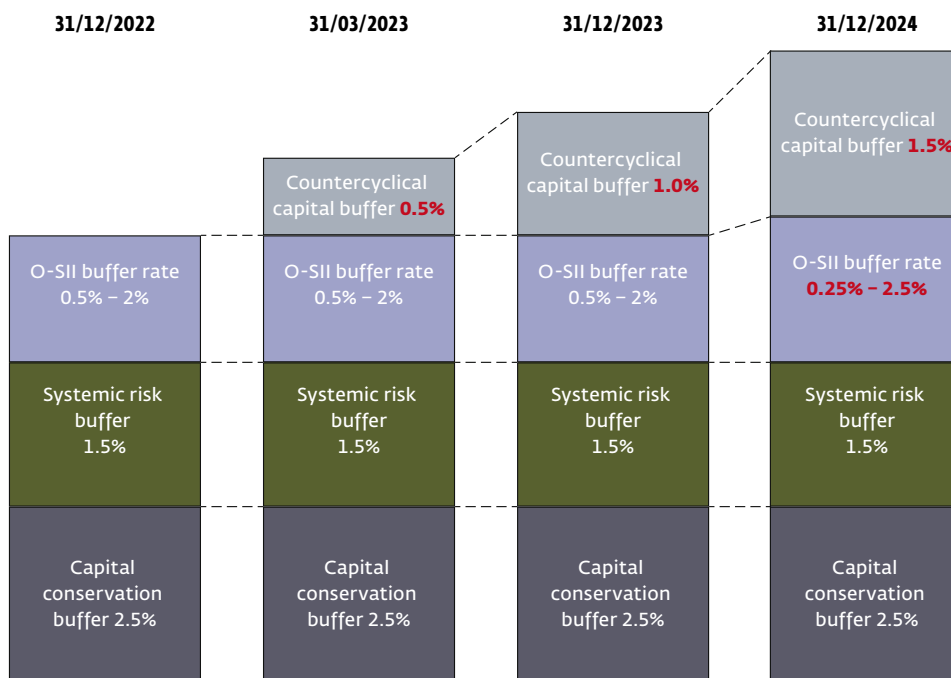
Last year saw strong lending activity of banks and a continued increase in the prices of residential property, which, although slower than before, still increased faster than in most EU member states. Considering the accumulated systemic vulnerabilities, the CNB's macroprudential activities were directed at maintaining bank capital buffers to strengthen the banks' resilience to possible losses in the event of systemic risk materialisation. In addition, the CNB continuously warned against intensifying risks and announced the possibility of introducing new measures².

¹ For more details on interest rates on loans, see [Chapter 1 Economic developments and monetary policy, Banking system](#).

a) Capital buffers

In 2024, more stringent requirements for capital buffers entered into force. The combined capital buffer increased due to the start of application of the **decision** on the increase of the countercyclical buffer rate from 1% to 1.5% of June 2023. Additionally, three systemically important banks began to apply the higher capital requirements laid down in late 2023. The combined capital buffer thus respectively stood at 5.5% and 8% of the total exposure amount at the end of 2024, depending on the systemic importance of the credit institution, versus 5% and 7% at end-2023.

FIGURE 2.4 Capital buffers for the 2022 – 2024 period



Note: Dates indicate the beginning of application of new requirements, whereas red indicates new capital buffer rates.
Source: CNB.

As regards the development of cyclical risks, after performing its regular quarterly **assessments** of the countercyclical capital buffer level in 2024, the CNB confirmed that the rate in application since mid-2024 was adequate and that there was no need for any further adjustment of the level of the aforementioned buffer in the current macrofinancial environment. The existing systemic risk buffer (SyRB) rate, which has not changed since 2020, remained in application. The most significant risks covered by the capital buffer mentioned above stem from the international environment, specifically, from the increasing geopolitical tensions, and may have negative consequences to the domestic economy and financial stability.

2 For more information on recent macroprudential activities, see the publication **Macroprudential Diagnostics**, while more information on macroprudential policy is available [here](#).

b) Other macroprudential activities

In December 2024, the CNB adjusted its calculation of the riskiness of loans secured by real estate.

At the beginning of 2025 the amended Capital Requirements Regulation (CRR3) entered into force; this, among other things, significantly changes the treatment of exposures secured by real estate within the framework of the standardised approach for the calculation of the capital requirement for credit risk. Hence, in December 2024, the CNB adjusted its calculation of the riskiness of loans secured by real estate.

In 2024, the CNB also took action at the recommendation of the European Systemic Risk Board (ESRB) on the reciprocation of macroprudential policy measures adopted by other EU member states. However, since the exposures of domestic credit institutions to the countries that implemented such measures have remained very low, the CNB still does not apply any of the national measures recommended for reciprocation.

COOPERATION IN THE FIELD OF MACROPRUDENTIAL POLICY

The CNB participates in the work of the **Financial Stability Council** together with the representatives of HANFA, the Ministry of Finance of the Republic of Croatia and the Croatian Deposit Insurance Agency, aimed at cooperation and exchange of information between member institutions. In 2024, **two sessions** were held by the Council, chaired by the Governor of the CNB, primarily covering discussion topics such as risks related to the increase in residential property prices and the pick-up in general-purpose cash loans as well as risks associated with developments in the international environment, particularly those related to a possible escalation of geopolitical tensions and growing trade protectionism.

The European Central Bank deemed the CNB's macroprudential measures adequate.

CNB representatives also took part in the work of the ESCB committees and working groups, which was, in 2024, directed at the analysis of systemic risks in the European Economic Area and the participation in the review of the macroprudential policy framework of the European Union. The review is led by the European Commission in line with the Capital Requirements Regulation with a view to assessing the effectiveness, efficiency and transparency of the macroprudential framework and considering the proposals for its improvement. The CNB formulated and implemented capital-based macroprudential measures in cooperation and coordination with the ECB, which deemed the CNB's measures adequate. In addition, CNB representatives joined the work of the Financial Stability Committee consisting of the countries participating in the Single Supervisory Mechanism and the European System of Central Banks and its standing working groups, in which financial stability risks and macroprudential policy measures and instruments considered or implemented by the member states are discussed.

3

Financial assets management

In managing financial assets, the Croatian National Bank aims to support monetary policy, financial stability and confidence in the financial system and is primarily governed by the principles of liquidity and safety of investment.

FINANCIAL ASSETS IN 2024

As at 31 December 2024, financial assets totalled EUR 24,682.1m, comprising assets denominated in euro and assets denominated in US dollars and other currencies.

As at 31 December 2024, financial assets totalled EUR 24,682.1m, comprising assets denominated in euro worth EUR 21,729.1m (88.0%) and assets denominated in US dollars and other currencies amounting to EUR 2,953.0m (12.0%).

Financial assets rose by EUR 791.4m or 3.3% in 2024, primarily owing to generated earnings and unrealised exchange rate differences due to the strengthening of the US dollar.

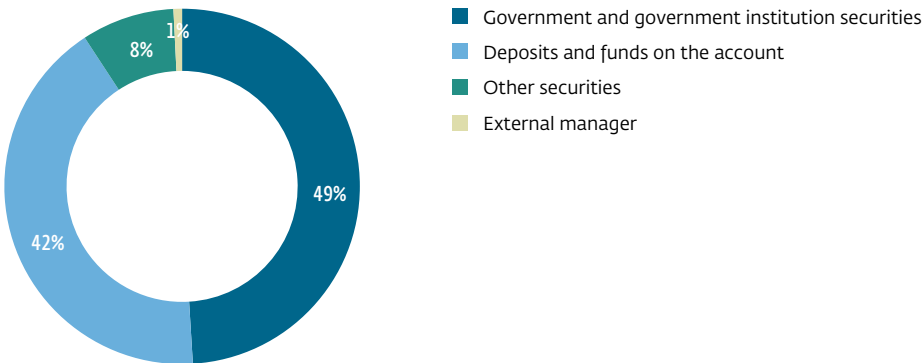
The management of financial assets took place amid highly volatile conditions on financial markets, and the investment decisions taken were aimed at increasing the expected rates of return over the medium term, taking into account the Eurosystem’s overall financial asset management framework.

FINANCIAL ASSETS INVESTMENT STRUCTURE

At the end of 2024, the largest share in the structure of financial assets investment was accounted for by investments in government and government institution securities, followed by investments in deposits and funds in the account and other securities (Figure 3.1). A portion of financial assets was also made up of sustainable ESG (environmental, social, governance) investment, including investment in green bonds, social bonds and sustainability bonds. The share of ESG investments in total financial assets stood at 7.4% at the end of 2024.¹

CNB financial assets are invested in instruments with an investment grade rating, with investments in individual financial institutions and countries or in individual financial instruments being limited, which diversifies credit risk. At the end of 2024, about 69% of financial assets was invested in the safest investments – instru-

FIGURE 3.1 Investments in the safest instruments accounted for the largest share in the structure of financial assets investment shares in percentage, at the end of 2024



Note: The shares of instruments in the structure are rounded to the nearest whole number.
Source: CNB.

1 The Climate report contains a climate-related disclosure regarding CNB financial assets.

ments by issuers within the two highest credit rating categories, BIS instruments or funds in the account.

FINANCIAL MARKETS AND FINANCIAL ASSETS MANAGEMENT RESULTS IN 2024

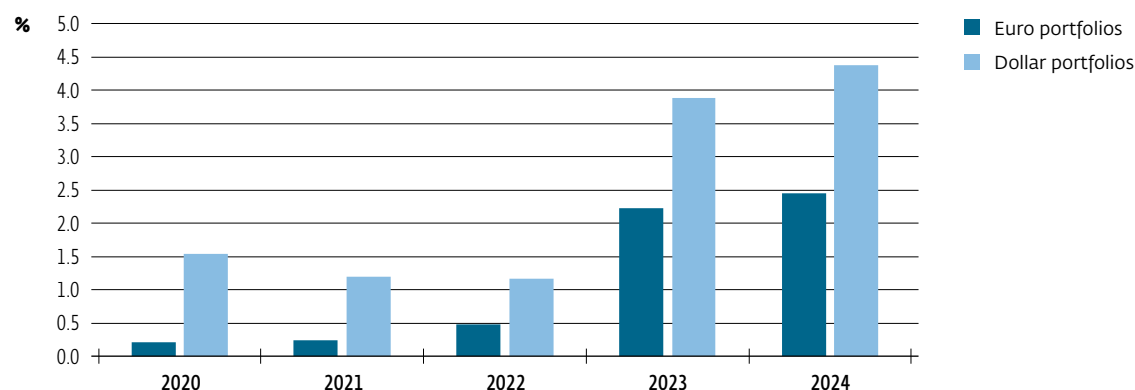
Financial markets in 2024 were impacted by the lowering of the key interest rates of leading central banks, which put an end to a two-year round of sharp increases aimed at containing high inflation. Against the backdrop of shifts in monetary policy, markets recorded high volatility as investors' expectations and their understanding of the circumstances determining the dynamics of interest rate lowering changed. The turmoil was enhanced by geopolitical events, particularly continued wars, national political changes, protectionist measures and announcements of their escalation. A decrease in yields was recorded for government bonds, solely on the shorter end of the curve, which was in line with the changes in key interest rates, while yields increased for longer maturities in 2024. The past year also saw the strengthening of the US dollar exchange rate and a noticeable increase in the price of gold. The unstable environment did not have negative consequences for the equity market, which performed exceptionally well.

Income generated from the management of financial assets, even amid great financial market volatility, totalled EUR 639.0m in 2024. In that period, the rate of return on the entire euro portfolio of financial assets was 2.45%, while the rate of return on the US dollar portfolio totalled 4.38% (Figure 3.2).

Income generated from the management of financial assets, even amid great financial market volatility, totalled EUR 639.0m in 2024.

FIGURE 3.2 Financial asset portfolios had adequate rates of return

year-on-year rates of return, in percentage



Source: CNB.

1 Moneterra – Money Museum of the Croatian National Bank

Moneterra – the Money Museum of the Croatian National Bank at Europski trg in Zagreb opened its door to the public on 18 June 2024. Its establishment marked an important milestone in the CNB's efforts to educate and inform members of the public of all ages about money, banking and monetary policy. By opening Moneterra to the public, the Croatian National Bank joined numerous central banks which, through money museums or visitor centres, strive to familiarise the wider public with topics related to money, the economy and personal finance and thus improve financial literacy.

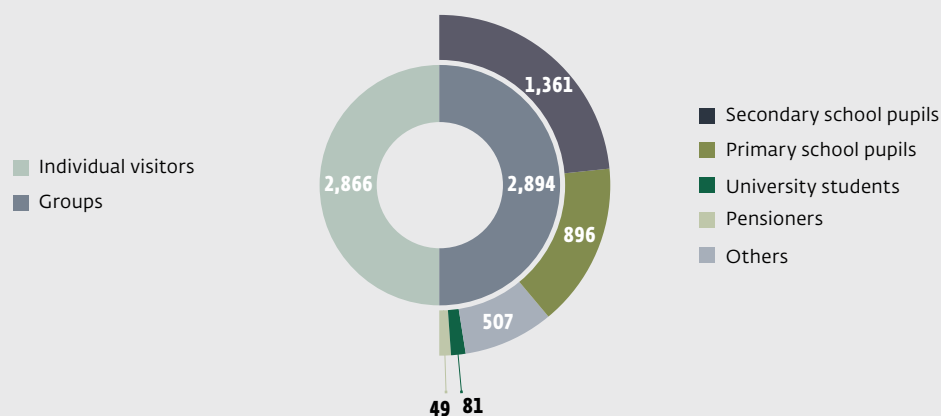
“Moneterra is not a museum in the standard meaning of the word; rather, it is a place primarily intended to provide simple, up-to-date and stimulating information and lessons about the history of money, banking and the main tasks of central banks. In designing Moneterra, we aimed to present these topics from the perspective of our citizens and to provide the explanations that are relevant and useful to them”, said the CNB Governor Boris Vujčić at the Moneterra opening ceremony.

The museum was set up within a record period of six months, which included the production of the entire content and all elements of the display as well as construction works and area reconstruction. In addition to those from the CNB, over 200 experts in the area of architecture, design, audiovisual communication, engineering, programming, economics, museology, behavioural economics and ICT worked on the project.

The visual identity of Moneterra is unique and different from the CNB's standard visual identity. It permeates the architecture of the museum area as well as the museum's permanent display and digital communication, boosting Moneterra's

Moneterra is not a museum in the standard meaning of the word; rather, it is a place intended to provide simple, up-to-date and stimulating information and lessons about the history of money, banking and the main tasks of central banks.

FIGURE 1 Visitors to Moneterra up to 31 December 2024



Note: From its opening in June to the end of 2024, Moneterra was visited by a total of 5,760 visitors.
Source: CNB.

recognisability and visibility. The open safe in Moneterra's logo visually symbolises the motto "Unlock knowledge about money" and sends a clear message shaping visitors' expectations from their visit to Moneterra.

In the first six months of work, Moneterra was visited by 5,760 visitors.

By 31 December 2024, i.e. within the first six months of work, Moneterra was visited by 5,760 visitors who unlocked knowledge about money thanks to the museum's interactive display, exhibits and video content which stimulate learning through fun and play. A total of 155 groups of various ages, from elementary school children to senior citizens, visited Moneterra and got acquainted with the museum's display under the guidance of Moneterra's expert staff. Most group visits were by secondary school children, and vulnerable groups made up a fair share among the visitors as well. Around half of the visitors were individual visitors, which clearly demonstrates that citizens have a keen interest in the topics of money and finance.

In the course of 2024, Moneterra organised a series of activities to better familiarise citizens with financial topics and expand their knowledge of money. On 9 November 2024, the **Open Door Day** of Moneterra – the Money Museum of the Croatian National Bank was organised, which attracted more than 500 members of the public. The programme consisted of a variety of activities, including a quiz for citizens moderated by Joško Lokas and Toni Milun, museum tours guided by experts and activities for children. Visitors left Moneterra with positive reactions and new insights about money.

The Moneterra exhibition "**The Journey of Money – from Printing Plate to Recycling**", located at Europski trg in Zagreb from 6 to 20 November 2024, provided an opportunity for citizens to see inside the complex world of cash design, production, use and recycling and learn more about the life cycle of banknotes and coins.

Special attention was devoted to the development of educational programmes for children with the aim of helping them to adopt habits and learn skills necessary for clever money management as well as to understand the role of money in daily life. Activities included "Školica novca" ("The Little School of Money") and "Subotnje jutro u Zemlji novca" ("Saturday Morning in the Land of Money") where pre-schoolers and elementary school children learned basic economic terms through fun and creative workshops and games.

Moneterra is also active in social media where educational content and announcements of upcoming activities and events are regularly posted. Using various dynamic formats, such as video content and infographics, complex financial topics are presented in a simple and attractive manner.

4

Supervision

The focus of supervisory activities was on monitoring supervisory priorities aimed at boosting the banks' resilience to macroeconomic and geopolitical shocks, assessing the banks' readiness for challenges linked to digitalisation and providing stimulus to further activities designed to manage the risk of climate change.

The banking system recorded high profitability, stable liquidity and high levels of capital, with key performance indicators mainly above the European average.

PRUDENTIAL REGULATION

To harmonise with and implement EU regulations on crypto-assets and digital operational resilience, six laws were adopted in 2024, of which three affect the operations of credit institutions.

To harmonise with and implement EU regulations on crypto-assets¹ and digital operational resilience, six laws were adopted in 2024, of which three, including the Act on Amendments to the Credit Institutions Act, affect the operations of credit institutions. A new legislative framework in the area of accounting and cybersecurity also entered into force. Furthermore, the Act on the compulsory winding-up of credit institutions was amended².

Ten subordinate regulations were amended in the area of prudential regulation to achieve harmonisation with EU regulations in the area of crypto-assets and digital operational resilience.

Alignment with the supervisory procedures of the European Central Bank for credit institutions and participation in working groups and activities of the European Commission and the EU Council continued. Representatives of the CNB at the European Banking Authority (EBA) participated in working group meetings on the preparation of reports, guidelines and draft technical standards within the EBA's purview.

The CNB is committed to achieving harmonisation with good practices in the operations of credit institutions through the implementation of EBA Guidelines.

The CNB is also committed to achieving harmonisation with good practices in the operations of credit institutions through the implementation of EBA Guidelines in the regulatory framework or through circular letters addressed to supervised entities specifying expectations regarding the manner in which they should operate. Therefore, in line with EBA Guidelines, the CNB communicated to credit institutions its supervisory expectations related to securitisation³, and, in line with the provisions of the Act Implementing Regulation (EU) 2023/1114 (Markets in Crypto-Assets Regulation), by publishing [links to the text of EBA Guidelines](#) issued under the Regulation, it communicated its supervisory expectations regarding the manner of harmonisation with the Guidelines.

Four horizontal analyses⁴ were carried out in 2024:

- analysis of discretionary exemptions when calculating large exposures – performed to review the CNB's approach to large exposures so far, taken when Regulation (EU) 575/2013 entered into force and taking into consideration the

¹ A crypto-asset is a digital representation of value or a right that can be transferred or stored electronically using distributed ledger technology or similar technology.

² For more details on the regulations governing supervision, see [here](#).

³ "Securitisation" means a transaction or scheme whereby credit risk related to an exposure or a pool of exposures is tranching, having all of the following characteristics:

- (a) payments in the transaction or scheme are dependent upon the performance of the exposure or pool of exposures;
- (b) the subordination of tranches determines the distribution of losses during the ongoing life of the transaction or scheme;
- (c) the transaction or scheme does not create exposures that possess all of the characteristics laid down in Article 147, paragraph (8) of Regulation (EU) No 575/2013.

⁴ Horizontal analyses are examinations of operating procedures of credit institutions or of the manner in which regulations are applied. They are important for achieving a uniform treatment of supervised entities by supervisory authorities or for the analysis of the regulatory impact assessment.

changed circumstances following the accession to the monetary union and entry into the SSM¹;

- analysis of the impact of the application of the CRR III² regulatory framework, which enters into force in 2025. The analysis covers the impact of application of new regulatory rules in the part pertaining to the calculation of capital requirements for credit, market and operational risk for all credit institutions in the system;
- analysis of recovery plans of less significant credit institutions in the 2023 submission cycle – assessment of completeness and quality of submitted data, horizontal analysis, assessment of overall recovery capacity in the pilot year of data submission and overview of future supervisory expectations in the area of recovery planning;
- analysis of credit institution reports on exposure to shadow banking³ entities as at 31 December 2023. Shadow banking is defined as the system of credit intermediation that involves entities and activities that are outside the regular banking system (European Commission, 2012). In other words, this involves the credit intermediation of unregulated or less regulated financial institutions which, in the event of difficulties, do not have the options available to banks, such as reliance on the central bank as the lender of last resort or government guarantee for deposits up to a specific amount. The analysis was performed to determine the manner in which credit institutions identify and report on shadow banking entities in the light of proposed changes to the definition of shadow banking.

As part of the EBA's working group, the CNB also participates in the mandatory Basel III⁴ monitoring exercise, which is carried out in cooperation with the Bank for International Settlements (BIS) for the purpose of supervising the application of the Basel III framework to banks and fulfilling the EBA's mandate defined by CRR III.

The CNB also participated in the process of defining the regulatory positions of the Republic of Croatia regarding the changes to the regulatory framework for the operations of credit institutions.

In 2024, five inspections were carried out in significant credit institutions in cooperation with the SSM.

PRUDENTIAL RISK MODELLING

One of the aspects of supervision of credit institutions is the conduct of on-site inspection related to internal models, which includes a detailed assessment of internal models used for the calculation of capital requirements, with particular emphasis on methodology, economic adequacy and credit risk management. In 2024, five such inspections were carried out in significant credit institutions in co-

¹ Single Supervisory Mechanism

² Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor

³ More information is available [here](#).

⁴ Basel III is an international regulatory framework that aims to strengthen the regulation, supervision and risk management of the banking sector.

operation with the SSM.

Thematic stress testing was also performed in the area of interest rate risk, or, more specifically, in the area of net interest income of all less-significant credit institutions in Croatia. The results of the supervisory stress test on interest rate risk show that less-significant credit institutions are resilient to possible decreases in market interest rates that adversely affect their total net interest income. In such a scenario, projections over a three-year exercise horizon result in an aggregate decrease in net interest income of 1.6% of RWA (risk-weighted assets), with no less-significant credit institution reporting a negative net interest income result in such a scenario. The thematic stress test shows that less significant credit institutions currently have an adequate level of net interest income resilience that allows shocks to be absorbed in a scenario of a decrease in market interest rates.

PRUDENTIAL SUPERVISORY TEAMS

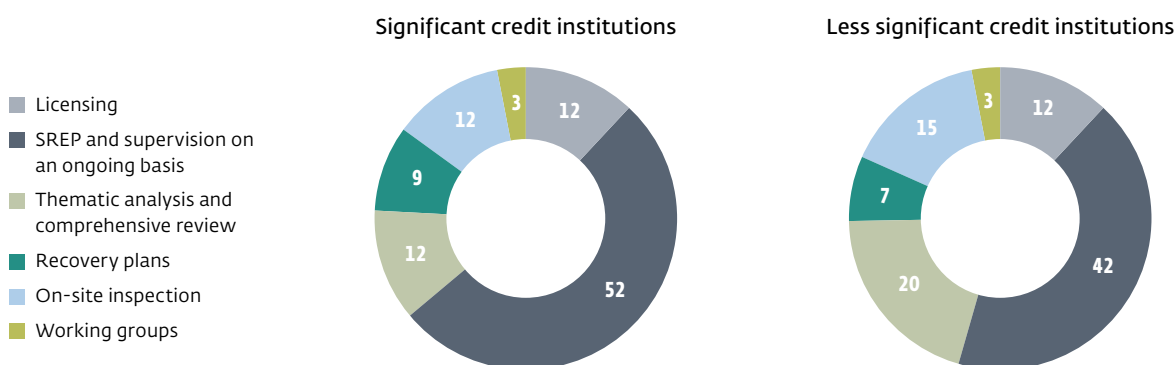
In 2024, activities in the area of prudential supervision were focused on directing credit institutions towards boosting their resilience to macrofinancial and geopolitical shocks, assessing their readiness for challenges linked to digitalisation and providing stimulus for the better management of climate risk.

In 2024, 93 supervisory measures and recommendations were initiated for credit institutions.

Based on the regular monitoring of key business indicators, the Supervisory Review and Evaluation Process, the assessment of recovery plans and in-depth and thematic analyses and on-site inspections, 93 supervisory measures and recommendations were initiated in 2024 for credit institutions with the aim of eliminating identified deficiencies and, in some cases, illegalities in business operations. All credit institutions were covered by at least one of the six standard supervisory activities in 2024 (Figure 4.1).

The ongoing monitoring of credit institutions and the regular annual risk assessment were performed for all 20 credit institutions. As before, results of the implementation of previous supervisory recommendations and the results of in-depth and thematic analyses were included. In addition to obtaining information

FIGURE 4.1 Prudential supervision activities in 2024 by credit institution significance



Note: SREP is the acronym for Supervisory Review and Evaluation Process.
Source: CNB.

on trends at the level of the banking system as a whole, these results were used to lay down supervisory requirements for the improvement of credit institutions where deviations were identified. Analyses did not point to significant concerns regarding the current operations of credit institutions, the level of capital requirements remained stable, and all credit institutions were capable of maintaining capital levels in excess of the requirements that have been laid down.

Credit risk management was also monitored, as was the determining of creditworthiness in the context of complying with the subsistence minimum and consumer lending criteria in relation to general-purpose cash loans. All less-significant credit institutions were subject to the assessment of their compliance with recommendations related to climate risk. Compliance with recommendations points to a developed awareness of the importance of climate risks, their inclusion in risk management systems and the gradual development of products directed at sustainable financing. In cooperation with the ECB, and in coordination at the level of the entire Single Supervisory Mechanism, the CNB collected analytical data on the sources of funds and liquidity indicators from credit institutions with the aim of conducting a preliminary assessment of a possible impact of digital euro introduction and obtaining comprehensive data that will be used by the ECB to lay down the methodology for calibrating holding limits.

The CNB also participated in a joint on-site inspection of two significant credit institutions in cooperation with the ECB and carried out its own inspection of target segments of risk and governance quality for three less-significant credit institutions.

In 2024, a total of 51 requests for licensing were received, of which 84% were related to the licensing of candidates for membership of management boards and supervisory boards.

Bankruptcy proceedings were initiated for a credit union (which had already been subject to a wind-down procedure) in 2024, while compliance with the legal restrictions laid down to ensure the stability of credit unions' operations was regularly monitored for the remaining 16 active credit unions based on the submitted data. Furthermore, detailed prudential analyses of the credit risk management system were carried out for three credit unions within the framework of the licensing of candidates for management boards.

SPECIALIST SUPERVISION OF PREVENTION OF MONEY LAUNDERING AND TERRORIST FINANCING

The CNB checks whether the entities under its supervision implement measures under the Act on the Prevention of Money Laundering and Terrorist Financing¹, with the aim of preventing the use of the financial system for money laundering and terrorist financing (MLTF). In addition, the CNB supervises whether the super-

Credit risk management was monitored, as was the determining of creditworthiness in the context of complying with the subsistence minimum and consumer lending criteria in relation to general-purpose cash loans.

¹ The acronym PMLTF is used for the prevention of money laundering and terrorist financing.

vised entities apply restrictive measures related to financial sanctions. Restrictive measures are instruments of a diplomatic or economic nature that seek to change activities or policies such as violations of international law or human rights, or policies that do not respect the rule of law or democratic principles.

The CNB's supervisory activities were directed at ensuring there is an efficient and effective MLTF prevention system in place both at sector and at individual entity level. All supervised entities, i.e. all credit institutions, credit unions, electronic money institutions and payment institutions were subject to MLTF risk profile assessment. MLTF risks were also analysed in the framework of licensing processes.

Six inspections were carried out in 2024 with special attention being paid to risks associated with criminal offences that represent a considerable threat of MLTF. Having established illegalities and irregularities, the CNB initiated eighteen supervisory measures.

Six inspections were carried out in 2024 with special attention being paid to risks associated with criminal offences that represent a considerable threat of MLTF.

In addition, systems and controls implemented by the supervised entities under the Act on restrictive measures were assessed in relation to the application of measures aimed at freezing the assets of entities included in sanctions lists. As in 2023, sanctions against Russia and Belarus imposed by the European Union also significantly affected supervisory activities in 2024 due to the multifold increase in the volume of restrictive measures implemented under the sanctions.

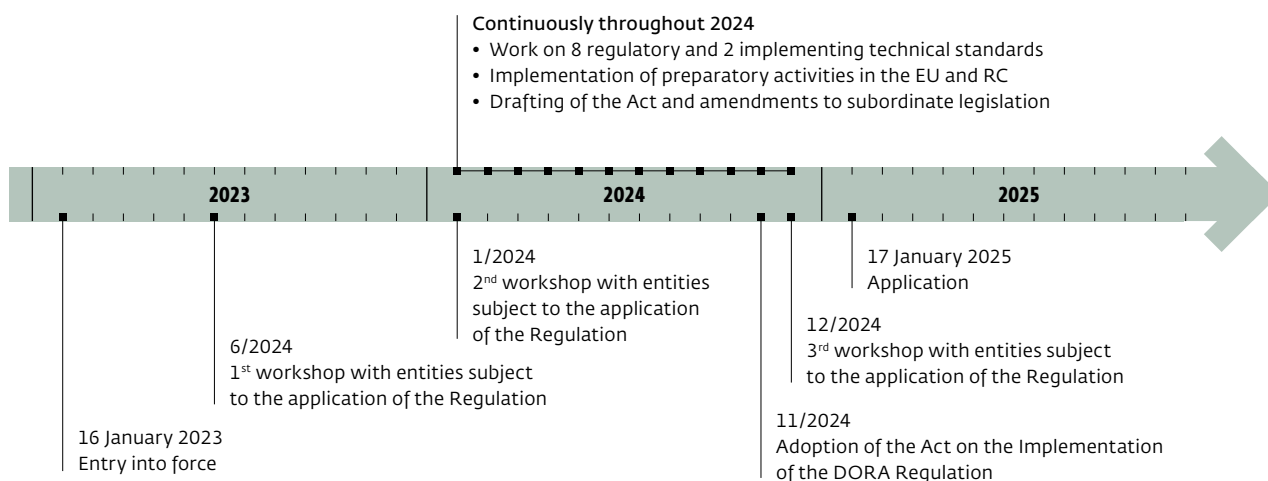
In 2024, the CNB undertook activities to further promote the understanding of the MLTF risks within the supervised sectors. Thematic training covering all supervised entities and regular and thematic interviews with multiple entities were organised. Guidelines related to the application of the provisions of the Act on the Prevention of Money Laundering and Terrorist Financing and the application of restrictive measures were issued.

Cooperation with other national and international authorities, as well as participation in various forums and working groups for the coordination of activities of preventing MLTF, continued. In 2024, the CNB actively participated in the work of nine colleges for the prevention of MLTF in financial institutions active on a cross-border basis. The work of the standing group for the monitoring of the implementation of restrictive measures, established by the Government of the Republic of Croatia (<https://mvep.gov.hr/foreign-policy/restrictive-measures/271988>), which also includes CNB representatives, intensified in 2024.

SPECIALIST SUPERVISION OF ICT RISKS

The focus of ICT¹ supervision in 2024 was placed on the digital operational resilience of supervised institutions, and its key task was to lay the foundation for the full application of the [Regulation \(EU\) 2022/2554 on digital operational resilience for the financial sector](#) (Digital Operational Resilience Act, DORA) as of January 2025. The

¹ Information and communication technology

FIGURE 4.2 Key activities preparing for the application of DORA

Source: CNB.

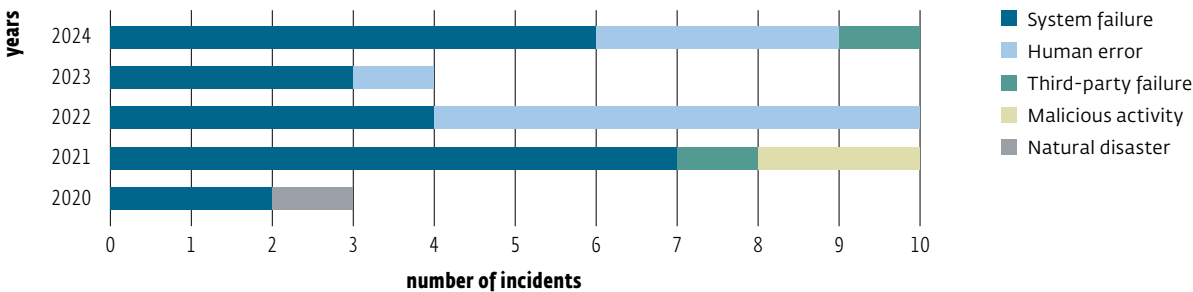
regulation lays down requirements for the management of ICT risks, reporting on ICT-related incidents, management of risks related to ICT service providers and digital operational resilience testing.

An assessment of ICT risk was performed as part of the SREP process in all 19 banks in 2024. The process focused on the assessment of the suitability of cybersecurity management and the adequacy of ICT strategies. On-site inspections related to ICT risk management were performed in two credit institutions, focusing on cybersecurity and business continuity management as key sub-areas of digital operational resilience. ICT supervisors participated in the work of the Single Supervisory Mechanism, including the cyber resilience stress test conducted by the ECB, and in the work of several European and Croatian working groups and committees on ICT risks, ICT-related incidents and crises.

Although the significance of ICT for the performance of financial institutions and the need to improve digital operational resilience to respond to new threats are continuously growing, in the past year, credit institutions did not report any significant interruptions in the provision of key services or incidents jeopardising the security of their ICT systems. Incidents recorded in 2024 were operational and did not involve serious consequences for the business operations of affected institutions, with their causes being system failure, human error or third-party failure. Statistics covering data on reported ICT incidents over the past five years show a relatively small and broadly stable number of incidents, which were almost exclusively operational, proving that the current regulatory and supervisory framework is effective and that institutions are well prepared for cyber threats.

In the past year, credit institutions did not report any significant interruptions in the provision of key services or incidents jeopardising the security of their ICT systems.

FIGURE 4.3 Reported ICT incidents between 2020 and 2024



Source: CNB.

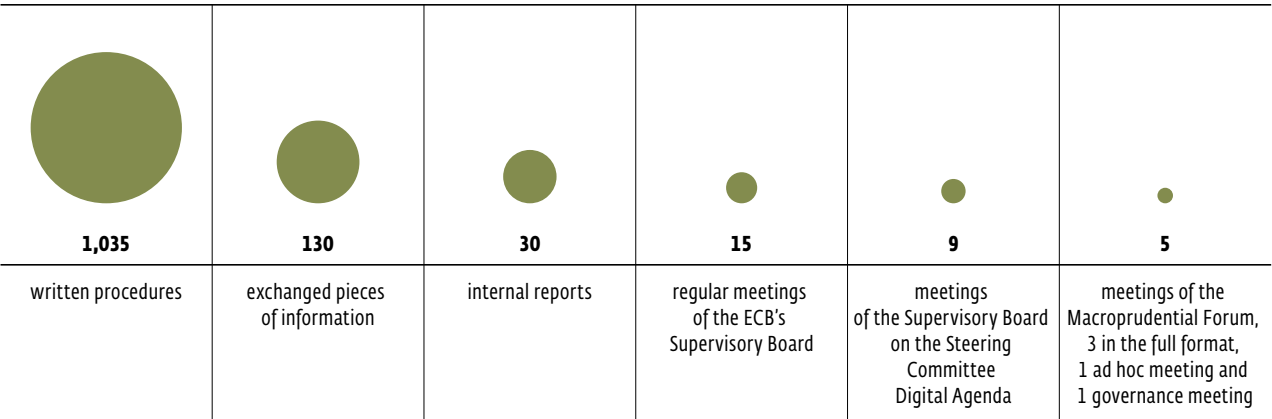
PRUDENTIAL COORDINATION

In 2024, 15 meetings of the ECB’s Supervisory Board were held, at which 104 individual topics were discussed, with the bulk of the discussions focusing on the SREP reform. The SREP is one of the most important activities of the ECB’s banking supervision, and the need for its reform arose amid an increasingly complex operational environment and the continuously expanding responsibilities of supervisors, which now cover new areas and risks (DORA, MiCA, cybersecurity). It was therefore necessary to simplify and improve the SREP to ensure that the supervision remains efficient with limited resources.

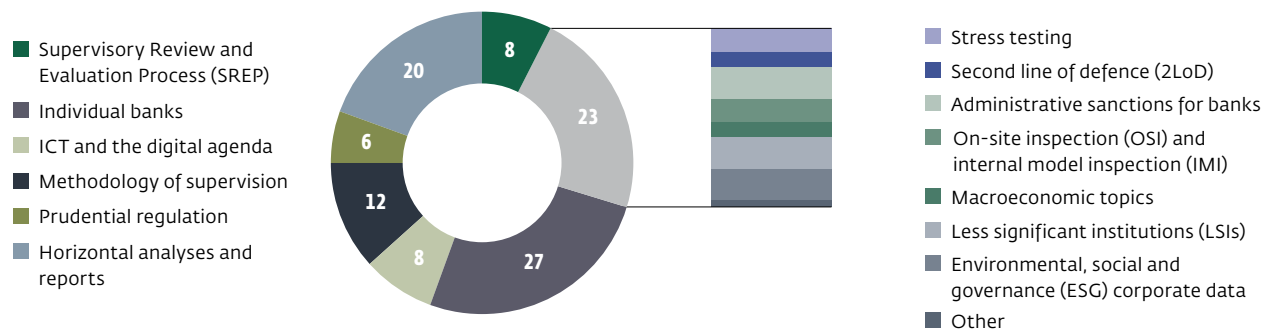
The CNB continued to participate in the Macroprudential Forum that brings together microprudential and macroprudential perspectives and in the work of the Governing Council which sets the tone for and provides guidelines in the work of the ECB Supervisory Board.

As part of the network of coordinators of the Single Supervisory Mechanism, numerous bilateral meetings were held to discuss current topics relevant for

FIGURE 4.4 The tasks of the secretariat for the ECB’s Supervisory Board performed by the CNB



Source: CNB.

FIGURE 4.5 Topics of the ECB's Supervisory Board meetings

Notes: A total of 104 topics were discussed at 15 meetings in 2024. 2LoD – second line of defence; OSI – on-site inspection; IMI – internal model inspection; LSI – less significant institutions; ESG – environmental, social and governance.
Source: CNB.

supervision, such as prudential coordination, supervisory cooperation and the decision-making process.

The first joint visit by the Chair of the Supervisory Board of the ECB and the Chair of the Single Resolution Board to the CNB was held, during which current topics from the areas of supervision and resolution were discussed and meetings with representatives of the banking industry and, for the first time, with civil society representatives were held to discuss broader issues related to the economic and social climate in Croatia.

As part of the “2024 SSM Integration Year” programme marking the tenth anniversary of the Single Supervisory Mechanism, educational study visits were organised for the supervisors of other member states and the ECB. Study visits covered three areas: IT supervision, LSI (less-significant institution) supervision and prudential regulation, reporting and crisis management. A total of 34 supervisors from the ECB and various national competent authorities took part in the study visits, held at CNB premises.

A seminar on the supervision of banks in crisis (“Dealing with Problem Banks”) was organised in cooperation with the Federal Reserve Board. A total of 33 supervisors participated in the seminar and exchanged useful information and know-how with their colleagues from the USA, thus gaining insight in the Fed’s approach to crisis management.

The first joint visit by the Chair of the Supervisory Board of the ECB and the Chair of the Single Resolution Board to the CNB was held.

2

Supervision of entities in the sale of non-performing loans

The Office for the Supervision of Entities in Non-Performing Loan Sales began work on 1 January 2024, simultaneously with the entry into force of the Act on the manner, conditions and procedure for the servicing and sale of claims, by which the Croatian National Bank became competent for licensing credit servicers and exercising supervision over credit purchasers, credit servicers and credit service providers.

THE CNB REACTED TO 110 BORROWER COMPLAINTS AND A CIRCULAR LETTER WAS SENT TO ALL CREDIT SERVICERS

The Act on the manner, conditions and procedure for the servicing and sale of claims (OG 155/2023; hereinafter: the Act), which transposes into Croatian legislation Directive (EU) 2021/2167 of the European Parliament and of the Council of 24 November 2021 on credit servicers and credit purchasers and amending Directives 2008/48/EC and 2014/17/EU, entered into force on 30 December 2023; in early 2024, five subordinate regulations were adopted¹ as well. The Act regulates the treatment of consumers or borrowers by purchasers of claims, credit servicers and servicers of other claims before and after the sale of credit and other claims and the supervision of agencies specialising in the collection of claims by applying the principles of equality, fair and professional conduct and the prohibition of unfair business practices and inappropriate communication with the borrower.

The main activities of the Office for the Supervision of Entities in Non-Performing Loan Sales in 2024 were the processing of applications for authorisation and the authorising of credit servicers, the establishment and maintenance of a national register of credit servicers and the handling of complaints lodged with the CNB by borrowers.

In 2024, nine applications for authorisation as credit servicer were received, of which eight met all the legal requirements for the issue of authorisation and were entered into the **Register of authorised credit servicers**.

A legal person that, on the day of entry into force of the Act, performed credit servicing activities or, as a creditor, provided credit servicing under a non-performing loan agreement concluded with a consumer, was able to do so until the expiry of six months from the day of entry into force of the Act, i.e. until 30 June 2024. Legal persons that intended to perform activities specified above after the transitional period were required to submit an application for authorisation within 60 days of entry into force of this Act. Of the existing credit servicers, the application was sub-

¹ Decision on conducting oversight and imposing supervisory measures related to credit servicing activities, Decision on the authorisation of credit servicers, Decision on the content and manner of notifying the Croatian National Bank in the case of sale of a non-performing loan, Decision on the content of procedures for handling borrower protests, Decision on the register of authorised credit servicers and the manner of communicating notifications of cross-border activities.

mitted by eight companies, of which seven were granted authorisation to perform the aforementioned activities. The application was refused for one company as it failed to meet the conditions prescribed by law. In December, one company being established also obtained authorisation.

Upon the expiry of the transitional period for harmonisation with the Act, the CNB conducted two on-site inspections of authorised credit servicers and issued one report on irregularities identified.

In 2024, the Office received 110 complaints.

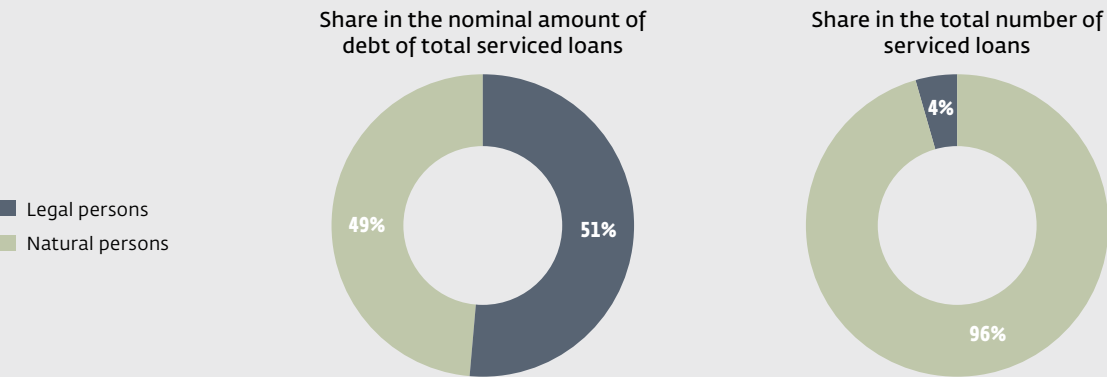
The Act enables borrowers to lodge a complaint with the CNB to complain about their treatment by credit purchasers, credit servicers and credit service providers. Over the course of 2024, the Office received 110 complaints which were mainly related to the unsatisfactory provision of information about the balance and structure of debt, the collection and enforcement procedure, harassment, i.e. inadequate manner of communication with the borrower and the borrower’s employer, failure to understand the assignment of claims of credit institutions to a new creditor, etc., while some queries only requested an explanation of the application of the Act.

Since most complaints resulted from the inadequate provision of information about the balance and structure of the borrowers’ debt, the CNB sent a circular letter to service providers, providing guidelines on good practice and expectations in their relationship with borrowers. The purpose of the circular letter was to increase transparency and clarity in the communication between borrowers and credit servicers.

DATA ON SERVICE PROVIDERS AND LOANS SERVICED IN 2024

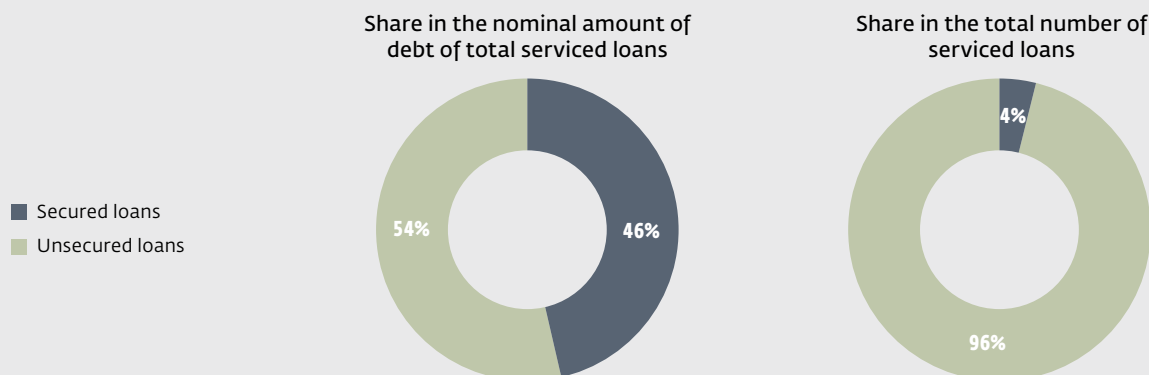
With the aim of collecting statistical data on the servicing of non-performing loans, the CNB sent a circular letter based on which data are collected on total nominal amounts of non-performing loans, their number and distribution according to the applicable criterion (loans of natural or of legal persons) and their classification into secured and unsecured loans.

FIGURE 1 Share of loans of natural and legal persons in the nominal amount of debt and the number of serviced loans



Source: CNB.

FIGURE 2 Share of secured and unsecured loans in the nominal amount of debt and the number of serviced loans



Note: Values are rounded to the nearest whole number.
Source: CNB.

In 2024, credit institutions sold 16,708 non-performing loans with a total value of EUR 85.3m, while the debt being serviced amounted to EUR 3.4bn and was related to 225,226 loans at the end of 2024. Of that amount, companies serviced loans in the amount of EUR 1.2bn or 36% of the amount on their behalf, which accounts for 134,742 loans or 60% of loans, while the rest is being serviced on behalf of other credit purchasers with whom a servicing agreement was concluded.

In the total nominal amount of debt of all serviced loans, shares held by legal and natural persons were similar, while in the total number of serviced loans, natural persons account for a significant share of 95.8% of serviced loans (Figure 1).

Furthermore, the amount of unsecured loans is slightly higher than the amount of secured loans, while the number of unsecured loans is significantly higher than the number of secured loans (Figure 2).

5

Resolution

The participation of the Croatian National Bank in the Single Resolution Mechanism in 2024 was marked by work on the improvement of resolvability in practice and on the drafting of documents that have been made public to make updated information on the manner in which the CNB exercises its resolution powers available to stakeholders and the interested public at all times. Regulatory activities were marked by two amendments to the Act on the Resolution of Credit Institutions and Investment Firms, which were adopted to further harmonise the legislation of the Republic of Croatia with the *acquis* and to additionally protect retail investors investing in MREL instruments.

OPERATING WITHIN THE SINGLE RESOLUTION MECHANISM

In 2023, the period in which the primary objective of banks and resolution authorities was to ensure resolvability ended with the meeting of all requirements included in the expectations of the Single Resolution Board (SRB), as outlined in *Expectations for banks*, published in 2020. Owing to significant efforts put in by banks in order to meet the requirements across all seven resolvability dimensions¹, primarily by building up sufficient loss-absorbing and recapitalisation capacity, Croatian banks achieved a satisfactory level of resolvability. Prerequisites have thus been met to shift the focus of activity of resolution authorities from meeting the requirements for resolvability on paper to the operationalisation of resolvability in practice.

Croatian banks achieved a satisfactory level of resolvability.

A significant step towards success in resolvability is the achievement of transparency of processes and procedures for all participants involved. To that end, the Single Resolution Board published a document² explaining procedures implemented by the Single Resolution Board and national resolution authorities to ensure that losses that led to bank failure are primarily borne by the bank's shareholders and creditors and that after that, the new equity necessary for the bank to continue to operate on the market is created from the funds of existing creditors (the process is called the resolution authority's power to write down and convert relevant capital instruments and eligible liabilities and apply the bail-in tool). The publication of the Single Resolution Board is supplemented by publications of all national resolution authorities of the banking union, CNB included. The CNB released the first version of its operational procedures entitled "**Operationalisation of the write-down and conversion and the bail-in tool**" in early 2024 and plans to continuously update and improve the document. Simultaneously with the drafting and release of operational procedures, the CNB, in cooperation with a series of institutions, is working on the National Manual for the Implementation of Resolution, which contains the description of all procedures to be undertaken by stakeholders before and during the application of all four resolution tools in credit institutions operating in Croatia.

LOSS-ABSORBING AND RECAPITALISATION CAPACITY

One of the prerequisites for successful resolvability is a sufficient loss absorption and recapitalisation capacity, which enables an institution facing difficulty to cover incurred losses by own funds, but also to regain the level of capital necessary to continue to operate and ensure market trust. The transitional period for meeting the final minimum requirement for own funds and eligible liabilities (MREL requirement) ended on 1 January 2024. After that date, banks for which resolution or operational continuity is planned in their resolution plans in the event of their failure are required to fully comply with the MREL requirement on an

One of the prerequisites for successful resolvability is a sufficient loss absorption and recapitalisation capacity.

¹ Resolvability dimensions: 1) governance, 2) loss-absorbing and recapitalisation capacity, 3) liquidity and funding in resolution, 4) operational continuity in resolution and access to financial market infrastructure services, 5) information systems and data requirements, 6) communication and 7) separability and restructuring.

² "Bail-in: Part of the SRM's toolkit" of 29 July 2024.

As of 1 January 2024, banks are required to publicly disclose certain data related to the minimum requirement.

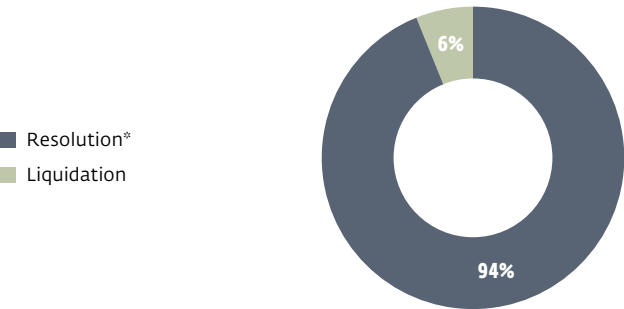
ongoing basis¹. The level of the MREL requirement is reviewed and revised on an annual basis. All Croatian banks subject to a defined MREL requirement have built up sufficient loss absorption and recapitalisation capacity within the planned time limit and are continuously maintaining it.

Furthermore, as of 1 January 2024 banks are required to publicly disclose certain data related to the minimum requirement. Specifically, on a semi-annual basis, they are required to disclose the amount of the MREL requirement and, on an annual basis, the structure of own funds and eligible liabilities used to meet the MREL requirement, including their maturity profile and sequence of settlement under normal insolvency proceedings.

AMENDMENTS TO THE LEGISLATIVE FRAMEWORK

In line with the obligation to harmonise the legislation of the Republic of Croatia with the *acquis* on an ongoing basis, at its session on 28 February 2024, the Croatian Parliament adopted the *Act on amendments to the Act on the Resolution of Credit Institutions and Investment Firms* (Official Gazette 27/2024) to harmonise the act with BRRD² amendments in line with the so-called “Daisy Chains Directive” and Regulation (EU) 2022/2556 on digital operational resilience (Digital Operational Resilience Act, DORA). In addition to achieving harmonisation with the aforementioned regulations, these amendments to the Act on the Resolution of Credit Institutions and Investment Firms also include an amendment aimed at the protection of retail investors investing in the MREL instruments of banks. The minimum nominal amount of MREL instruments that may be sold to retail investors in the area of the Republic of Croatia was thus increased to EUR 200,000.00.

FIGURE 5.1 Share of assets of credit institutions under liquidation in the total assets of credit institutions in Croatia as at 31 December 2024



Note: The term 'resolution' covers banks for which resolution plans do not provide for liquidation, regardless of whether they are independent institutions or group members.
Source: CNB.

1 In addition to the MREL requirement expressed in relation to the total risk exposure amount (TREA), banks are also required to maintain applicable capital buffers, while there is no such obligation in relation to the MREL requirement expressed relative to the total exposure measure (TEM).
2 Bank Recovery and Resolution Directive (acronym: BRRD)

To achieve harmonisation with BRRD amendments in accordance with Directive (EU) 2024/1174 of April 2024, the Croatian Parliament, at its session on 6 December 2024, adopted the **Act on amendments to the Act on the Resolution of Credit Institutions and Investment Firms** (Official Gazette 145/2024). The aim was to clearly define the term 'liquidation entity'¹ and lay down that the resolution authority is no longer required to define the MREL requirement for liquidation entities whose MREL requirement consists only of the amount necessary to absorb losses, as in such cases the MREL requirement does not exceed the bank's regular capital requirements.

¹ An entity for which the resolution plan provides, in the event of failure, that the entity is to be wound up under normal insolvency proceedings (for credit institutions in Croatia, this means compulsory winding-up) or an entity within a resolution group other than a resolution entity, in respect of which the group resolution plan does not provide for the exercise of write-down and conversion powers

6

Business operations of credit institutions

At the end of 2024, the banking system of Croatia was highly liquid, capitalised and profitable.

SYSTEM STRUCTURE

The downward trend in the number of credit institutions stopped in 2024. As was the case at the end of 2023, there were 20 credit institutions, or 19 banks and one housing savings bank, operating in the country at the end of 2024. In addition, there was one branch of an EU credit institution operating in the country, of BKS Bank AG, Main Branch Croatia, while more than 260 institutions from the EU and the European Economic Area had notified the CNB of their intentions regarding **the direct provision of mutually recognised services in the territory of the Republic of Croatia.**

The ownership structure of the banking system remained almost unchanged. Assets of 11 banks majority-owned by foreign shareholders constituted 87% of the total banking system assets. Assets of two banks in majority state ownership accounted for 9.7% of total assets, while assets of seven banks in majority domestic private ownership constituted the remaining 3.3% of total banking system assets.

PERFORMANCE INDICATORS OF CREDIT INSTITUTIONS

Total banking system assets increased by EUR 5.6bn in 2024 (7.1%) to a record total of EUR 84.2bn in 2024.

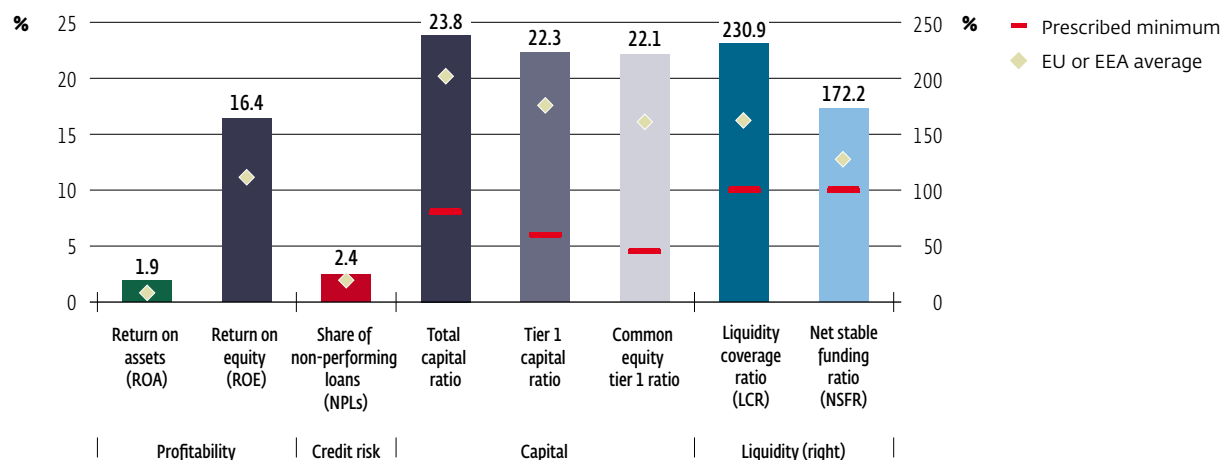
The increase in funding sources was achieved by deposit inflows and new issues of debt securities. Own funds of credit institutions increased as well. Received deposits increased across all sectors by a total of EUR 4.2bn (6.4%). The largest share of the increase was accounted for by household deposits, which rose the most on current accounts. Households also mainly accounted for the increase in deposits with agreed maturities, which may be attributed to the rise in interest rates on time deposits and, consequently, to increased motivation of clients to opt for fixed-term depositing. New issues of debt securities of credit institutions were mainly intended for meeting the minimum requirement for own funds and eligible liabilities (MREL)¹.

On the assets side, the largest increase was seen in loans (EUR 5.7bn or 12.7%) and investment in debt securities (EUR 1.8bn or 16.4%), which resulted in a decrease in the cash of credit institutions. The largest share of credit activity was directed at financial sectors and households. Household general-purpose cash loans increased noticeably again, while housing loans slowed down. The moderate rise in loans to non-financial corporations continued, while the decrease in loans to the domestic government was offset by larger investments in government bonds.

The aforementioned decline in cash was primarily brought about by the decrease in funds in settlement accounts with the CNB. However, owing to increased investment in other highly liquid forms of assets, such as government bonds mentioned above, the total effect on liquidity indicators was almost neutral. The liquidity coverage ratio (LCR) was therefore at a very high level, of 230.9%, much above the prescribed minimum of 100%. Structural liquidity measured by the Net Stable

Total banking system assets increased by EUR 5.6bn to a record total of EUR 84.2bn in 2024.

¹ For more information, see Chapter 5 Resolution.

FIGURE 6.1 Key banking system indicators, as at 31 December 2024

Note: Data on the average of banks in the European Union and the European Economic Area refer to the end of September 2024.
Sources: CNB and EBA.

Funding Ratio (NSFR) was also at a very high level, of 172.2%. The slight change in the value of that indicator suggests that the aforementioned increase in deposits facilitated the stable funding of lending activity.

Asset quality of credit institutions continued to improve.

The asset quality of credit institutions continued to improve. This is evident in the decrease in loans that exhibit a significant increase in credit risk, but are still not in default (stage 2¹ loans) and in the decrease in non-performing loans (NPLs). These developments, coupled with an increase in total loans, led to a drop in the share of stage 2 loans in total loans to 11.7% and a decline in the share of non-performing loans to 2.4% of total loans. The values of both indicators, although lower than before, are still less favourable than their averages in the EU banking system (9.2% and 1.9%, respectively)². The decrease in NPLs is mainly a result of repayments and reclassifications to performing loans, with a slight contribution of sale of claims³. Continued improvement in asset quality was mostly driven by developments in the portfolio of loans to non-financial corporations, in which the share of NPLs shrank to 4.5%. The share of NPLs also decreased in the portfolio of household loans, to 3.7%, but the dynamics of addressing NPLs slowed down, so that household loans remained the largest source of non-performing loans in the banking system.

- 1 Each instrument that is subject to the calculation of expected credit loss, which includes all debt instruments measured at amortised cost and at fair value through other comprehensive income, is classified in one of the three stages of value impairment. An instrument is classified in stage 2 if there is a significant increase in credit risk (stopping short of default), where the expected loss is calculated for the entire lifetime of the instrument.
- 2 The data on indicator values for the EU banking system refer to 30 September 2024 and are available [here](#).
- 3 For more information, see [Box 2 Supervision of entities in the sale of non-performing loans](#).

In 2024, credit institutions generated a record EUR 1.5bn in profits, which is an annual increase of 13.0%. Profitability indicators are at very high levels – the return on assets (ROA) totalled 1.9% and the return on equity (ROE) was 16.4%. The largest individual contribution to the increase in total operating income came from net interest income.

Banks generated higher interest income across all sectors (18.3%), particularly owing to the increase in the volume of household loans. However, the rise in the deposit interest rates and the attraction of time deposits led to a rise in interest expenses (68.6%), which ultimately resulted in an increase in net interest income of 6.5%.

As for income generated from sources other than interest, the increase in dividend income of 73.7% stood out. A considerably lower increase was recorded in net fee and commission income (9.0%) and other (net) non-interest income. General operating expenses increased as well, but at a much slower rate than total operating income, consequently improving the cost efficiency of the banking system. The aforementioned improvement in asset quality provided a positive contribution to profit, leading to generated income from reversal of impairments for credit exposures.

Banking system capitalisation is high, although the total capital ratio went down slightly to 23.8%.

Banking system capitalisation is high, although the total capital ratio went down slightly to 23.8%. However, total capital ratio remained higher than the EU average (20.1%) and most credit institutions had a ratio higher than 20%.

The decrease in the total capital ratio is still influenced by total risk exposure growth (10%) being higher than the increase in own funds (9.0%). The increase in total risk exposure was mainly brought about by the aforementioned lending activity, while the increase in own funds was equally influenced by the rise in retained earnings and the increased inclusion of subordinated instruments in additional own funds. Despite the rise in own funds, their level available for covering unexpected losses decreased on account of increased risk exposure and the fact that, in the course of 2024, certain prescribed and imposed capital requirements changed. The most significant change was related to the increase in the countercyclical capital buffer rate for Croatia.¹

BUSINESS OPERATIONS OF CREDIT UNIONS

The number of credit unions remained the same in 2024, so that at the end of the year, 16 credit unions were in operation in Croatia. Their assets totalled EUR 89.1m, having increased by 3.3% from 2023. Total assets of credit unions are equivalent to 0.1% of the assets of all credit institutions.

¹ From 31 December 2023 to 29 June 2024 the countercyclical capital rate for Croatia was 1%, while as of 30 June 2024 it increased to 1.5%.

7

Statistics

In 2024, the CNB continued to work on the improvement of the data collection methodology and processes as well as on the calculation of statistical indicators and their publication and delivery to international institutions, primarily for the purposes of regular reporting to the European Central Bank within the scope of the CNB's statistical function within the Eurosystem. In addition, new experimental statistical indicators of household wealth distribution were developed and for the first time released for Croatia by the European Central Bank in March 2025. Furthermore, the CNB carried out the so-called benchmark revision of statistical indicators, performed every five years to revise previously released values of longer series of statistical indicators for the purpose of harmonisation with a new assessment methodology or new sources of data.

THE ECB'S STATISTICAL FUNCTION

The Croatian National Bank is the second most important producer of official statistics in Croatia, next to the Croatian Bureau of Statistics (CBS). According to the division of competences between these two institutions, the CNB is mainly responsible for the production of official statistics related to economic relations with foreign countries and the statistics of monetary and financial positions and flows in the Croatian economy. Following the statistical activities performed by the CNB in 2023, which ensured a successful integration of the CNB's statistical function into the statistical function of the Eurosystem, the focus of statistical activities in 2024 was on increasing the internal consistency of existing statistical indicators and on the development of experimental statistical indicators in new areas of interest of official statistics such as the distribution of household wealth and climate change. In addition, statistical requirements of the Organisation for Economic Co-operation and Development (OECD) were successfully met, which, in June 2024, resulted in the official issue of a positive opinion on the readiness of the Republic of Croatia for membership in the OECD in the field of official statistics. The statistical function of the CNB thus contributed to the expected future success of Croatia on its path to join this international organisation.

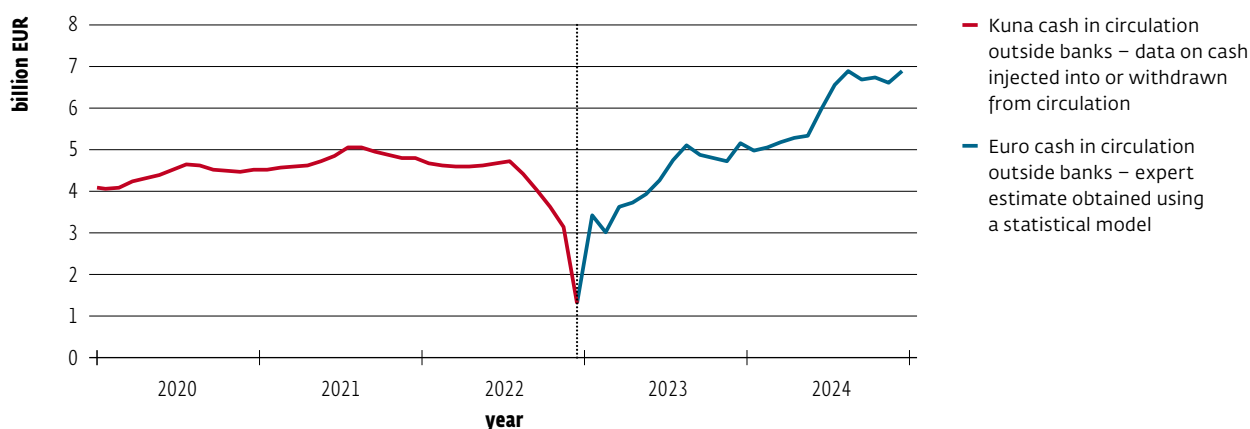
The focus of statistical activities in 2024 was on increasing the internal consistency of existing statistical indicators and on the development of experimental statistical indicators.

NEW AND IMPROVED STATISTICAL INDICATORS AND REPORTS

In May 2024, the CNB hosted experts from the ECB and Eurostat (the statistical office of the European Commission) as part of their joint activity of supervision of the quality of statistical indicators used for assessing economic imbalances. The purpose of such visits is to perform an in-depth analysis of data sources, the methods of their processing and the methods of assessment of statistical indicators related to foreign relations and financial accounts statistics and to reach joint conclusions on the guidelines and priorities for the further development of such statistics. The visit resulted in an action plan for 2024 and 2025; in 2024, the CNB carried out almost all of the planned activities. This resulted in the revision of previously published indicators as part of the so-called benchmark revision of statistical indicators carried out in all EU member states in the second half of 2024.

In September and October 2024, the CNB carried out a benchmark revision of statistical indicators for Croatia, performed every five years by the CNB and the CBS to revise previously released values of longer series of statistics for the purpose of alignment with new assessment methodology or new sources of data. The purpose of the revision is to achieve greater accuracy, fuller scope and better alignment with international statistical standards. Revised statistical indicators within the CNB's competence were published on 30 September for **external statistics** and on 25 October for **financial accounts statistics**, so that their release could approximately coincide with the release of revised historical data on the gross domestic product released by the CBS.

A benchmark revision of statistical indicators for Croatia was performed by the CNB and the CBS to revise previously released values of longer series of statistics.

FIGURE 7.1 Cash in circulation outside banks – before and after the introduction of the euro

Notes: Kuna cash in circulation was an item in the central bank's balance sheet, and its amount was known. In contrast, the amount of euro cash in a particular euro area member state can only be estimated using a statistical model.

Source: CNB (until 31 December 2022 Currency Area, as of 1 January 2023, estimate of the Statistics Area).

In the area of foreign relations statistics, the most important methodological improvements introduced by this revision include: 1) inclusion of the value of the balance of investments in real estate of non-residents in the RC and RC residents abroad in the international investment direct position statistics; 2) improved method of the estimate of the balance of euro cash in circulation in the RC (Figure 7.1); 3) inclusion of the estimate of advance payments of foreign tourists in the financial account of the balance of payments of the RC; 4) a change in the method of recording retained earnings from foreign direct investment and 5) change in parameters used for the calculation of a balance of payments component related to energy imports.

In financial accounts statistics the most important methodological improvements include: 1) inclusion of the loans of credit card companies in the calculation of indicators of household debt; 2) improved coverage of business entities operating as financial auxiliaries; 3) methodological change related to distinguishing between loans and trade credits in the data related to the operation of non-financial corporations, and, as in foreign relations statistics, 4) an improved method for the estimate of cash in circulation after the introduction of the euro at the beginning of 2023. Other improvements related to the financial accounts statistics in 2024 included methodological alignment in the valuation of capital of non-financial corporations, the inclusion of pension insurance companies in the scope of the financial sector and the preparation of a new report containing details related to the loan obligations of households for OECD purposes.

Furthermore, as part of Croatia's OECD accession process, in early 2024, the CNB, in cooperation with the OECD's Committee on Statistics and Statistical Policy, developed a three-year action plan (2024 – 2026) for the development and reporting of new or improved sets of statistical indicators for OECD purposes. In the course of 2024, all the activities planned for that year were performed, including: 1) the pro-

duction of new statistics related to household wealth based on the data obtained by the Household Finance and Consumption Survey adjusted to special OECD requirements, published for the first time for Croatia in March 2025; and 2) the production of new, more detailed indicators of Croatia's public debt which will, in addition to the existing indicators of central and local government and social security fund debt, produced by the CNB for the ECB and Eurostat and for national public release, also include the debt of public enterprises.

DEVELOPMENT OF NEW STATISTICAL INDICATORS

In 2024, the CNB continued to implement the testing phase of the joint EU project entitled IReF (Integrated Reporting Framework) with the objective of establishing an integrated system for collecting statistical, prudential and resolution data of credit institutions with registered offices in the EU. The key benefits of this complex and costly project are the standardisation of reporting requirements, avoidance of redundancies, reduction of the burden on reporting institutions and an increase in the quality of collected data. The focus of activity in 2024 was on the development of a detailed analysis of the costs and benefits that will arise from the implementation of the project for the CNB as well as on the participation in the design of a new concept of development aimed at minimising the complexity and costs of the future implementation of the new reporting system at the level of the entire Eurosystem.

Over the course of 2024, the CNB participated in the work of the ECB's expert group on climate change and statistics at the level of the European System of Central Banks. Through that work, the need was recognised for the collection of additional data, such as data on the geographical locations of legal persons and their local units and data on energy efficiency and the location of residential and commercial real estate used as loan collateral. As a result of activities undertaken to this end, the production and release of the first experimental indicators of climate change are expected towards the end of 2025. Furthermore, the CNB is included in the EU Technical Support Instrument project entitled *ESG Uptake – ESG Risk Management Framework for the Financial Sector* where the CNB is one of the beneficiaries of technical support aimed at mapping and improving the data necessary for measuring ESG (*Environment, Sustainability and Governance*) risks in the financial system.

In 2024, the CNB also participated in the work of ECB and OECD expert groups in the area of the development of experimental indicators of household wealth, thus contributing to the G20 initiative for the development of indicators of distribution of household wealth and economic inequality. Over the course of the past year, the CNB identified additional data sources which were then incorporated in the process of production of these indicators and successfully performed several validation cycles of obtained **household wealth indicators**, which were subsequently published in early 2025.

The CNB continued to implement the testing phase of the joint EU project entitled IReF (Integrated Reporting Framework) with the objective of establishing an integrated system for collecting the data of credit institutions with registered offices in the EU.

CONTINUED SURVEY EFFORTS

In 2024, CNB published a detailed report containing the results of **the Household Finance and Consumption Survey**, which was carried out in 2020 as part of the so-called fourth wave of this research at EU level. This survey enables economic policy makers and the academic community to better understand the impact of financial shocks and the effects of economic and other policies on certain groups of households in certain countries, as well as at the euro area and the EU level. This is the second such report published by the CNB. In 2024, data obtained in the fifth wave of the survey, gathered from households included in the survey sample in 2023, were processed and preparations began for the production of a report on the results obtained by the survey, due for publication in 2025 or 2026.

Furthermore, the CNB continued to conduct **the euro area bank lending survey**. The survey is conducted in all euro area member states in line with the ECB's uniform methodology. Although there are certain methodological differences, the survey builds on the same data content as the Bank lending survey the CNB conducted until Croatia joined the euro area. The survey provides insight into the changes to lending standards and conditions of commercial banks and changes in the demand for loans in Croatia over time. The results of the survey serve as support in the tak-

In 2024, CNB published a report containing the results of the Household Finance and Consumption Survey and continued to conduct the euro area bank lending survey.

ing of economic policy decisions within the CNB's competence and their publication makes them available to the business community and the general public.

In the period from July to December 2024, the CNB carried out a new round of the periodic **Survey on the access to finance of small and medium-sized enterprises**. This survey was conducted for the first time in 2015 as part of a pilot project, after which it was regularly carried out in 2017 and 2021. The survey explores the financing needs of and the hurdles encountered by small and medium-sized enterprises, key drivers of employment, innovation and investment. Therefore, insight into their financial situation and plans is exceptionally important for the central bank and economic policymakers in general. The survey, entitled *Survey on the access to finance of enterprises – SAFE* is also conducted by the ECB for euro area countries on a quarterly basis and, in cooperation with the European Commission, for all EU member states once a year. However, some central banks, the CNB included, carry out the survey for their own purposes and include additional questions relevant for national economic policies.

8

Protection of financial services consumers

Consumer protection is implemented through continued development of regulations, oversight of the operation of service providers within the CNB's competence, information provided to and financial education of citizens.

REGULATORY ACTIVITIES

The Directive (EU) 2023/2225 of the European Parliament and of the Council on credit agreements for consumers (Consumer Credit Directive, CCD) adopted at the end of 2023 is to be transposed into the Croatian national laws by the end of 2025 at the latest. Therefore, in 2024 the CNB participated in the working group for preparing new regulations.

Rules are being extended to prevent over-indebtedness, offering loans that consumers did not explicitly ask for is being prohibited, measures aimed at facilitating repayment are being amended and advertisements promoting indebtedness are being banned.

When amendments to regulations linked to the aforementioned Directive are proposed, account is taken of the digital transformation¹ of operations, harmonisation with the rules already applied in consumer lending, as well as of the introduction of new rules that provide for responsible lending and borrowing aimed at preventing consumer over-indebtedness. Important amendments are related to the content and form of the information sheet for consumers which now lists the most important information on the first page of the sheet. Consumer creditworthiness assessment rules are being extended to prevent over-indebtedness. It will be prohibited to offer loans to consumers they did not explicitly ask for; additional measures are being introduced to limit interest rates and to amend measures in order to make repayments easier; additional requirements in terms of knowledge and competences are being introduced for the staff of credit institutions and staff remuneration policies are being amended. Advertisements promoting indebtedness in a manner that suggests that taking out a loan would improve the financial situation of consumers will be prohibited.

In addition, the Act on Amendments to the Credit Institutions Act was adopted in 2024, among other things, prescribing the obligation for credit institutions to set aside funds earmarked for activities promoting financial literacy.

The Decision on the necessary knowledge and competence of staff of credit institutions and credit intermediaries and the requirements and the procedure for obtaining authorisation to provide credit intermediation services were also amended in such a way as to apply to credit intermediaries from another member state authorised to provide credit intermediation services within the territory of the Republic of Croatia through a branch or directly, as was the Decision on the additional criteria for the assessment of consumer creditworthiness in the segment of measures aimed at facilitating credit repayment prescribed under the Consumer Credit Act and the Act on Consumer Housing Loans.

SUPERVISORY ACTIVITIES

The CNB monitors and assesses the risks that credit institutions and other entities expose consumers to in connection with the products and services they offer and sell, as well as their market conduct.

In the segment of monitoring consumer protection the CNB conducted on-site inspections of two banks and off-site inspections of nine credit unions. The CNB

¹ For instance, digitalisation of the parts of operations that were previously conducted manually, new digital services and new digital channels are being introduced, as well as artificial intelligence employed.

also started with the practice of employing so-called secret shoppers. In 2024 a secret shopper visited a bank as part of an on-site inspection. The attention of CNB employees acting as secret shopper was focused on the quality of the sales conversation, verification of the information acquired by consumers after the sales conversation at the bank and on documents with pre-contractual information consumers must be given at the sales conversation.

The oversight relating to the implementation of the **Memorandum of Understanding Regarding Current Account Overdraft Facilities**, which was signed in 2022 between the Government of the RC, 13 banks and the CNB, was completed. Its primary objective was to ensure greater transparency and better dissemination of information among citizens regarding the use of current account overdraft facilities, including conditions for transfer from tacit to explicitly granted overdraft facilities. In accordance with the provisions of the Memorandum, more than one million citizens contracted the transition from a tacit to an explicitly granted overdraft facility providing them with better security and more favourable financing conditions.

In addition, the CNB issued **seven decisions** on the provision of credit intermediation services and 12 decisions on the withdrawal of the decision on the issuance of authorisation for the provision of the mentioned credit intermediation services.

Based on the results of the examinations conducted within the framework of market monitoring in the segment of fees charged for consumer services, a circular letter was sent to all credit institutions, credit intermediaries, credit unions, payment institutions and electronic money institutions, with the CNB communicating its expectations and guidelines regarding the establishment of the methodology for determining the structure and amount of fees charged by these institutions to their clients, as well as the criteria for their amendment.

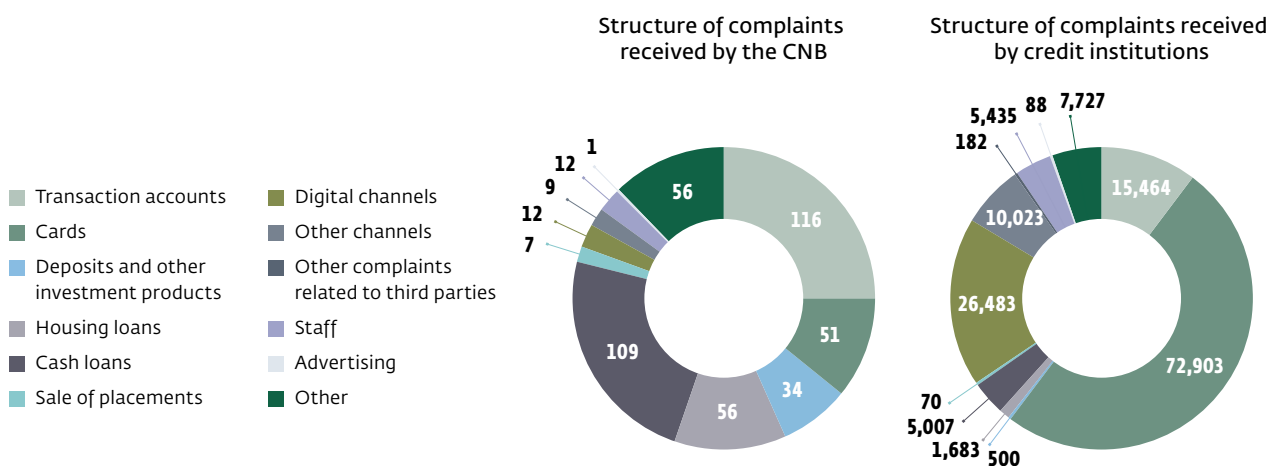
CONSUMER COMPLAINTS

The CNB takes action pursuant to notifications from consumers about complaints lodged about the conduct of credit institutions, in cases in which consumers have either not received a reply from the credit institution or are not satisfied with it. The CNB also collects and analyses the information on the number and type of complaints directed by consumers to the credit institutions they are clients of, as well as information on the complaints credit institutions deemed justified. These reports are a good source of information used in the supervision performed by the CNB over credit institutions in the area of consumer protection.

Most complaints received by the CNB relate to transaction accounts and cash loans. In case of transaction accounts, consumer complaints were primarily related to overdraft facilities on current accounts and account fees, while complaints related to cash loans were primarily connected to contractual provisions, loan fees and early loan repayment.

More than one million citizens contracted the transition from a tacit to an explicitly granted overdraft facility providing them with better security and more favourable financing conditions.

The number of complaints went down from 2023, which can attest to consumers being better informed, as well as to the higher transparency of credit institutions.

FIGURE 8.1 Structure of consumer complaints in 2024 by topic

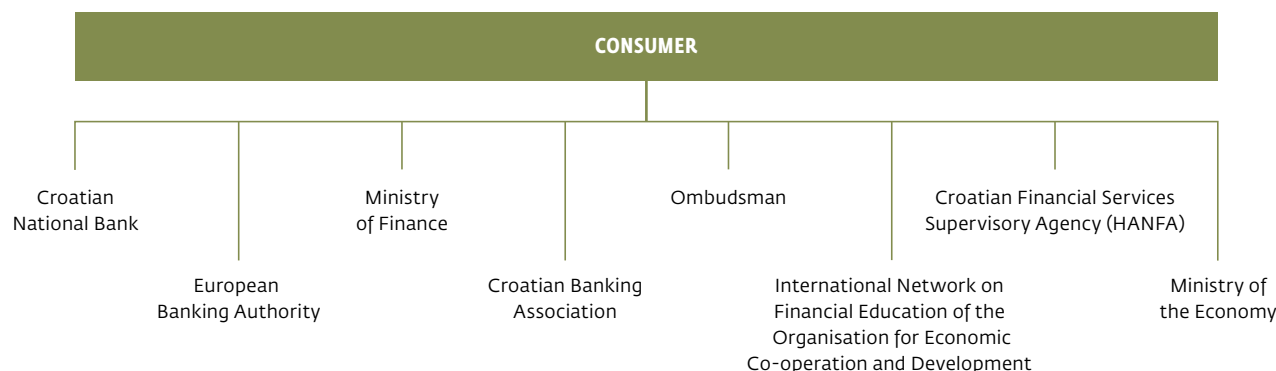
The numbers of complaints received by the CNB and of those received by credit institutions went down from 2023, which can attest to consumers being better informed when contracting bank products and services, as well as to higher transparency of credit institutions' practices in offering their products and services.

In the structure of complaints received by credit institutions, as previously, complaints related to cards (credit cards, debit cards, revolving cards, charge cards) stand out, accounting for a half of the total number of complaints in the banking sector in 2024. The second most common group of complaints are, as expected, complaints related to mobile and internet banking, in line with the rise in services offered by credit institutions through these channels. It is worth noting that in 2024, only 41% of the total number of complaints received was deemed justified by credit institutions.

BETTER QUALITY INFORMATION TO INCREASE CONSUMER PROTECTION

The CNB provides **important information** on products and services offered by credit institutions and **updated information** on market events, good business practices relating to consumers and other activities that strengthen consumer protection.

In 2024, the CNB started publishing Restrictions on maximum **interest rates** on consumer loans currently applicable in loan agreements. The data include information on statutory restrictions on nominal and effective interest rates, as well as information on statutory restrictions on default interest rate, applied in the specific reference period for consumers who entered into agreements with the credit institution on consumer credit or consumer housing loans. The CNB updates restrictions on maximum interest rates semi-annually (on 1 January and 1 July of the current year).

FIGURE 8.2 Cooperation as the foundation of effective consumer protection

Source: CNB.

The **information list with the offer for deposits**, the **information list with the offer of loans to consumers**, the **comparison of fees for the most frequently used payment services**, and **information leaflets** on a variety of current topics providing consumers with additional information that may be helpful in analysing banks' offers and deciding on a financial product are long-featured contents on the CNB's website.

INTER-INSTITUTIONAL COOPERATION

Cooperation with other national and European stakeholders is an important element in the implementation of the CNB's consumer protection policy.

The CNB also participates in the work of the European Banking Authority (EBA) by being a member of the **Standing Committee on Consumer Protection and Financial Innovation**. The key topics discussed were innovation and digitalisation in the financial market, artificial intelligence and **regulations on artificial intelligence**, as well as their impact on the financial sector.

Also discussed was the Markets in Crypto-Assets Regulation (MiCA) in the context of consumer protection, that is, complaint management, as was the Digital Operational Resilience Act (DORA)¹ which refers to ICT risk management, lays down the obligations of almost all providers of financial services and is important for consumer protection because it contributes to the reduction of risks arising from inadequately protected infrastructure used by financial entities, among other things, for the provision of services to consumers.

In 2024, the CNB became a member of the International Financial Consumer Protection Organisation (FinCoNet) which develops and promotes international supervisory standards commensurate to consumer market behaviour and their strong protection.

¹ For more information on the Markets in Crypto-Assets Regulation and the Regulation on Digital Operational Resilience please see **Box 3 FinTech-related activities and the digital euro**.

9

Payment operations

One of the basic functions of the CNB is to ensure the smooth operation of the payment system, and in particular, to protect the rights of payment service users. The payment system and especially the retail payment market is rapidly changing. The CNB's role is therefore twofold, as a catalyst to encourage innovation, while promoting payment safety.

REGULATIONS GOVERNING PAYMENT OPERATIONS

The functioning of payment operations, which involves payment service providers, payment infrastructure, payment service users and regulations governing payment operations, is regulated by a series of regulations in Croatia, of which the **Payment System Act** and the **Electronic Money Act** are the most important.

These laws transpose the **Payment Services Directive (PSD2)** and the **Second Electronic Money Directive (EMD2)** into national legislation. In addition, the following were adopted or entered into force in 2024: the **Instant Payments Regulation**, the Third Payment Services Directive (PSD3), the Payment Services Regulation (PSR) and the Regulation on the Establishment of the Digital Euro¹.

Within the framework of the proposed PSD3 and PSR, the provisions on payment institutions have been updated and explained, and electronic money institutions have been pooled together as a sub-category of payment institutions, the process consequently leading to the repeal of Directive PSD2. These proposals were aimed at improving the payment experience of consumers and enterprises, as well as at ensuring data protection and enhancing transaction security. The proposals also include provisions on cash withdrawal services not involving a purchase provided by natural and legal persons at points-of-sale, and additionally clarify the rules for independent ATM operators. It is noteworthy that the harmonisation of statutory rules for electronic money institutions and payment institutions will reduce administrative costs, in particular the repealing of the application requirement for new authorisation under certain circumstances.

Compliance with the Instant Payments Regulation, which entered into force at the beginning of 2024, is mandatory for all payment service providers. It enables payment service users to execute instant payments at any time within 10 seconds, introduces obligations that improve user experience and reduce risks as a result of the obligation to verify the payment recipient. Last but not least, charges for instant credit transfers may not be higher than the charges for non-instant credit transfers.

New payment service providers and electronic money issuers

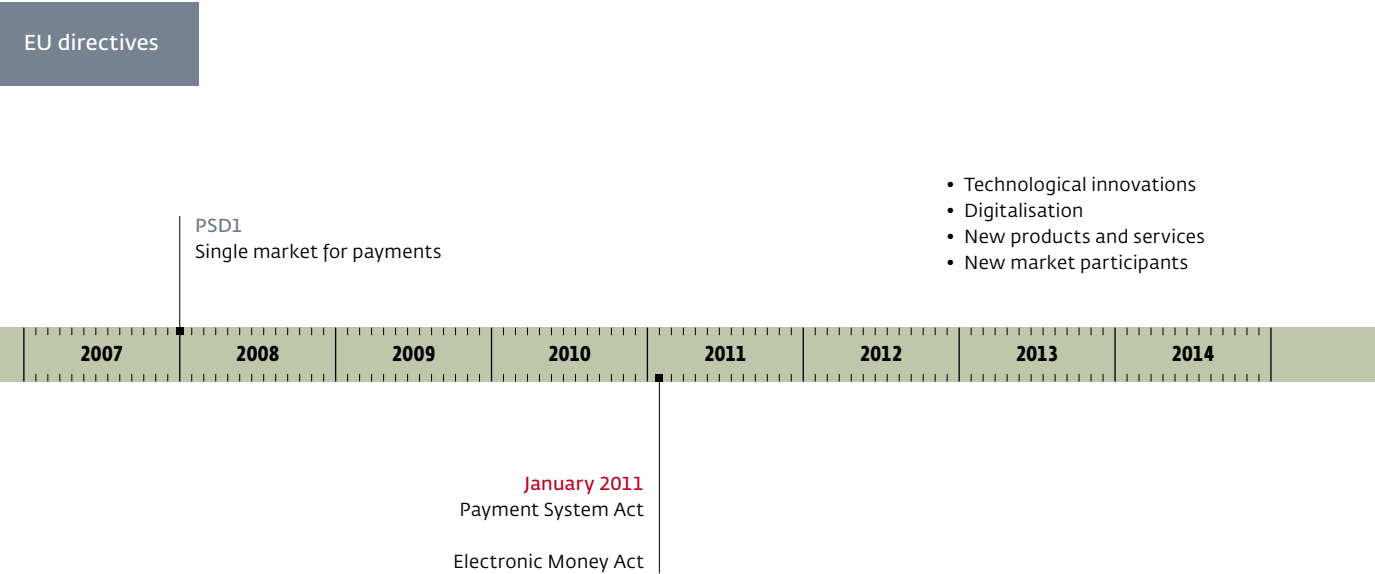
The market of payment service providers in Croatia additionally expanded in 2024². Two new authorisations for payment institutions were issued in 2024, and one electronic money institution transformed into a payment institution. There are currently seven payment institutions operating in Croatia, four electronic money institutions and three registered account information service providers.

Instant Payments Regulation is mandatory for all payment service providers and enables payment service users to execute instant payments at any time within 10 seconds.

¹ For more details, **Box 3 FinTech-related activities and the digital euro**

² The list of payment service providers and electronic money issuers, the types of services provided and the EU member states in which they operate are published in the **Register of payment service providers and electronic money issuers**.

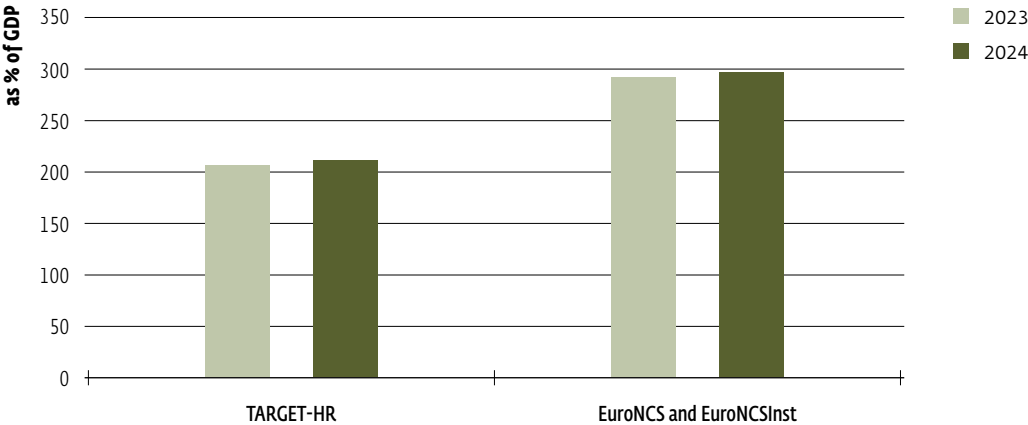
FIGURE 9.1 Payment system development



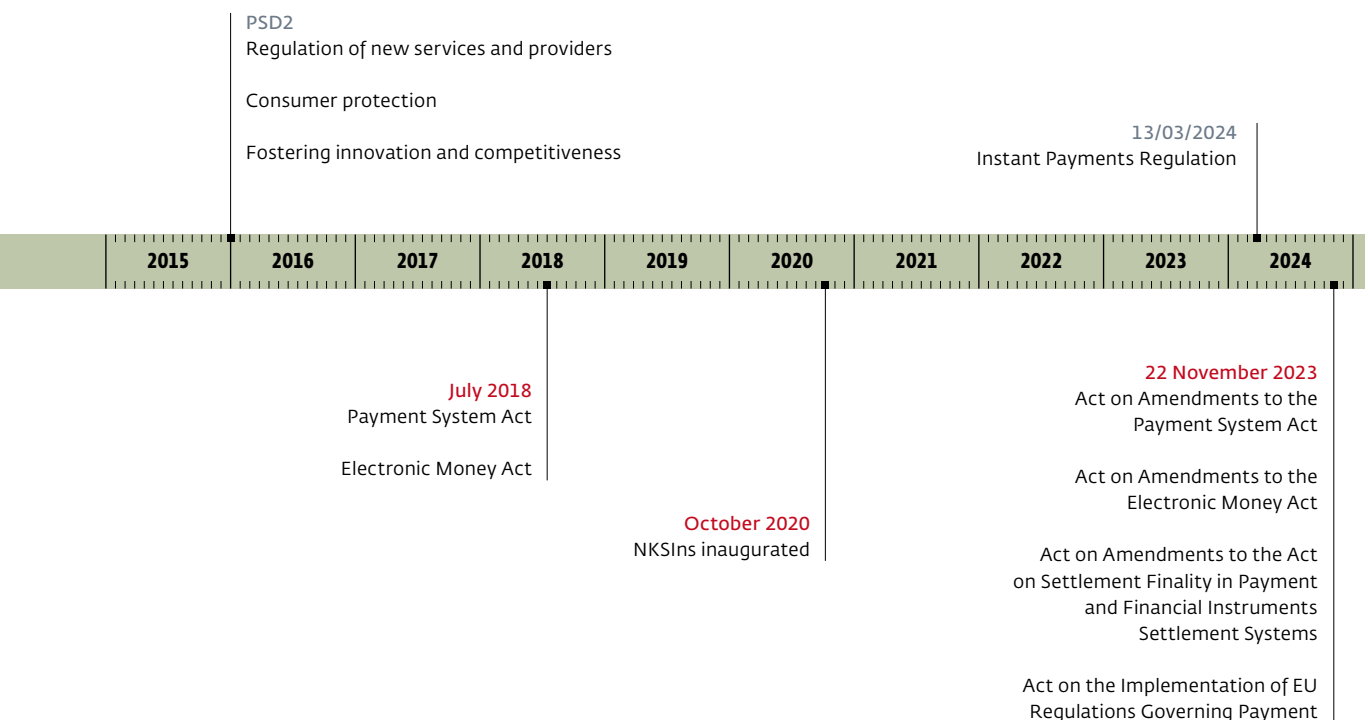
Croatian legal system

Source: CNB.

FIGURE 9.2 Payment systems in the Republic of Croatia – overview of turnover in 2024



Note: Turnover includes the total value of settled credit transfer payment transactions, excluding monetary operations transactions and internal liquidity transfers of payment service providers.
Source: CNB.



PAYMENT INFRASTRUCTURE – PAYMENT SYSTEMS

Payment systems constitute the payment infrastructure in the Republic of Croatia. They enable the smooth and reliable functioning of the financial system, the accessibility of payment services and the execution of national and cross-border payment transactions. Thanks to payment systems, members of the public and business entities are able to execute bank-to-bank transactions efficiently, quickly and safely. Today, national and cross-border payment transactions are conducted via three payment systems. TARGET-HR, EuroNCS and EuroNCSInst.

SUPERVISION OF THE APPLICATION OF REGULATIONS IN THE AREA OF PAYMENT OPERATIONS

Off-site supervision includes the verification of consequent application of regulations governing the area of payment operations (for instance, regular reports on own funds and protection of funds that payment institutions and electronic money institutions submit to the CNB), analysis of information and data (for instance, in-

formation on incidents in the functioning of payment systems), establishing facts in the processing of complaints by payment service users, analysis of the market via a questionnaire targeted at a specific area and analysis of compliance with the Principles for Financial Market Infrastructures (PFMI), etc.

The CNB conducted 204 off-site inspections of payment service providers.

In 2024, the CNB conducted 204 off-site inspections of payment service providers. The most mentioned inspections were launched by the CNB pursuant to complaints by payment service users, and the rest pursuant to monitoring the situation in the payment services market, the assessment of the materiality of the individual area of statutory regulations, the assessment of the materiality and riskiness of an individual payment service according to the technological development in the Croatian market, regulatory development, etc. Off-site inspections in 2024 were directed at preventing frauds associated with payments and at the adjustment of the payment system to technological changes.

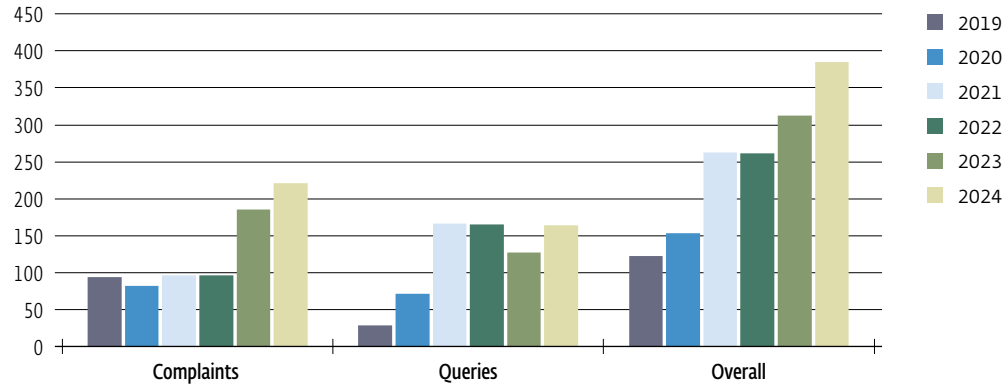
In 2024, the CNB conducted a total of two on-site inspections of payment service providers. The primary criterion for selection of the entities to be supervised was the scope of their operations and the number of received complaints as an indication of the need for on-site inspection.

Complaints in the area of payment operations

An important task of the CNB is to protect payment system users (consumers and business entities). When replying to client complaints, payment service providers are obligated by law to instruct their clients on their right to submit a complaint to the CNB, which this year resulted in an increase in complaints and queries in the area of payment operations received. The CNB thus received 221 documents in 2024 categorised as complaints and 164 documents categorised as a query relating to the area of payment operations.

The difference between a complaint and a query is that CNB responds directly to queries, while with regard to complaints it launches a procedure involving the

FIGURE 9.3 Citizens' complaints in the area of payment operations



Source: CNB.

payment service provider (e.g. a bank) requesting it to comment. Following the analysis, the CNB replies to the party that submitted the complaint, informing it of the CNB's findings and measures undertaken.

The greatest number of complaints in 2024 in the area of payment operations was related to unauthorised payment transactions, with the majority of these complaints being the results of fraud committed against payment service users via social engineering, such as psychological manipulation and deceit. Next to follow is the segment of non-executed or defective payment transactions, with the said category relating to cases of refusal to execute payment transactions or, for instance, double debiting of the payment transaction. The third category is related to ATMs, with complaints most often being related to erroneous registration of deposited cash or cases of an ATM dispensing less cash than requested and nevertheless charged to the account of the payment service user.

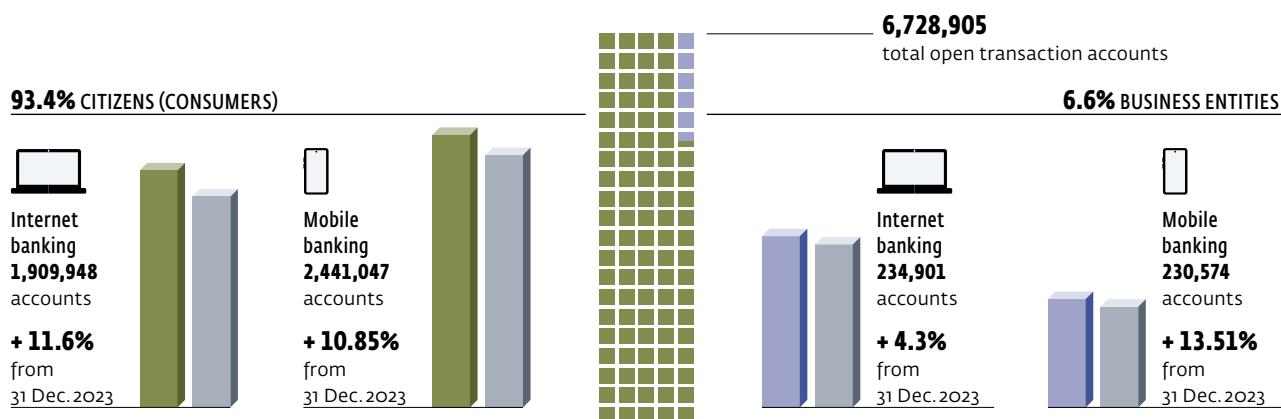
Should the CNB establish that there is reasonable doubt that the payment service provider breached any statutory provision, it is obligated to take further steps, that is, initiate misdemeanour proceedings before the Ministry of Finance, the Financial Inspectorate, etc.

DEVELOPMENT OF MOBILE BANKING

The habits of payment services users are changing in favour of a steady increase in the number and value of cashless payments. Over the past several years, this was mainly driven by the development of mobile banking and the development of card payments, primarily contactless payments.

At the end of 2024, over a million citizens used internet banking, up almost 12% on the year before, while mobile banking was used by almost 2.5 million citizens, up some 11% on the previous year.

FIGURE 9.4 Transaction accounts and use of payment services in 2024



Note: Data do not include blocked transaction accounts.
Source: CNB.

TABLE 9.1 Channels and methods of initiation of payment transactions of individuals (consumers) for 2024

Channel/method	Number of transactions	Share ^b (%)	Value of transactions (EUR million)	Share ^b (%)	Value of transactions (as % of GDP)
Over the counter ^a	44	15	13,063	27	15
Mobile banking	162	58	25,641	53	30
Internet banking	12	4	3,935	10	5
Direct debits	22	9	2,063	4	2
Standing orders	26	10	2,691	5	3
Bill-paying service	11	4	614	1	1
Total	277	100	48,005	100	56

^a Paper-based payment orders initiated over-the-counter at credit institutions or other persons that, on the basis of a contract, are acting on behalf of and for the account of credit institutions (e.g. FINA, HP, etc.)

^b Shares are rounded to the nearest whole number.

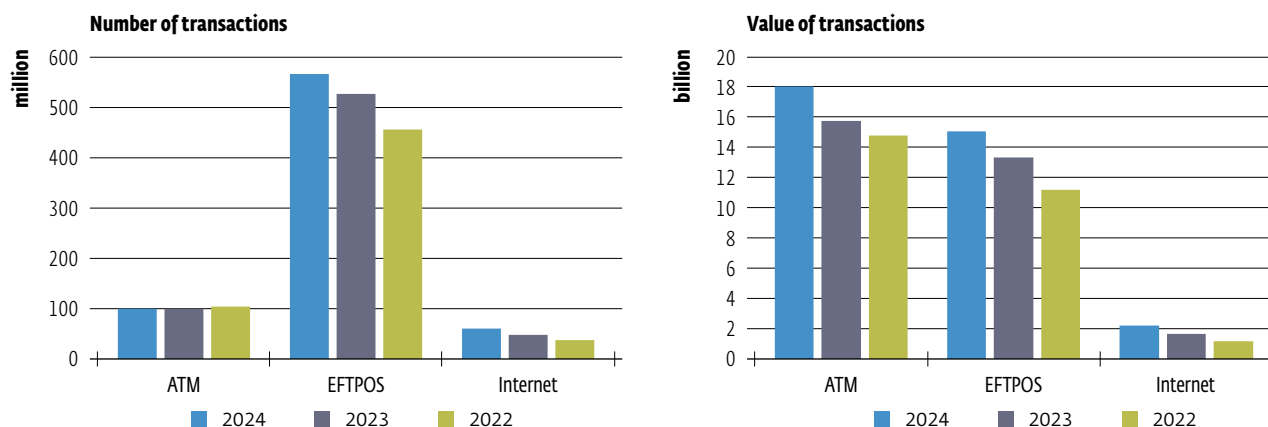
Note: Nominal GDP for 2024 totalled EUR 85,482 million.

Sources: CBS and CNB.

Slightly fewer than 250 thousand business users contracted internet banking in 2024, some 4% more than in the preceding year. There was also a noticeable, almost 14%, increase in business users of mobile banking.

The increase in the number of users of mobile banking was accompanied by an increase in the number of payment transactions executed through this channel (Table 9.1).

The second most common channel individuals used for initiating payment transactions continued to be the over-the-counter channel, which accounted for 15% of the total number and 27% of the total value of transactions, followed by transactions initiated via internet banking. A comparison of internet banking transactions and mobile banking transactions indicates that users prefer mobile banking to internet banking.

FIGURE 9.5 Number and value of acquiring transactions in Croatia executed using payment cards issued in Croatia

Notes: Data refer to the total number and value of national card-based payment transactions in HRK in 2024. Electronic money loading and redemption transactions and fee and contractual charge transactions executed through payment cards are excluded.

Source: CNB.

Business entities most often use electronic channels to initiate payment transactions as well, primarily internet banking, although a noticeable rise has been observed in the use of mobile banking.

The most frequently used payment instrument in Croatia is the payment card; as it is shown by almost 9 million payment cards at the end of 2024, of which 94% were issued to citizens, and the remaining 6% to business entities.

Data on the number and value of card transactions by accepting devices in the past three years confirm the market dominance of the payment card. The largest share in the number of transactions executed using issued payment cards is accounted for by transactions at EFTPOS terminals (78% in terms of number and 43% in terms of value), followed by ATM transactions (14% in terms of number and 51% in terms of value) and internet transactions (8% in terms of number and 6% in terms of value).

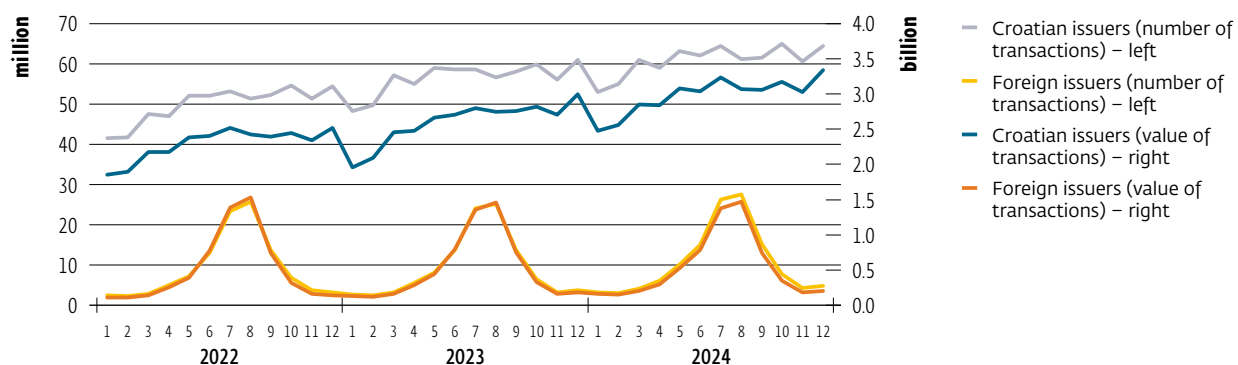
Although most card transactions in Croatia are executed with payment cards issued by Croatian issuers, the share of transactions executed using cards issued by foreign issuers is not negligible. Of the total number of acquiring transactions in the reference period, 728.2 million transactions (85.2%) were executed through payment cards issued by Croatian issuers, with a total value of EUR 35,326.4m (84.7%), while the remaining 126.7 million transactions (14.8%) with a total value of EUR 6,386.5m (15.3%) were executed using payment cards issued by foreign issuers (Figure 9.5). The trends in the number and value of card transactions issued by foreign issuers are extremely seasonal.

CASH REMAINS DOMINANT DESPITE THE GROWTH IN CARD TRANSACTIONS

Payment in cash is still the most frequent means of payment in Croatia. Tax Administration data indicate that some two thirds of issued fiscalised invoices were

The second most common channel individuals used for initiating payment transactions continued to be the over-the-counter channel.

FIGURE 9.6 Number and value of acquiring transactions in Croatia executed using payment cards issued by Croatian and foreign issuers



Note: Data refer to acquiring transactions using payment cards issued by Croatian and foreign issuers at accepting devices in Croatia (ATM, EFTPOS and the internet). Source: CNB.

paid in cash in 2024 and about one third by card. However, consumer habits are trending towards the uninterrupted and accelerated growth of cashless payments.

In terms of value of transactions paid in cash vs transactions paid by card, the score is fifty-fifty, with the average value of transaction paid in cash totalling EUR 11.5, and by card EUR 29.1. The above data indicate that consumers choose the payment card more frequently than cash when paying larger amounts.

A more detailed overview and an analysis of data compiled within the payment statistics are published in the publications [Payment Cards and Card Transactions](#); [Payment Transactions and Accounts](#); and [Cashless Payment Transactions](#).

3

FinTech-related activities and the digital euro

In 2024, the CNB continued participating in FinTech-related activities. These are activities that include tasks related to the adoption of the regulatory framework for crypto-asset markets, supporting business entities through the innovation Hub and general participation in various groups and monitoring trends through European initiatives. In 2024 the CNB continued participating in the project of the digital euro as the Eurosystem's future central bank digital currency, together with the ECB and other euro area national central banks.

REGULATORY ACTIVITIES

In 2024, one of more significant European regulatory initiative in the field of technological innovation in finance entered into force, namely the **Markets in Crypto-Assets Regulation**. The Regulation in question regulates the issuers and service providers related to crypto-assets in the entire EU. Since it was necessary to define the competences of individual state bodies and institutions in Croatia, the **Act Implementing Regulation (EU) 2023/1114 (Markets in Crypto-Assets Regulation)** was adopted as the national implementing regulation. The CNB is competent for e-money token issuers and asset-referenced token issuers, while HANFA is competent for providers of services related to crypto-assets. In addition, one needs to mention the **Regulation on Digital Operational Resilience** which is to be applied in full from January 2025. Its aim is to consolidate and improve the requirements connected to ICT-related risks with a focus on cyber risks.¹ It is also worth mentioning that negotiations relating to the proposal of the **Regulation on a framework for Financial Data Access** are still ongoing. The said regulation strives to bind financial institutions to, contingent on meeting the prescribed conditions, provide access to financial data available to them but also to authorise financial institutions to access the financial data of clients with their permission (the so-called 'open banking' initiative).

THE DIGITAL EURO PROJECT – THE DIGITAL MONEY FOR EUROPEAN MONETARY SOVEREIGNTY

One of the key objectives of the digital euro project is to preserve the strategic autonomy of the euro area in the payments ecosystem and its monetary sovereignty. The digital euro project envisages the introduction of the digital central bank money for euro area citizens to be used as a simple, free and widely available means of payment in addition to banknotes and coins. The digital euro will offer the highest possible user privacy since the ECB and national central banks will not be able to see users' personal data or link payment information to individuals. The digital

¹ ICT risks is a wider term which encompasses not only cyber risks (security) but other risks as well, hardware risks, risks related to IT system oversight, and the like.

euro would serve for settling payments instantly both on- and offline and foster innovation and competitiveness in the retail payments market. To avoid the outflow of deposits from banks, individual digital euro balances in users' digital wallets would be capped.

The digital euro project is in its first preparatory phase, which started in November 2023 and will last until the end of 2025. This phase should see the completion of the digital euro scheme, the selection of providers of the components of the digital euro infrastructure and testing.

At the same time, in line with the **Proposal for a Regulation of the European Parliament and of the Council on the establishment of the digital euro** published in June 2023, efforts are being invested into achieving a broad social consensus in order for the digital euro – as the digital form of cash – to become equivalent to cash and complement cash as the single legal tender in the euro area. The said legislative proposal is therefore a necessary legal but also a political prerequisite for the introduction of the euro. The digital euro would complement cash and together with cash cover the most important uses such as payments in shops, from person to person and online.

In a broad range of media activities CNB representatives reported on the reasons necessitating the introduction of the digital euro. A panel discussion was organised for this purpose in March 2024 under the name “**The Digital euro project and central bank digital money**”. The event was attended by numerous experts, various stakeholders and representatives of industry and academia, and was extremely well covered by the media. The importance of the digital euro project was addressed in public by the Governor as well as numerous representatives of the CNB expert services in their media appearances, at conferences and at lectures organised by the CNB.

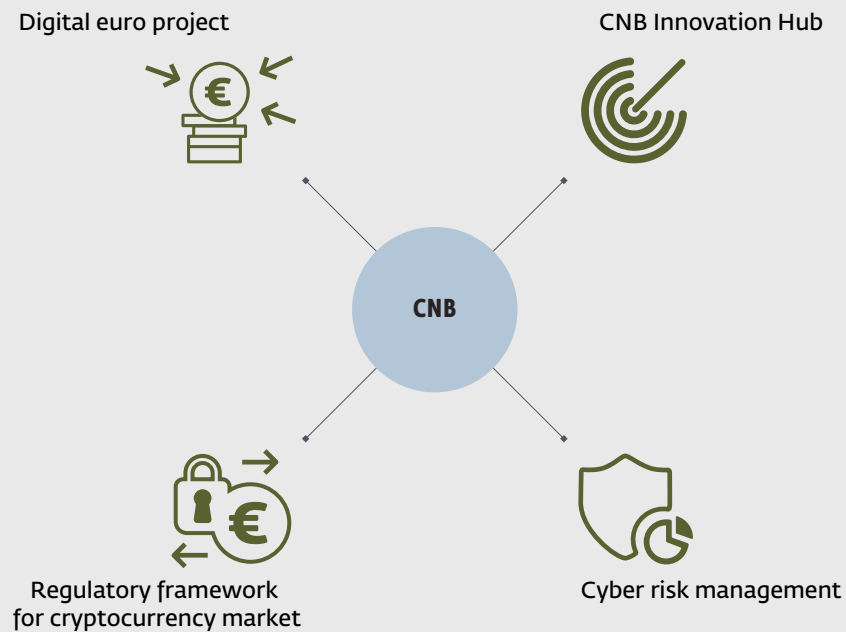
THE CNB INNOVATION HUB AND CENTRAL BANK INNOVATIONS

The CNB Innovation Hub provides non-binding and informal support to business entities developing an innovative FinTech product or service; it is a communication and information platform of the CNB established back in 2019. The interest in the application of advanced algorithmic solutions increased in 2024 – in machine learning and artificial intelligence as the technological basis for providing innovative financial products and services. In addition, there was also increased interest in the implementation of these technologies for enhancing the compliance of the financial institutions with supervisory requirements (SupTech) and the compliance of the financial sector with regulatory requirements in general (RegTech).

The topic of central bank digital money was further deliberated as part of the activities of the Bank for International Settlements (BIS), with the CNB participating in the work of its innovation hub network (**Bank for International Settlement Innovation Network**, BISIN). BIS also heads a working group that updates regulations

In 2024, one of more significant European regulatory initiatives in the field of technological innovation in finance entered into force, namely the Markets in Crypto-Assets Regulation.

The digital euro would serve for settling payments instantly both on- and offline and foster innovation and competitiveness in the retail payments market.

FIGURE 1 FinTech activities at the CNB

Source: CNB.

The interest in the application of advanced algorithmic solutions increased in 2024 – in machine learning and artificial intelligence as the technological basis for providing innovative financial products and services.

governing the field of FinTech, by cataloguing and categorising FinTech events. The CNB representatives regularly take part in the work of the mentioned **FinTech Repository** (FINREP) group which also serves as the place for central banks, BIS members, to exchange experiences relating to FinTech in general.

The CNB continued participating in the **European Forum for Innovation Facilitators (EFIF)** as the joint form of three European financial markets regulators, the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pension Authority (EIOPA), the European Commission and the European Central Bank competent for the monitoring and establishment of best practices of innovation facilitators in the EU. In addition, CNB experts participate in the work of the Innovation forum of the ECB (Innov8 Forum) within the framework of which they exchange experience with innovative solutions at central banks with particular stress on the use of artificial intelligence.

10

Euro banknotes and coins

One of the CNB's tasks is to facilitate the smooth supply of banks in Croatia with the necessary amount of cash, which includes the manufacturing, delivery, storage, processing and organisation of the distribution of cash, its protection against counterfeiting, the destruction of cash unfit for circulation, and the management of logistic reserves of banknotes and coins and strategic coin reserves. As of 1 January 2024, kuna cash still in circulation can only be exchanged at the CNB, coins until 31 December 2025 and banknotes without a time limit.

CASH ISSUANCE AND SUPPLY

The issuance of banknotes and coins and the supply of banknotes and coins in circulation in Croatia is one of the CNB's activities. The supply of banks with cash implies ensuring a sufficient amount of cash for banks and their clients (consumers and business entities), and it is based on the **Decision on the supply of banks with**

The printing of euro banknotes for the purpose of supply of the euro area has been divided among member states, and the CNB participated in 2024 with 103.14 million banknotes.

euro cash. It is organised through eight cash supply centres, which cover all parts of Croatia.

The printing of euro banknotes for the purpose of supply of the euro area has been divided among member states, and the CNB participated in 2024 with 103.14 million banknotes. In 2024, 17.6 million banknotes were shipped from Croatia to other euro area countries as surplus after domestic needs had been met.

The needs for euro coins were met through the production of 105.35 million coins in 2024. The coins were minted by the Croatian Mint.

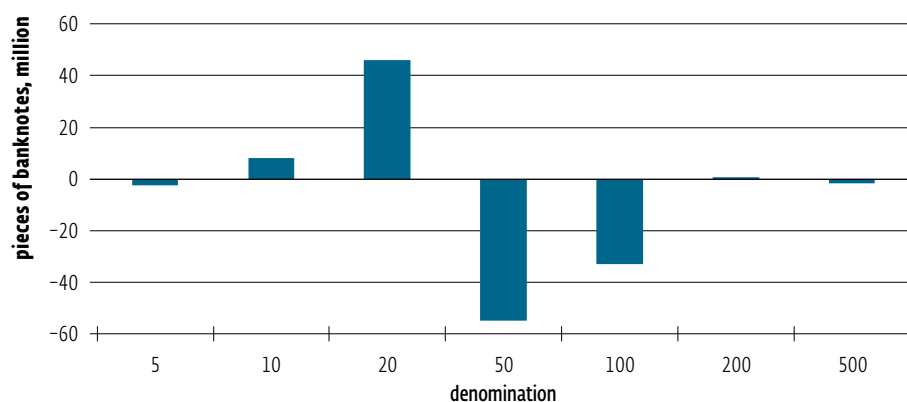
Balance, developments in and exchange of euro cash in circulation

Euro cash in circulation is being monitored at euro area level. As at 31 December 2024 there was EUR 1,622.8bn in circulation, a slight increase from the balance of EUR 1,600.7bn as at 31 December 2023.

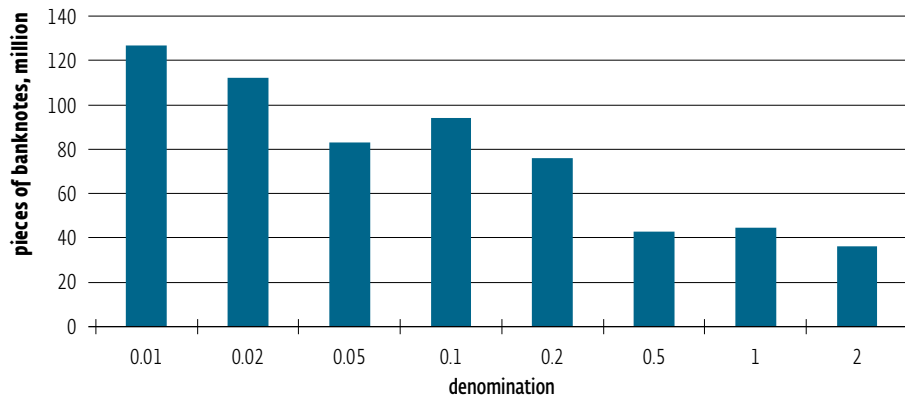
Developments in net issuance of banknotes are greatly affected by consumer habits, which is why the denominations used the most in every day circulation have a positive net issuance.

In 2024, 190.2 million euro banknotes with a total nominal value of EUR 4.8bn and 256 million euro coins with a total nominal value of EUR 84.5m were issued from cash centres in Croatia, while in the same period, 255 million euro banknotes with a total nominal value of EUR 8.8bn and 112.9 million euro coins with a total nominal value of EUR 60.6m were deposited in cash centres. Net issuance of banknotes and coins is monitored by tracking the difference between cash issued and cash deposited, broken down by denomination.

FIGURE 10.1 Net issuance of banknotes, January 2023 to December 2024



Source: CNB.

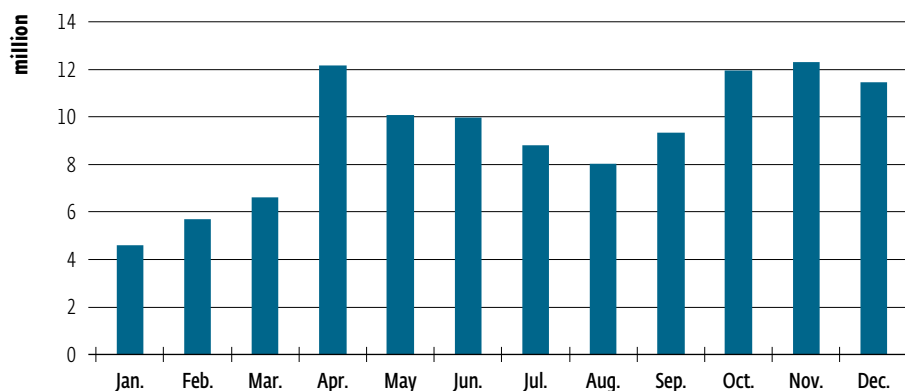
FIGURE 10.2 Net issuance of coins, January 2023 to December 2024

Source: CNB.

The extremely negative net issuance of banknotes in the denomination of 50 and 100 euro means that there were more banknotes deposited than issued, while the most often used banknote denomination of 20 euro had a particularly positive net issuance. The developments in net issuance of banknotes are greatly affected by consumer habits and denominations used the most in every day circulation have a positive net issuance, while those mostly used as a form of savings have a negative net issuance.

In contrast to banknotes, all coin denominations had a positive net issue, which means that more coins were issued than deposited. Coin denominations of higher nominal amounts (50 cent, 1 and 2 euro) were deposited the most, while coin denominations of the lowest nominal amounts of 1 and 2 cent were issued but very few returned from circulation.

The CNB withdraws euro banknotes and euro coins unfit for circulation and replaces them with euro banknotes and euro coins fit for circulation. In 2024, 24.2 million

FIGURE 10.3 Value of the kuna exchanged in 2024

Source: CNB.

pieces of unfit euro banknotes with a total value of EUR 622.2m and 5,727 pieces of unfit euro coins with a total value of EUR 5,123.32 were withdrawn from circulation.

Withdrawal of kuna banknotes and coins

As at 31 December 2024, there was still HRK 4.3bn in circulation. The most kuna were exchanged in the year of the introduction of the euro (HRK 21.3bn), and the downward tendency in the kuna exchanged is expected in line with the experiences of euro area countries that introduced the euro before Croatia.

As of 1 January 2024, kuna cash can be exchanged free of charge at the CNB; banknotes can be exchanged indefinitely, while coins can be exchanged until 31 December 2025.

As of 1 January 2024, kuna cash can be exchanged free of charge exclusively at the CNB. Banknotes can be exchanged indefinitely, while coins can be exchanged until 31 December 2025. Banks deposited HRK 341.7m through cash centres in January 2024 which were exchanged by 31 December 2023.

A total of 692.4 kuna banknotes were exchanged at the CNB's cash desk in 2024, in the total nominal amount of HRK 99.84, and a total of 5.33m of kuna coins in the total nominal amount of HRK 5.68m. There were also 53.1 thousand banknotes in the nominal value of HRK 5.51m and 105.3 thousand coins in the total nominal amount of HRK 110.3 thousand received via post and subsequently exchanged.

ISSUANCE OF COMMEMORATIVE AND NUMISMATIC COINS

Commemorative euro coins are issued only in the 2 euro denomination. Technical specifications, the common side and the edge lettering on commemorative euro coins are the same as on the regular, i.e. circulation coins with a denomination of 2 euro. What makes them different is their motif on the national side specific for the member state. Each euro area country may issue two 2-euro commemorative coins per year.

In 2024, the CNB released the second and third commemorative 2-euro coin into circulation to commemorate the introduction of the euro as the monetary unit of Croatia on 1 January 2023.



"Old town of Varaždin" – commemorative 2-euro coin

The second commemorative 2-euro coin since the introduction of the euro, "Old town of Varaždin" was released into circulation on 2 July 2024 as part of the "Croatian Cities" series with commemorative motifs that represent a renowned building in the City of Varaždin, whose representation was one of the basic motifs on the reverse side of the 5-kuna banknote.



"Marko Marulić" – commemorative 2-euro coin

The motif on the third commemorative coin issued since the introduction of the euro features the portrait of the Croatian writer Marko Marulić and was the main motif on the obverse side of the 500-kuna banknote. The coin was released into circulation on 15 October 2024.

Both commemorative coins were issued in series of 200,000 pieces.

FIGURE 10.4 Gold and silver numismatic coins

Numismatic coin
"Trsat Dragon"



Numismatic coin
"Black Lizard"



Numismatic coin
"150th Anniversary of the Birth of
Ivana Brlić-Mažuranić"



Numismatic coin
"Island of Susak"



Numismatic coin
"Puratić Power Block"



Numismatic coin
"Dražen Petrović"

In addition to the second and third commemorative euro coin since the introduction of the euro, in the same year, the CNB issued various numismatic issues of gold and silver coins with main motifs related to Croatia.

COMBATING THE COUNTERFEITING OF BANKNOTES AND COINS

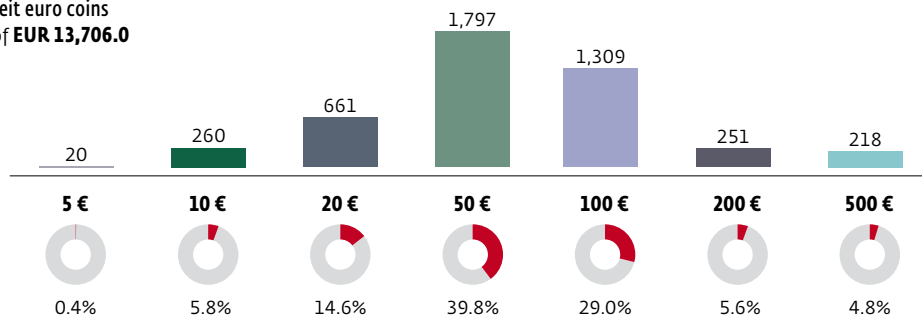
Over the course of 2024, the CNB recorded 4,516 counterfeit euro banknotes with a nominal value of EUR 395,870.0 and 6,984 counterfeit euro coins with a nominal value of EUR 13,706.0.

In 2024, 20 counterfeit kuna banknotes with a nominal value of HRK 7,860.0 were recorded, specifically: two 10 kuna banknotes, two 20 kuna banknotes, one 100 kuna banknote, six 200 kuna banknotes, five 500 kuna banknotes and four 1000 kuna banknotes. Counterfeit kuna coins were not registered in the observed period.

As for counterfeits of foreign currencies, 89 counterfeits were registered in 2024, of which 88 pieces were counterfeits of US dollar banknotes, and one a counterfeit of a pound sterling banknote.

FIGURE 10.5 Registered counterfeits of euro banknotes in 2024

4,516 counterfeit euro banknotes
with a value of **EUR 395,870.0**
6,984 counterfeit euro coins
with a value of **EUR 13,706.0**



Source: CNB.

In 2024, 20 counterfeit kuna banknotes were registered, a decline of 39.4% from 2023, when 33 counterfeits were registered.

In order to educate individuals who handle cash on a daily basis and the general public about cash, the CNB carries out the National Training Programme on Euro Banknote and Coin Authentication. The contents and schedule of the programme are adjusted to the target groups and are conducted at several levels. The objective of the training is that those attending should acquire knowledge on the security features of euro banknotes and coins in order to successfully verify their authenticity and prevent the receipt of counterfeit cash as authentic.

In 2024, some 1717 new participants entered the second level of the National Training Programme, intended for employees of banks and financial institutions, and a total of 9,123 certificates of successful training completion were awarded (renewed and newly acquired certificates). Also held were eleven workshops of the third level of the National Training Programme for 240 employees of banks and financial institutions.

Some 28 lectures and workshops were held in cooperation with the Croatian Chamber of Economy and the Customs Administration in 14 cities across Croatia for 1,075 employees of retailers, banks and other institutions.

The training intended for the public and retailers is accessible at the website [Euro edukacija](#) free of charge, no registration required.

NEW EU REGULATIONS RELATING TO EURO BANKNOTES AND COINS AS LEGAL TENDER

On 28 June 2023, the European Commission adopted a legislative proposal of the Regulation of the European Parliament and the Council on the legal tender of euro banknotes and coins (hereinafter: Regulation) aiming to protect the role of euro cash and ensure full equality of euro cash and the future digital euro as regards their status as legal tender. The regulation will also lay down rules and exceptions as regards euro cash payments. Work on its finalisation and harmonisation of the proposal at EU level continued in 2024.

NEW EURO BANKNOTES

In 2021 the ECB launched the process of developing new themes and designs for future euro banknotes. In 2023, it selected two themes for the new design “European culture: shared cultural spaces” and “Rivers and birds: resilience in diversity”.

The theme “European culture” celebrates the shared cultural spaces that have shaped European identity over the centuries, while the theme “Rivers and birds” highlights the resilience and diversity of Europe’s natural ecosystems by showcasing different stages of rivers and various bird species, emphasising the importance of nature and environmental protection.

In 2024 a multidisciplinary advisory group, established by the ECB, put together possible motifs to represent the two chosen themes: The motifs advisory group aimed to propose motifs that would not only be acceptable throughout the euro area but also meaningful enough for all European citizens to identify with. The objective was to find a balance between motifs that are widely recognised by the public and motifs that are lesser known but still have important historical relevance, especially those related to individuals, art, buildings and places.

The theme “European culture” celebrates shared cultural spaces, while the theme “Rivers and birds” highlights the resilience and diversity of Europe’s natural ecosystems.

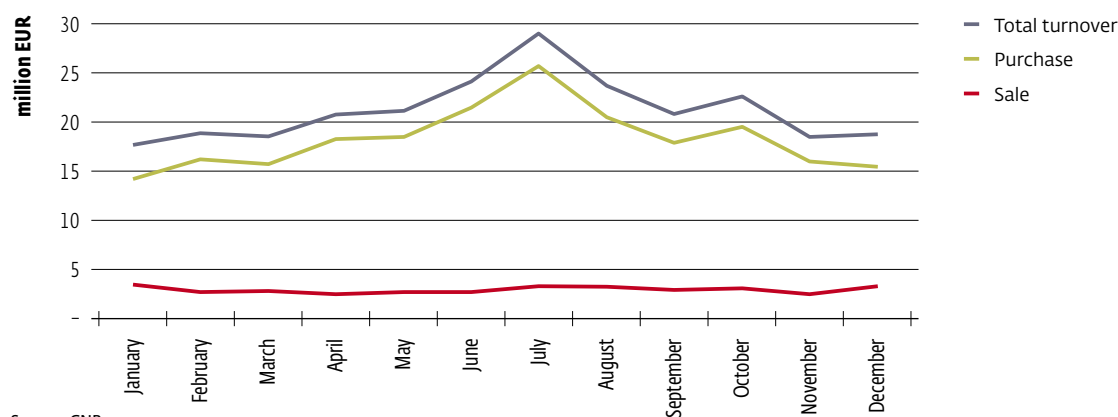
11

Authorised currency exchange offices

The reduction in the number of authorised currency exchange offices that started with the introduction of the euro as the official currency in the Republic of Croatia continued in 2024. Of 290 authorised currency exchange offices at the beginning of the year, 253 legal persons and sole traders were authorised to conduct currency exchange transactions at the end of 2024.

Of the total of 253 authorised currency exchange offices operating at the end of 2024, currency exchange services were offered by some 200, while some 50 of them did not provide these services. Authorised currency exchange offices traded in foreign cash of 46 foreign currencies, generating a turnover of EUR 254.78m (sale and purchase). Of that amount, EUR 219.49m or 86.15% was accounted for by the purchase of foreign currency cash. The US dollar accounted for over 55% of the trade, while the Swiss franc accounted for some 19% of the trade.

FIGURE 11.1 Movement of total turnover and purchase and sale of foreign cash in 2024

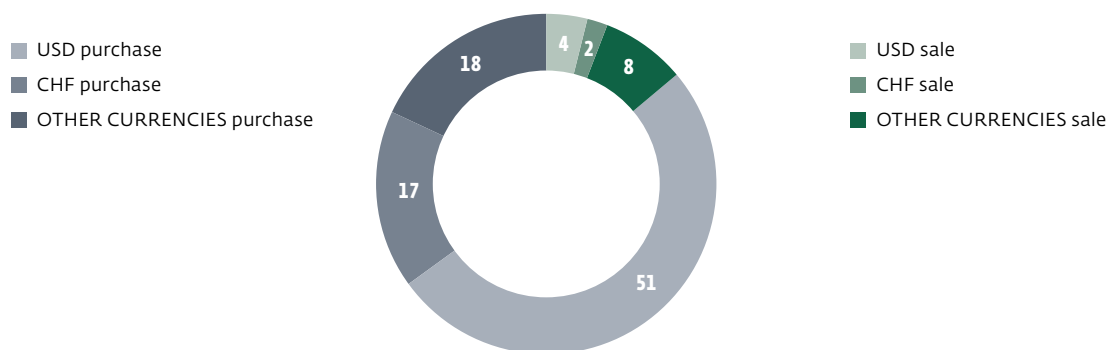


Source: CNB.

The turnover of authorised exchange offices fell by EUR 22.83m or 8.22% from 2023.

In 2024, the CNB issued two authorisations to conduct currency exchange transactions, 31 decisions on the withdrawal of authorisation to conduct currency exchange transactions and also recorded six authorisations that ceased to be valid as a matter of law.

FIGURE 11.2 Share of purchase and sale of foreign cash by currency in total turnover in 2024



Note: Values are rounded to the nearest whole number.
Source: CNB.

12

CNB in the EU and the international environment

By introducing the euro as the national currency, the CNB became part of the Eurosystem, and the Governor of the CNB became a member of the ECB's Governing Council. The Governor continues to participate in the work of the General Council of the ECB and the General Board of the European Systemic Risk Board. Within the banking union, i.e. within the Single Supervisory Mechanism and the Single Resolution Mechanism, CNB representatives are included in the work of the ECB's Supervisory Board and the Single Resolution Board and their working bodies. Vice governors and experts of the CNB are involved in the work of numerous working bodies of the Eurosystem, the ESCB and the European Banking Authority, as well as of the working bodies of the Council of the European Union and the European Commission. The CNB's successful cooperation with the IMF, BIS and other international financial institutions of which Croatia is a member in 2024, as well as with the OECD within the framework of negotiation on Croatia's accession to the organisation. The upward trend in the number of technical cooperation activities observed over the past years continued in 2024.

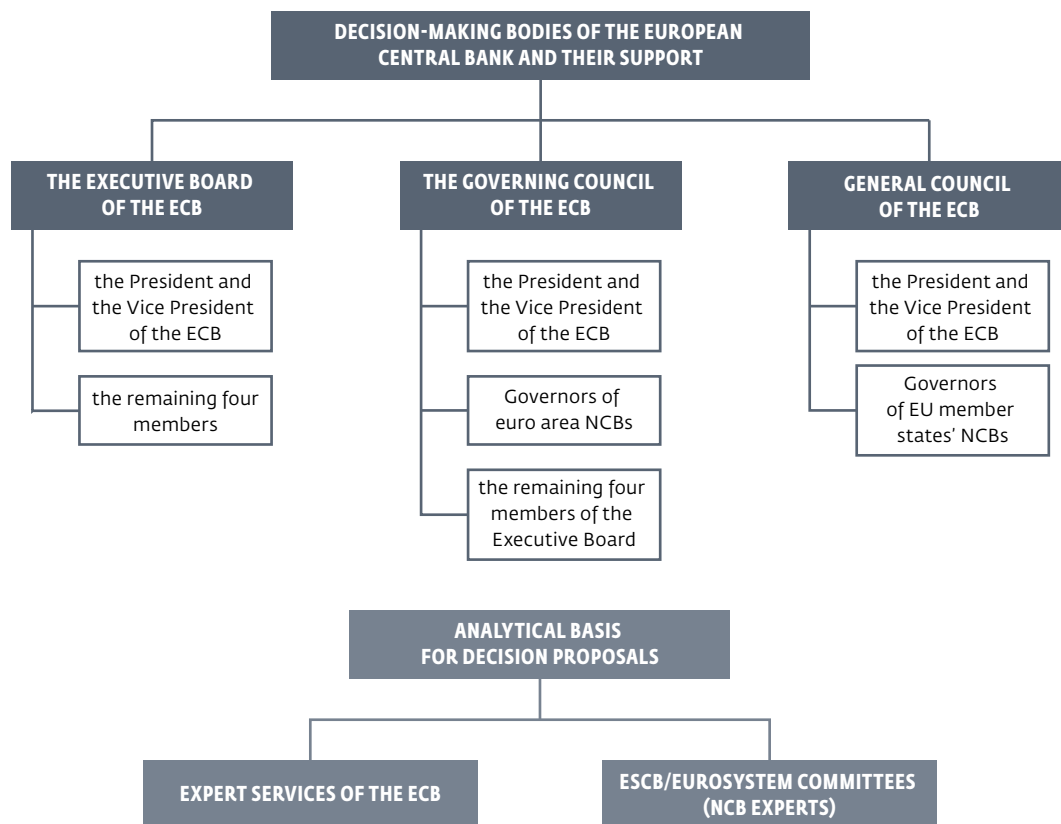
ACTIVITIES CONNECTED WITH EU MEMBERSHIP

European System of Central Banks (ESCB)

By introducing the euro as the national currency, the CNB became part of the Eurosystem, and the Governor of the CNB became a member of the Governing Council of the European Central Bank, its highest governing body. The ECB's Governing Council decides on the joint monetary policy of the euro area and adopts the guidelines and decisions aiming at the execution of the tasks assigned to the ECB and the Eurosystem by the Treaty on the Functioning of the European Union. It comprises six members of the Executive Board of the ECB and the governors of the national central banks of the EU member states that adopted the euro. Every six weeks, the Governing Council assesses economic and monetary developments and takes decisions on the monetary policy. At other meetings the Governing Council discusses issues related to other tasks and responsibilities of the ECB and the Eurosystem. In 2024, the ECB's Governing Council held 15 meetings of which 7 were dedicated to monetary policy.

By introducing the euro as the national currency, the Croatian National Bank became part of the Eurosystem, and the Governor of the CNB became a member of the Governing Council of the European Central Bank, its highest governing body.

FIGURE 12.1 Decision-making bodies of the European Central Bank and their support



Note: NCB stands for national central bank.
Source: CNB.

In addition to participating in the ECB's Governing Council, the Governor of the CNB also participates in the work of the General Council, comprising the President and the Vice President of the ECB and the governors of the national central banks of the EU member states. In 2024, four meetings of the General Council were held, where macroeconomic, monetary and financial developments in the EU were discussed.

CNB experts took part in the work of 18 ESCB and Eurosystem committees, as well as numerous sub-committees and working groups that provide expert assistance to ECB decision-making bodies. As a member of the ESCB, the CNB also takes part in the formulation of ECB opinions concerning draft legislative proposals of the EU and individual EU member states.

European System of Financial Supervision

The CNB participates in the work of the European Systemic Risk Board (ESRB), as part of the European System of Financial Supervision. The Governor and the chief economist of the CNB participate in regular quarterly meetings of the ESRB General Board dealing with systemic risks to the EU financial system and macroprudential policy measures.

The CNB also participates in the work of the European Banking Authority (EBA). The competent vice governors are members of the Board of Supervisors and the Resolution Committee, and members of relevant organisational units participate in the meetings of numerous committees and working bodies of the EBA.

EU banking union

The Vice Governor of the CNB in charge of bank supervision continued to participate in the work of the Supervisory Board of the ECB in 2024 within the framework of the Single Supervisory Mechanism in which the CNB participates. The Supervisory Board meets every three weeks to plan and implement the ECB's supervisory tasks. Furthermore, CNB representatives, the competent Vice Governor and the Director of the Credit Institutions Resolution Office participate in all plenary and executive meetings of the Single Resolution Board at which decisions related to resolution planning and Single Resolution Fund management are made. CNB experts also participate in the work of numerous committees and working groups that provide expert support to the Supervisory Board of the ECB and the Single Resolution Board.

EU Council and the European Commission (EC)

In 2024, CNB experts continued with their regular activities in the working bodies of the EU Council and the EC, which includes discussions on draft legislation and other EU acts and the participation in the preparation of the positions of the Republic of Croatia related to topics in the fields of competence of central banks, such as improving the quality of financial services and the stability of the EU financial system. The Governor and Deputy Governor took part in informal meetings of the EU Economic and Financial Affairs Council (ECOFIN). Designated CNB representatives participated in the work of the Economic and Financial Committee (EFC) of the EU Council, which promotes the coordination of national economic policies and discusses the relevant EU initiatives.

The EU's 2024 economic policy was marked by the beginning of the EU's new institutional cycle and the new 5-year legislative mandate of the European Commission until 2029 after the elections for the European Parliament held in June 2024. In its guidelines the EC announced new strategic initiatives, including the strengthening of the competitiveness of the EU economy on a global scale and improvement in the integration of the single EU market serving to adjust the EU's economic policy to the new era marked by geopolitical turbulence and heightened economic uncertainties. In this context, the EC will also continue to work to make it easier for companies to do business, to increase investment in clean industry and digital technology, as well as to strengthen the EU's capacity to face various security challenges.

The new initiatives of the European Commission, which underpin the preparation of future legislative acts, also steer the work of the EU Council, which in 2024 started discussing the mentioned topics of strategic importance for the EU. In addition, a significant part of the discussions concerned the economic and financial consequences of the Russian aggression against Ukraine, with EU Member States deciding on packages of sanctions against the Russian Federation on numerous occasions and also agreeing on long-term financial assistance for the recovery and reconstruction of Ukraine. In addition, relating to the financial services markets, working bodies of the EU Council discussed further measures for increasing the international competitiveness of European banks and their resilience to potential future shocks, envisaged under the global Basel III standard. Work was continued on the mitigation of risks in the banking system, through the completion of the common EU framework for crisis management and further harmonisation of national rules for the winding-up of banks and protection of household deposits. In addition, activities continued on the building of a capital market union, which, by deepening and integrating EU's financial markets, aims to provide better access to various sources of financing, necessary for corporate growth and in general for the realisation of European investments as the precondition for a more competitive European Union. The focus of discussions was on measures for improving the functioning of market infrastructure and the system of oversight, as well as on the introduction of new investment products aimed at increasing the attractiveness and safety of the EU's financial system for household investments.

The working bodies of the Council also discussed new rules to modernise the services of digital payments and transactions within the EU, aiming at improving the safety of consumers, increasing choice when selecting new payment service providers and reducing financial fraud. Activities also continued on the potential introduction of the digital euro to complement cash.

In 2024, new European fiscal rules entered into force, completing the reform of the EU's common economic governance framework. It is expected that new rules will ensure greater transparency and predictability of national fiscal policies and contributing to the sustainable reduction of high public debt levels and the creation of balanced budgets of member states by taking into consideration specific national circumstances. The backbone of the EU's new common economic governance framework is made up of national fiscal-structural plans – strategic documents

In its guidelines the EC announced new strategic initiatives, including the strengthening of the competitiveness of the EU economy and the improvement of the integration of the single market.

Activities continued on the building of a capital market union, which, by deepening and integrating EU's financial markets, aims to provide better access to various sources of financing.

in which member states lay down their own target fiscal indicators, and planned structural measures and investments for the upcoming four years – the implementation of which the EC will monitor on annual basis. The national medium-term fiscal-structural plan of the RC for 2025 – 2028 was adopted at the end of 2024. In addition, the Croatia continued to implement the complementary strategic document, the National Recovery and Resilience Plan, pursuant to which Croatia, as other member states, obtains EU funds to implement adequate reform and investment projects under the Recovery and Resilience Facility (RRF).

Other activities connected with the European Union

In 2024, the CNB continued to make contacts with representatives of EU member state central banks and representatives of the ECB and other EU institutions and bodies. Particularly worth noting were the meetings with the representatives of the European Commission and the eighteenth annual dialogue between the CNB and the Austrian central bank.

As of November 2023, the House of the Euro is active in Brussels, as a platform and shared space in which the ECB and individual Eurosystem central banks¹ through mutual cooperation promote the interest of the Eurosystem in its relationship with the main stakeholders in Brussels. This primarily refers to issues related to the banking union, capital market union and other EU initiatives and policies of interest to Eurosystem central banks. The CNB maintains regular contact with the staff of the ECB's office at the House of the Euro, which includes one expert from the CNB.

INTERNATIONAL MONETARY FUND (IMF)

The CNB is the fiscal agent of the Republic of Croatia for the IMF and a depository of the IMF, which means that it represents Croatia in relations with the IMF, keeps deposit accounts of the IMF in the RC and executes payments based on IMF membership. The quota of the Republic of Croatia in the IMF is SDR² 717.4m (EUR 899.5m³), based on which Croatia holds 0.17% of total voting rights in the IMF.

Croatia is a member of the IMF constituency that comprises 16 countries⁴ and is alternately headed by the Netherlands and Belgium. As of 1 November the Executive Director is the Belgian representative Jeroen Clicq. This constituency, with 5.46% of the total votes in the IMF, has the fourth largest voting power in the IMF Executive Board, preceded only by the US, Japan and China. Croatia has a permanent representative at the Office of the Executive Director of the constituency at the position

¹ Bundesbank, the Central Bank of Ireland, Banco de España, Banque de France, Banca d'Italia, the Central Bank of Malta and the Bank of Slovenia have their independent offices.

² The SDR is an international reserve asset created by the IMF in 1969 to supplement international foreign reserves. Funds are allocated by general allocation to IMF member countries in proportion to each country's quota. SDR value is based on a basket of five currencies – the US dollar, euro, yuan renminbi, yen and pound sterling. SDR also serves as a unit of account by the IMF and some other international institutions.

³ According to the EUR/XDR exchange rate as at 31 December 2024.

⁴ Andorra, Armenia, Belgium, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Moldova, the Netherlands, North Macedonia, Romania, and Ukraine.

of advisor to the Executive Director, held by a CNB representative. The year 2024 was challenging for the Dutch-Belgian constituency because four of its members are using IMF financial assistance programmes, but also because of hostilities in in several of its members and the impact these have had on other members, particularly neighbouring countries.

On the domestic front, the national legislative framework governing operations with the IMF was reformed in March 2024 after more than a decade. Pursuant to the Decision of the Government of the Republic of Croatia on the manner of conducting business and settling obligations arising from the membership of the Republic of Croatia in the IMF, which entered into force on 11 March 2024, the CNB took over from the Ministry of Finance of the RC the responsibility of settling the financial obligations towards the IMF relating to the quota, future obligations related to the status of a creditor country in the IMF and obligations related to the allocation of SDRs, while the obligations obtained through succession were settled by the Ministry of Finance in mid-2024 in full.

In 2024, the operational preparations for the status of a creditor country in the IMF intensified in the CNB. Namely, the strengthened external position of the RC and its accession to the euro area, induced the IMF to announce in early 2024 that it was deliberating including the RC in the creditor countries in the IMF. Creditor countries in the IMF are selected members that participate in financing loans granted by the IMF and are selected by the IMF Executive Board based on indicators such as external debt, current account developments and the balance of international reserve assets.

As part of regular annual consultations with Croatia under Article IV of the IMF's Articles of Agreement, at the end of May 2024, the IMF's expert team came for a two-week visit to Croatia, during which a series of meetings were held with the representatives of the CNB, the Ministry of Finance and other government administration bodies, government institutions and the private sector. It was pointed out in the [press release](#) after the conclusion of the Consultation in July that the Croatian economy had performed strongly despite consecutive external shocks. After the strong post-pandemic activity, economic growth moderated but continued to exceed the euro area average. In addition, the IMF stressed that inflation had decelerated considerably since 2023 but still persisted above the euro area average, predominantly owing to elevated food and services inflation. It is expected that inflation will remain elevated under the influence of the growth in wages, but the IMF envisages that it may stabilise at some 2% by the end of 2025. The main risks include economic uncertainty, geopolitical tensions and volatility in the prices of goods on the world's markets. The financial sector was assessed as stable, with high capitalisation and bank liquidity. However, the IMF highlighted the need for close monitoring of the real estate market, especially in the context of affordable living. The IMF supported the plan of Croatian authorities to meaningfully reduce the budget deficit in 2025. In addition, the IMF underscored the challenge of labour shortages which remains highly visible and suggested measures to foster labour participation and labour mobility and reduce emigration. The IMF also suggested

The strengthened external position of the RC and its accession to the euro area induced the IMF to announce in early 2024 that it was deliberating including the RC in the creditor countries in the IMF.

reforms aimed at increasing the productivity of the Croatian economy and accelerated implementation of green policies.

Cooperation and exchange of opinions with IMF experts during 2024 took place through the participation of Croatian representatives in regular Spring Meetings in April and the IMF and World Bank Annual Meeting in October.

On the international front, the IMF undertook numerous steps in 2024 to additionally assist developing and poor countries and ensure funds for their financing.

After the Board of Governors of the IMF pursuant to the 16th General Review of Quotas at the end of 2023 decided to increase IMF members' quotas by 50%, in 2024 member countries were asked to give consent.¹ Accordingly, on 31 October the Government of the RC adopted a Decision to accept the increase in RC quota in the IMF, which will increase the RC quota in the Fund by a total of 1,076.1m SDRs.

Late in 2024, the number of Executive Directors of the IMF was increased from 24 to 25, with the additional seat on the board intended for countries of sub-Saharan Africa, aiming to strengthen the representation of the region in the IMF. In addition, the IMF reformed the structure of **surcharges** it imposes on its loans, thus reducing borrowing costs for countries in need of financial assistance. Finally, consensus was reached on the manner of ensuring additional funds for subsidising interest payments on loans to low-income countries granted within the framework of the **Poverty Reduction and Growth Trust (PRGT)**. The CNB contributed to these efforts by signing the agreement in September 2024 on investing 519,161 SDRs in the PRGT. The funds are deposited for ten years and all income generated by the PRGT from these funds will be used to subsidise lending to poor countries.

COOPERATION WITH THE BANK FOR INTERNATIONAL SETTLEMENTS (BIS) AND OTHER INTERNATIONAL FINANCIAL INSTITUTIONS

The Governor of the CNB also participated in the work of the BIS in 2024. At the Annual General Meeting of the Bank for International Settlements held in June 2024 a decision was reached to pay a dividend of SDR 370 per share, that is the normal dividend of SDR 295 and a supplementary dividend of SDR 75 per share,

As part of the process of the Republic of Croatia's accession to the OECD, the CNB participates in negotiations in four out of a total of 25 OECD committees.

to reflect the strong results of the last two financial years. Since the CNB holds 2,441 BIS shares, it was paid a dividend of SDR 0.9m, that is, EUR 1.1m.

The CNB continued to cooperate with other international financial institutions and organisations, especially the Organisation for Economic Co-operation and Development (OECD). Namely, as part of the process of the Republic of Croatia's accession to the OECD, initiated in 2022, the CNB participates in negotiations in four out of a total of 25 OECD committees assessing compliance of the RC with OECD's regulations and policies and three working groups within the competence of these committees. After the positive conclusion of

¹ For the quota increase to become effective, it is necessary to obtain consent of member countries having not less than 85% of total quotas in the IMF. By the end of 2024, consent was obtained by countries making up 61% of the total quota.

the negotiations with the Committee on Financial Markets in 2023, the accession process in the working groups for financial consumer protection and financial education was also completed, in January 2024. The RC may become an OECD member no earlier than at the beginning in 2026, subject to the condition that, in addition to a positive evaluation of its readiness for membership by all 25 committees, two economic surveys for Croatia are made, which the OECD prepares every two years. The first was released in September 2023.

In February 2024, the CNB together with the OECD, the Union for the Mediterranean (UfM), European Institute of the Mediterranean (IEMed) and Banco de España, organised the **Mediterranean Central Banks Conference** in Split. Within the framework of the conference “Stay the Course in Turbulent Times: Old and New Challenges for Central Banks” the governors of the central banks of Malta, Portugal, Slovenia, Spain and Croatia, as well as senior representatives of the OECD and the IMF, and other international institutions discussed the fight against inflation, the risks associated with climate change while promoting of the inclusion and economic participation of women.

OTHER ACTIVITIES

After Croatia officially became a member of the Centre of Excellence in Finance (CEF Lubljana)¹, its experts participated in different CEF activities in 2024, such as workshops, working groups and research, while its senior representatives participated in the meetings of the CEF Governing Board. In addition, a three-day meeting of CEF coordinators was held at CNB premises in October 2024, which gathered representatives of all CEF member countries.

CNB representatives also participated in interdepartmental activities as part of the Working Group for Cooperation between the Republic of Croatia and Ukraine and the Commission for International Development Cooperation and Humanitarian Aid Abroad.

TECHNICAL COOPERATION PROGRAMMES

The upward trend in the number of technical cooperation activities observed over the past years continued in 2024. Moreover, if one takes into account the activities that took place in relation to several twinning projects in which the CNB participated in the 2018 – 2021 period, it may be said that the number of meetings and consultations held in 2024 in the context of technical cooperation was the highest since the CNB's experts started participating.

The majority of completed activities were also conducted bilaterally in 2024 – based on a direct agreement between two institutions – and were therefore financed from their own budgets. However, 2024 saw a significant number of activities taking

¹ The CEF is an international organisation serving as a “knowledge hub” for public officials in South-eastern Europe with the goal of strengthening cooperation and capacities in the management of public finance and central banking of these countries. CEF member countries participate in its work through its Governing Board, and Governing Board members are usually the minister of finance and the central bank governor.

place with the support of TAIEX (Technical Assistance and Information Exchange), an instrument of the European Commission for the transposition of legislation and familiarisation with the best practices of the EU.

The CNB’s technical cooperation with the Central Bank of Montenegro was most intensive in 2024, in terms of both the number and duration of activities, and the number of experts engaged. In addition, there were numerous activities undertaken with the National Bank of Ukraine, National Bank of the Republic of North Macedonia the central bank of Kosovo other central banks of EU candidate countries, as well as other central banks. The CNB experts dedicated approximately 245 days to a total of 39 activities.

Within the framework of the EU’s Pericles IV programme, in November 2024 the CNB started implementing the project *Alert – Euro counterfeit technical analysis training and enforcement of ALERT network in South-East Europe*. The main objective of the Pericles IV programme is to prevent currency counterfeiting and related fraud and to preserve the integrity of euro banknotes and coins. Project participants include specialists in the field of currency counterfeiting of the central banks of Albania, Bosnia and Herzegovina, Montenegro, Serbia, Türkiye, Greece and Kosovo, the Greek police and the Kosovo Forensic Agency.

In 2024, the second stage of the Regional Programme for Strengthening the Central Bank Capacities in Six Western Balkans Countries with a view to integration in the ESCB continued. As in the first stage of the programme, in this stage, the CNB participated in the programme alongside 19 other central banks of EU member states and the ECB, under the leadership of Deutsche Bundesbank. In the CNB, as one of the most active central banks in the programme, training events on the legal aspects of EU integration and a high-level policy workshop on cash management were held in November and there was a meeting of the programme’s Governing Board in December 2024.

In 2024, the second stage of the Regional Programme for Strengthening the Central Bank Capacities in Six Western Balkans Countries with a view to integration in the ESCB continued.

FIGURE 12.2 The share of partner central banks in the total number of man-days in the Regional Programme for Western Balkans



Note: Other central banks are listed in accordance with the official code of their country, as follows: Slovenia, Luxembourg, Germany, Poland, Bulgaria, Czech Republic, Lithuania, Estonia, the Netherlands, Belgium, France, Slovakia, Ireland and the European Central Bank.
Source: CNB.

4 CNB and climate change

Climate change is one of the greatest global challenges of today, directly affecting the price and financial stability that are the core objectives of central banks so this issue plays an important role in all of their activities. Therefore, from the beginning of 2024 the CNB started implementing its Climate Strategy directed towards better understanding and management of climate risks, support to green transition and reduction of its own carbon footprint. The main activities undertaken during the year as part of the implementation of the Climate Strategy are summarised below.

Since the research, regulatory, supervisory and operating activities of the CNB related to climate changes are numerous and diverse, the CNB has established a working group for the coordination of its climate-related activities. The working group, the central coordination mechanism for climate-related activities, ensures the compliance and dedication of various organisational units with respect to achieving Climate Strategy objectives. Working group meetings have focused on the exchange of experiences, knowledge and on good practices. Key topics include the activities of international and EU institutions; CNB supervisory activities directed at improving the readiness of credit institutions to recognise and manage climate and environmental risks; assessment of the exposure of the financial system to climate risks; the publication of information on the mutual impact of the CNB's non-monetary portfolio and climate changes; statistical climate data and own carbon footprint. Hrvatska poštanska banka has presented its activities related to the implementation of EU taxonomy and transition towards sustainable operations to the members of the working group and the first climate dialogue was held with Banka Slovenije. In addition, a workshop was held presenting the IMF's climate stress testing.

Two new research efforts were launched – research into the effects of the EU Emissions Trading System on inflation, consumption and competitiveness and research into the impact of climate conditions on the tourist sector.

For a better understanding of the impact of climate policies on the economy, the CNB has included the effects of climate transition and climate change in its research and launched two new research efforts – research into the effects of the EU Emissions Trading System on inflation, consumption and competitiveness and research into the impact of climate conditions on the tourist sector.

Since climate-related physical and transition risks may affect the loan recoverability of individual credit institutions, as well as the stability of the entire financial system, in 2024 the CNB improved its analytical models for climate risk assessment and the methodology for monitoring their impact on banks' operations. It started using satellite images and geographical data for the analysis of physical risks caused by floods and droughts, which provides for more precise monitoring of the risks and long-term effects of climate change.

The efficient management of climate risks does not depend only on regulatory bodies – commercial banks must also integrate climate and other sustainability

factors into their risk management processes. In order to ensure that banks adequately incorporate risk and other sustainability factors in their risk management, the CNB continued its supervisory activities concerning less-significant credit institutions, monitoring their compliance with previously issued recommendations related to adequate climate risk management.

The Vienna Initiative's working group on climate change, within which the representatives of the CNB Supervision Area have a leading role in the field of supervisory practice and expectations, finalised its concluding report, warning about key problems in the context of sustainability risks in central and east European countries. In addition, the CNB participated in ECB and EBA working groups and the EU Flagship project – ESG risk management framework for the financial sector, the main objectives of which include the defining of data required for monitoring and oversight of sustainability risks at banks, development of oversight methodology for ESG risk management and improvement of the existing models for climate risk stress testing of credit institutions.

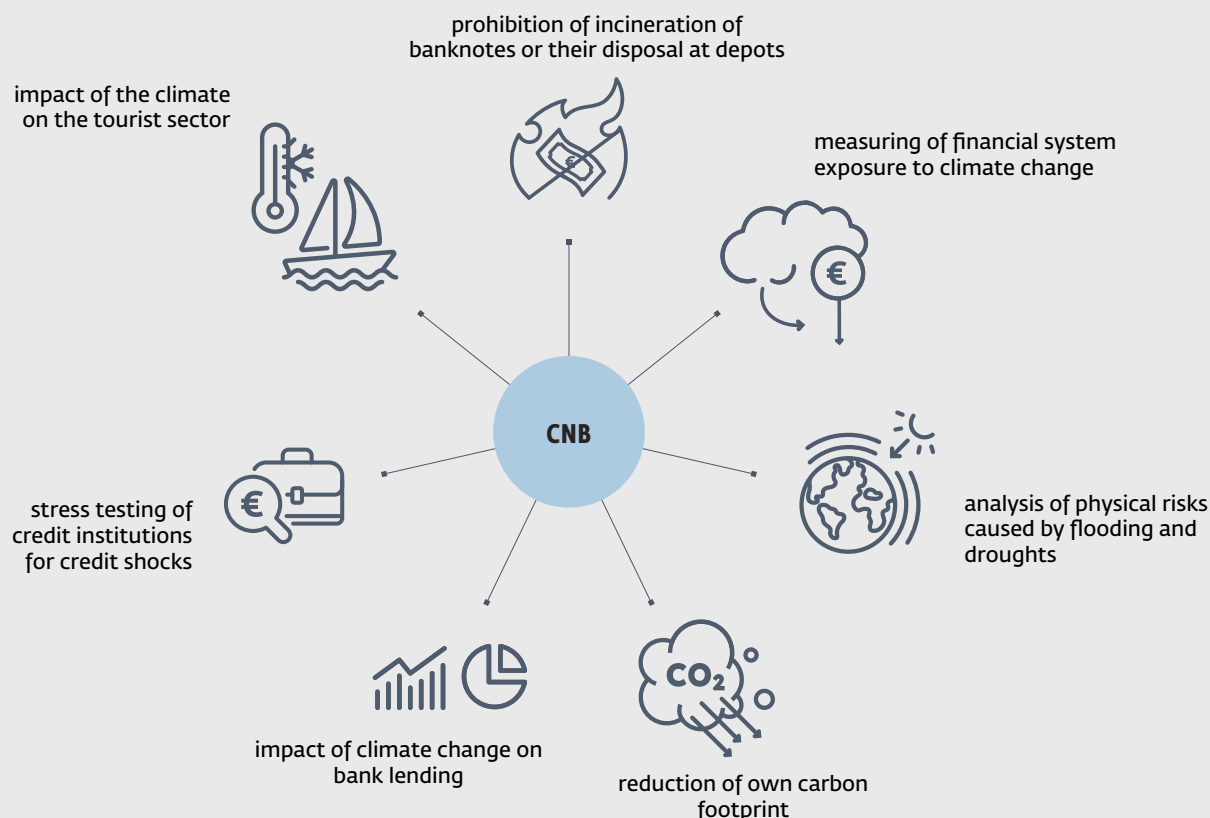
Reliable data are key for understanding and efficient management of climate risks. With this in mind, the CNB has intensively developed the monitoring of climate indicators in 2024, responding to new reporting requirements and cooperating with European and international institutions. The collection of data on the impact of climate change on bank lending continued and cooperation deepened with the Croatian Bureau of Statistics and the Central Depository and Clearing Company to map climate indicators more precisely. In addition, for the first time in 2024 the CNB included in the Annual Implementation Plan of Statistical Activities the collection and preparation of experimental indicators of climate change, aiming at establishing a methodological framework for assessment of climate risks in the financial system.

The CNB actively follows ECB analyses of how different methods of electronic payments affect the environment, recognising payments digitalisation as an opportunity to reduce the impact on climate and the environment. In addition, more concrete steps are undertaken to make the cash cycle more environmentally sustainable. In the segment of banknote disposal an agreement was concluded relating to the disposal and recycling of shredded kuna and euro banknotes in 2025 and 2026, prohibiting their disposal by incineration or disposal at depots. In addition, the system of banknote processing and destruction was improved, including the implementation of new technologies which provide for disposal of shredded banknotes without the use of plastic bags.

Climate-related and environmental risks are also taken into consideration when managing the financial asset portfolio. The share of ESG investments in its structure depends on their compliance with the entire portfolio management strategy, which is primarily directed by the principles of liquidity and investment security. In order to increase transparency related to potential climate risks in the financial asset portfolio, in 2024 the CNB published a comprehensive climate re-

Analytical models for climate risk assessment and the methodology for monitoring their impact on banks' operations were improved.

The CNB has intensively developed the monitoring of climate indicators in 2024, responding to new reporting requirements and cooperating with European and international institutions.

FIGURE 1 Climate-related activities of the CNB in 2024

Source: CNB.

port for non-monetary portfolios in 2023, which is divided into four thematic areas: management, strategy, risk management and indicators and objectives.

Aiming to set an example of responsible operation, the CNB actively monitors and undertakes measures to reduce its own carbon footprint. The CNB's working group for proposing measures aimed at reducing greenhouse gas emissions and protecting the environment calculated the carbon footprint arising from the CNB's operations in 2023, including activities from scope 1 and scope 2, and individual activities from scope 3. Accordingly, concrete measures were proposed for its reduction, including increasing the energy efficiency of CNB buildings, its waste reduction, green public procurement and optimisation and digitalisation of business processes. Some of these measures have already been put in place.

Measures were taken by the CNB to reduce its own carbon footprint.

The CNB actively contributes to raising awareness of climate-related risks in the financial sector and society as a whole through education, research and public discussions. CNB representatives have participated in numerous conferences and events at which climate change has been discussed in the context of the conduct and implementation of monetary policy, financial stability and sustainable economy, additionally stressing the role

of the financial sector in green transition. In addition, sustainability has become an integral part of CNB activities related to financial literacy – the Visitors' Centre organised lectures on central banking and green finance in the age of climate change, while Moneterra – the Money Museum of the Croatian National Bank has been systematically incorporating the issues of climate and the environment in its permanent exhibition, as well as into its occasional thematic exhibition “The Journey of Money from Printing Plate to Recycling” which explains the life cycle of cash.

13

Public relations

The greatest communications challenges faced by the CNB in 2024 were the impact of the tightening of the ECB's monetary policy followed by its easing on inflation and the interest rates of commercial banks, the opening of Moneterra – The Money Museum of the Croatian National Bank, the exchange of kuna banknotes and coins for the euro and the level of bank fees. In addition, there was a public focus on CNB activities relating to the improvement of financial literacy and the transition of bank clients from tacit to agreed overdraft facilities, the preparations for the introduction of the digital euro, as well as on the CNB's commemorative numismatic issues.

In recent years, the promotion of financial literacy has become one of the largest projects of the ECB and all euro area national central banks. In February this year, the ECB launched a dedicated web page **Financial literacy in Europe** which provides access to all ECB and NCB initiatives, including those by the CNB, aimed at providing European citizens the knowledge and skills for making informed financial decisions. The opening and operation of Moneterra – the Money Museum of the Croatian National Bank, placed the CNB among the numerous central banks that have money museums and information centres and was the most important communications project of the Communications Area in 2024. Before the official opening of Moneterra in June a targeted public information campaign was launched in the national press, on radio, web portals and billboards (in Zagreb) and on social media, aiming at informing citizens of all generations of the opening of the museum where they would be able to find out a lot about money, its history, banks and central banks as institutions competent for preserving price and financial stability in a modern and stimulating way. The opening of Moneterra was mentioned in the media 63 times, which was only the beginning of a comprehensive communications campaign aimed at its promotion. Special attention was dedicated to activities relating to the organisation of the Moneterra Open Door Day in November. The citizens were offered the chance to learn about money, banking, personal finances, monetary policy and the role and tasks of central banks from exhibits, videos, research and games. The Moneterra Open Door Day was again well covered by the media, being mentioned 26 times, and achieve a noticeable reach on the CNB's social media accounts. In its future operations, the CNB will continue to strengthen efforts invested into improving financial literacy through all available channels and create new ones, primarily targeting younger audience.

Another major communications challenge in 2024 was to provide timely and accurate information to the public on all aspects of the change in the ECB's monetary policy through the lowering of the key interest rates in June 2023 after there had been a period of monetary policy tightening followed by key interest rates of the ECB being held at their record high. The focus was laid on explaining mechanisms through which key ECB interest rates affect interest rates on household and corporate loans, time lags with which monetary policy operates and the possible impact of the euro area monetary policy change on inflation in Croatia against the backdrop of solid economic growth and low unemployment.

COMMUNICATION ACTIVITIES

The CNB continued to inform and educate the public on a regular basis in 2024. It published 85 press releases about various topics within the central bank's competence, ranging from regular press releases on the decisions of the CNB Council to reports on the operations of the CNB. The monetary policy decisions of the ECB have played a crucial role in Croatia's economic environment since it joined the euro area. The ECB's Governing Council, of which the Governor of the CNB is a member, assesses economic and monetary developments every six weeks and adopts mone-

The promotion of financial literacy has become one of the largest projects of the ECB and all euro area national central banks.

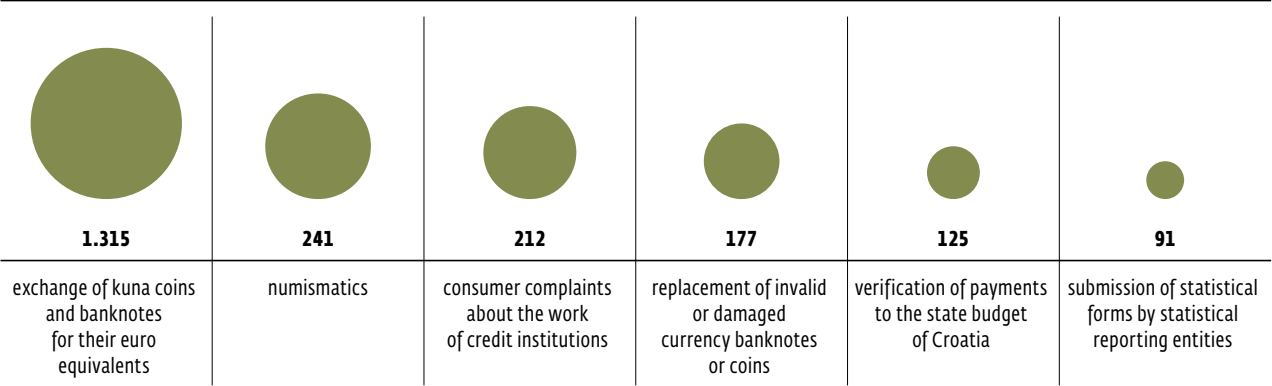
tary policy decisions; the CNB notifies the Croatian public of the decisions through press releases, its website and social media.

Comments and analyses of data collected by the CNB are also published regularly, and the public is informed about them in an understandable way. The media follow these publications and often request further information and analyses. The CNB also responds to numerous queries from journalists to make them better acquainted with the work of the central bank and the ECB and challenges among inflationary pressures. CNB officials and experts figured actively in the media and attended meetings on various topics during 2024, with the aim of informing the general public about relevant topics and issues within the scope of responsibilities of the CNB.

News regarding CNB operations and about regulations and measures within the central bank's competence, alongside regular publications and research and working papers of the CNB's analysts were regularly published on the CNB website, and its official accounts on social media, YouTube, Facebook, X, LinkedIn and Flickr, with 395 posts providing the public with information on the CNB's work. Topics related to the Open Door Day of Moneterra – the Money Museum of the Croatian National Bank, commemorative 2-euro coins, the “Dražen Petrović” gold and silver collector coins, CNB student scholarships and the opening of Moneterra aroused the most interest.

The mHNB mobile application providing users with service information – exchange rate list, information list with the consumer loan offers and comparisons of bank fees – was installed on a total of 19,934 devices from its launch to the end of 2024. The mHNB mobile application providing users with service information – exchange rate list, information list with the consumer loan offers and comparisons of bank fees – was installed on a total of 19,934 devices from its launch to the end of 2024. Over the course of 2024, the CNB answered 3,960 queries submitted to the central bank by citizens, corporations, media representatives, government institutions, embassies, and other interested parties from the country and abroad.

FIGURE 13.1 Queries of citizens and legal persons submitted to the CNB according to topic in 2024



Source: CNB.

After Croatia joined the euro area, the CNB dedicated its PR activities in 2024 to continuously informing the public of their options for exchanging the kuna for the euro, since as of 1 January 2024 kuna banknotes and coins can be exchanged exclusively with the CNB, either by visiting its cash desk or via post. Special attention was devoted to informing the public that the exchange of kuna coins will be possible only until the end of 2025. In 2024, citizens again installed and used the mobile application euroHR that assists them in the changeover. By the end of 2024, the application was installed on 513,855 mobile devices.

The CNB continued to publish articles by CNB experts at its HNBlog. In these texts and in other forms of communication, topics related to inflation commanded the greatest attention – they analysed the role of base effects in the deceleration of consumer inflation, the influence of wage growth on inflation and made a comparison between the prices of products in Croatia and prices in other euro area countries. A great deal of attention was also dedicated to the topic of the influence of the ECB's monetary policy on Croatia and the impact of the number of foreign workers in Croatia on the prospective GDP.

In addition, the public was informed on climate-related activities of the CNB. Senior officials of the CNB participated in various events in 2024 explaining the manner in which the CNB has been adapting its operations to climate change and transition towards a climate-neutral economy in various areas. At the end of October 2024, as an active member of the Network for Greening the Financial System (NGFS), the CNB supported the Cali-Baku Pledge to Enable Action on the occasion of the 2024 United Nations Biodiversity Conference (COP16) and the United Nations Climate Change Conference (COP29), reaffirming its commitment to take a supporting role in the global efforts on greening the financial system.

Special attention was dedicated to the introduction of the digital euro with the CNB informing the public in great detail about the conference on the digital euro and the central banking digital money that was held at the beginning of March, as well as to public appearances of the Governor, the Deputy Governor and CNB experts at all events related to the digital euro. An article by Governor Vujčić's on the topic was published in the press, as was an article of Piero Cipollone, Chair of the Eurosystem High-Level Task Force on the Digital Euro

The CNB also put a great deal of its communication efforts into introductory and follow-up activities relating to the conference held on the occasion of the first anniversary of the introduction of the euro and the Mediterranean Central Banks Conference jointly organised by the Banco de España, the Croatian National Bank, the Organisation for Economic Co-operation and Development (OECD), the Union for the Mediterranean (UfM) and the European Institute of the Mediterranean (IEMed). The public was informed on Croatia's experience with regard to the introduction of the euro, which was the main topic of the working meeting of the Governors of the central banks of Croatia, Bulgaria and the Czech Republic.

The CNB continued to publish articles by CNB experts at its HNBlog, where topics related to inflation commanded the greatest attention.

The public was informed on climate-related activities of the Croatian National Bank.

Special attention was dedicated to the introduction of the digital euro.

The CNB's jubilee 30th Dubrovnik Economic Conference also featured prominently in its communication with the public. The topics discussed in Dubrovnik included the creation of inflationary expectations, decision-making models at central banks, changes in global supply chains, the impact of monetary policy on lending and deposit rates of commercial banks, green transition of central and commercial banks and the impact of population ageing on public debt and monetary policy. This international conference was once again attended by governors of central banks and renowned economic experts, with participants being addressed by the President of the European Central Bank, Christine Lagarde. During the Regional Governors' Meeting hosted in Split, the international public was informed about inflationary trends in these countries and the dynamic and manner of transmission of the increase in the ECB's key interest rates to bank operations.

The eighth annual Great Student Debate was organised and presented to the public. It brought together more than 180 students and teachers from 20 schools and 14 Croatian cities. Members of the Croatian Debate Society debated the topic of "Vulnerable social groups in the whirlwind of personal finances", with students actively contributing their opinions and asking questions.

The public also welcomed the CNB's successful gold coin issue "Hum" minted by the Croatian Mint Ltd. The coin was officially recognised as the world's smallest, setting a Guinness World Record.

In July, one of the main topics was the end of the process of citizens transitioning from tacit to granted overdraft facilities, in accordance with the Memorandum of Understanding Regarding Current Account Overdraft Facilities concluded in July 2022 between the Government of the Republic of Croatia and 13 Croatian banks.

The public was also informed about the visits of supervisory officials from the European Central Bank and the Single Resolution Board to the CNB.

On the occasion of the 150th anniversary of the birth and the 100th anniversary of the death of a great Croatian architect, Viktor Kovačić, who designed the former Zagreb Stock and Commodity Exchange building, which today houses the CNB, the CNB organised two expert meetings, attracting many participants and generated positive media attention.

On the occasion of the 150th anniversary of the birth and the 100th anniversary of the death of a great Croatian architect, Viktor Kovačić, who designed the former Zagreb Stock and Commodity Exchange building, the CNB organised two expert meetings.

Aiming at comprehensively informing the public about economic developments, the CNB issues a series of publications directed at the professional and the general public. **Regular publications** provide an overview of current developments and forecasts of future developments, informing the public about the economic expectations on the basis of which the central bank adopts measures within its competence. **Occasional publications** are analytical and research papers on topics of particular concern to the CNB, as well as to the general public, providing a deeper insight into the current economic trends. In particular, special attention was devoted to the preparation of the Annual Report which provides an overview of the CNB's activities over the preceding year, including information on macroeconomic developments, monetary policy implementation, management of the RC's

international reserves and performance of other tasks within the CNB's competence, as well as operations of credit institutions.

At the end of October, the public was informed about the annual meeting of the Standing Committee of European Central Bank Unions, held at the CNB, which brought together representatives of the employees of most ESCB central banks and of several others.

Last but not least, in December 2024 special attention was given to macroeconomic projections of the CNB for 2025, which Governor Vujčić presented at the annual media briefing, with special focus on the reasons for the elevated inflation at the end of 2024.

14

Activities of the Visitors' Centre

In 2024, the CNB continued to educate interested citizen groups, mostly young people, on topics within its purview in the CNB Visitors' Centre, striving to contribute to the strengthening of general economic literacy. CNB presentations and workshops were an opportunity for pupils and students to meet central bank experts and receive information about their work, which can help young people in their professional orientation. The lecturers of the Visitors' Centre, who are, as a rule, CNB employees, used these occasions to communicate with participants about their ideas and suggestions.

In 2024, the interest in the training events organised by the CNB Visitors' Centre continued to be extraordinarily high. A total of 11,023 participants attended them, up from 10,374 in 2023 and 4,355 in pre-pandemic 2019. The majority of attendees of presentations and workshops by CNB experts were secondary and primary school pupils from various parts of Croatia¹.

Lectures of CNB experts also attracted the interest of visitors from abroad so lectures were held for economic analysts from the Netherlands, secondary school students from Denmark and students from China, Belgium, Sweden, US and others.

CNB lecturers held their educational programmes at schools in Sisak, Osijek, Karlovac, Rijeka, Slavonski Brod, Tordinci, Opatija, Lovran, Mošćenička Draga and Zagreb. Lectures were also given at the Faculty of Economics in Osijek.

In 2024, the interest in the CNB's educational programmes dedicated to the improvement of financial literacy in the narrow sense increased: those attending

In 2024, the interest in the training events organised by the CNB Visitors' Centre continued to be extraordinarily high.

FIGURE 14.1 Students from various parts of Croatia attended CNB workshops

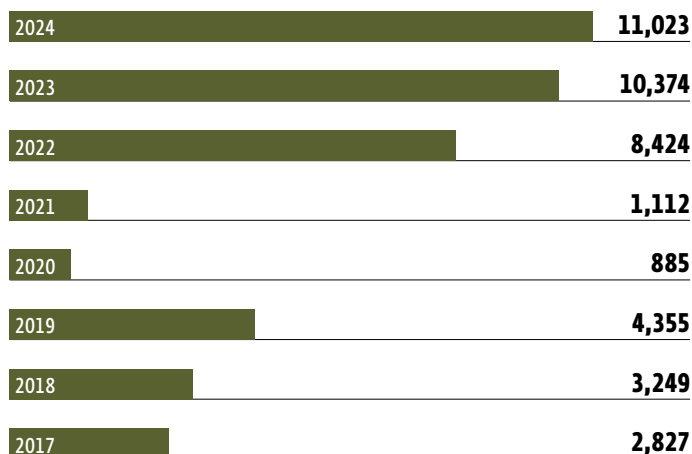


Source: CNB.

¹ Zagreb, Makarska, Mala Subotica, Slunj, Ivanić Grad, Samobor, Zaprešić, Glina, Dugo Selo, Slavonski Brod, Split, Čakovec, Šibenik, Sisak, Đurđevac, Poreč, Vinkovci, Osijek, Gračac, Pazin, Velika Gorica, Odra, Zadar, Novi Marof, Rijeka, Delnice, Križevci, Novska, Rovinj, Imotski, Škabrnja, Vukovar, Zabok, Benkovac, Pula, Koprivnica, Pitomača, Slatina, Labin, Višnjica and Obrovac.

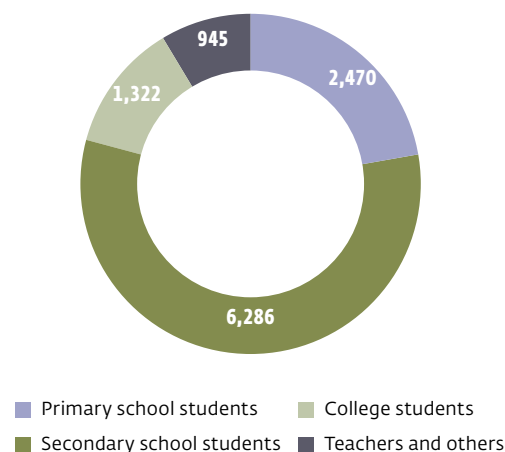
FIGURE 14.2 Number of CNB educational programmes

Number of attendees of educational programmes by year:



Source: CNB.

Attendees of educational programmes in 2024:



In 2024, the interest in the CNB's educational programmes dedicated to the improvement of financial literacy in the narrow sense increased.

learned about managing personal finances, development of money and basics of banking, about banking products and services and the risks of internet and mobile payments. Great interest was also shown in topics related to the euro, so the programme “The euro – our money”, on the tasks of the CNB, the process of exchanging the kuna for the euro and the features of euro banknotes and coins, with special emphasis on security features, attracted an increased audience. This was again the case with the programme “Croatia in the euro area”, explaining the process of the introduction of the euro, the factors involved in this process and what the euro brought Croatia.

The interest of attendees of CNB educational programmes was also attracted by the following topics: current economic developments, inflation, the CNB's role in preserving the financial stability of the system, developments in the real estate market, prevention of money laundering and terrorist financing, crypto-assets, digital euro, supervision of credit institutions and cash management. Green finances, the financial reporting of the CNB as a member of the Eurosystem, the CNB's statistical tasks, cashless payments and market trends, as well as central banking in the age of climate change – these were all additional topics that attracted numerous attendees to the CNB's educational programmes. Secondary school students were particularly interested in the use of mathematics in the oversight of credit institutions.

CNB programmes attracted the interest of not only primary and secondary school children and college students but also that of, including expert councils of teachers of economics and other subjects, for whom numerous lectures were organised.

Most of the educational programmes were held face-to-face at the premises of the Croatian National Bank, while a few were held online.

15

Human resources and organisation

Key human resources functions are: attracting and finding new employees, recruiting, training and career development, assisting and supporting employees, and modernising and improving the organisational set-up and work environment. In 2024, the focus was placed on the acquisition of knowledge and skills to improve the organisational efficiency and employee performance. The introduction of the new system of online tests for candidates applying for a job significantly improved the selection process, with the aim of attracting new and high quality employees and students.

CHANGES IN INTERNAL ORGANISATION

The CNB in 2024 continued to adjust its internal organisation in order to achieve its goals and tasks, and thus improve business processes. Amendments to the Rules on internal organisation in 2024 encompassed seven organisational units at the level of areas, offices and centres.

The changes were related primarily to the elimination of existing and the establishment of new organisational units or their reorganisation, to amendments of job descriptions and harmonisation of terminology as a result of requirements from the close and/or wide environment.

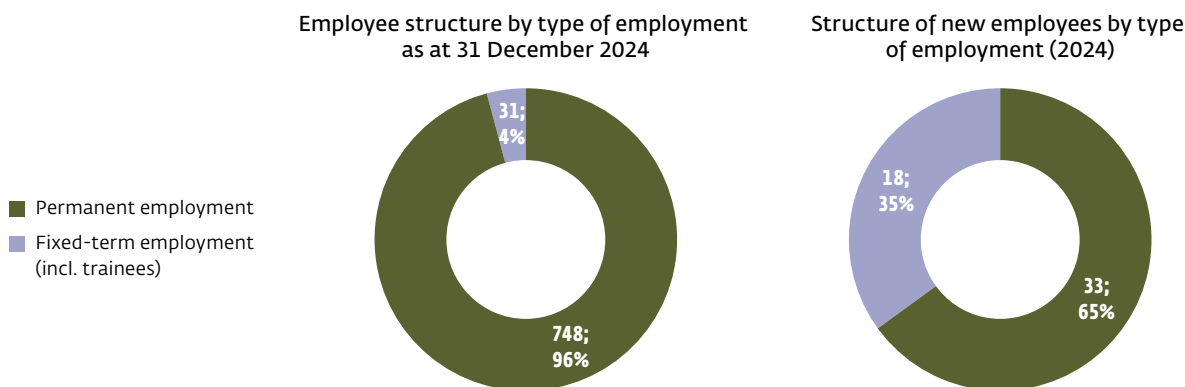
The reorganisation of the Prudential Supervision Area and the Prudential Regulation and Methodology Area continued harmonisation efforts in line with the governance requirements of the Single Supervisory Mechanism. Process optimisation was aimed at achieving an organisational structure with clear decision lines, identification of objectives and priorities and clear responsibilities in key business processes and products.

CARING ABOUT EMPLOYEES

The right to break time for breastfeeding, paternity leave, parental leave and leave for caring for a child with severe developmental disabilities are some of the rights fully supported by Human Resources.

Given the fact that employees are a key factor for success, in 2024 the CNB continued its efforts to recognise employees' need for a work-life balance. Attention thus focused on the care for children and other immediate family members of employees, as well as their health. Thus related, on the proposal of the Human Resources Department, the Governor adopted a special decision in 2024 providing for the right to financial assistance to be granted to children of employees for the duration of their regular education in case of the death of the other parent. The CNB cares about its employees in other exceptional situations as well; the right for break time for breastfeeding, paternity leave, parental leave and leave for caring for a child with severe developmental disabilities are some of the rights

FIGURE 15.1 Employee number and structure according to type of employment



Source: CNB.

fully supported by Human Resources. In addition, there is the possibility of remote working, that is, the option to work from home up to five days in a calendar month, pursuant to which individual employees can request amendments to their work contracts granting them this right for periods longer than five days per month in situations envisaged by the law.

RECRUITMENT AND EMPLOYMENT RELATIONSHIPS

As at 31 December 2024, the CNB had a staff of 779, which is 5% more than at the end of 2023. The increase in the number of employees was necessitated by the establishment of the Information and Education Centre “Moneterra – the Money Museum of the Croatian National Bank” and by the new tasks allocated to the CNB as the designated regulator.

Of the total number of employees, 96% employees were in permanent employment and 4% in fixed-term employment.

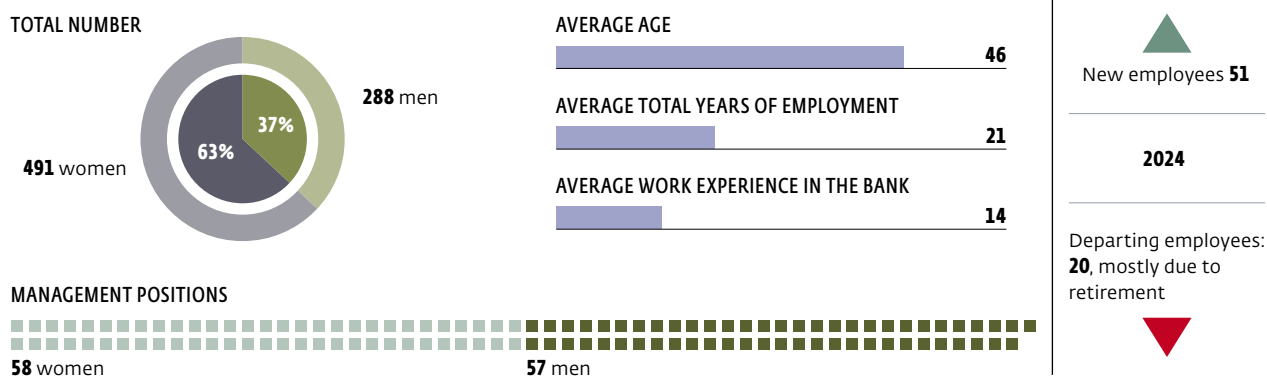
The CNB remains one of the few central banks in the European System of Central Banks that has a higher share of women in the structure of its employees according to gender. Women work in all types of jobs: research, analytical, supervisory, legal, IT, etc. and occupy an equal share of management positions.

As over the previous years, new employees in 2024 were again, by and large, professional economists. Over the course of 2024, a total of 20 employees left the CNB permanently, mostly due to retirement. The average age of employees is 46 years, the average total years of employment is 21, with the average number of years of work experience in the CNB being 14.

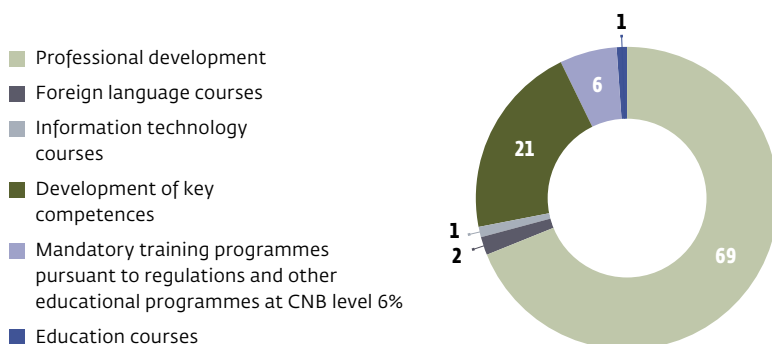
In 2024, eight trainees who had completed their traineeships and passed the trainee exam, were hired by the CNB.

Since the CNB supports and recognises the advantages of an interdisciplinary approach to work, it employs a relatively large number of professionals from other

FIGURE 15.2 Employee structure at the CNB in 2024



Source: CNB.

FIGURE 15.3 Employee development by type of education in 2024

Source: CNB.

natural, technical, social, and other disciplines. As in previous years, a large share of employees have advanced degrees, including doctorates and master's degrees or other postgraduate qualifications.

Employee development

The number of employees that participated in various educational programmes was larger than in the previous years. Most of the employees participated in professional development programmes, with the programmes of improvement and development of competences accounting for a higher share. A smaller share of employees took part in foreign language courses, information technology courses, and the like.

It should be noted that in 2024, in addition to basic information technology courses (Word, Excel, Access, etc.), training courses were made available for specific business needs, e.g. training in Tableau, a tool for data processing and presentation, programme languages R, PYTHON, SQL, and the like.

Development and improvement of competences continue

In 2024, the CNB, recognising the importance of continued development and improvement of employee competences, organised multiple workshops for targeted large groups of employees from different organisational units. Numerous workshops and training programmes were completed within the framework of planned activities in an effort to improve the existing expert and key competences of employees and develop new professional skills. Special attention was paid to workshops related to the improvement of communication skills, team work, development of ethical competences and competences required for the prevention of money laundering and terrorist financing and other specific areas of knowledge. Continued investment into the development of employee competences contributed to higher motivation and commitment of employees in their daily work.

Scholarships and student internship

Activities with students of Croatian institutions of higher education continued in 2024. Aiming at presenting the CNB as employer, employees of the Human Resources Department participated in the Work in Science – WISe fair at the Faculty of Science at the University of Zagreb and with a view to support students the CNB invited applications for student internships with the CNB and for CNB scholarships.

In late April 2024, the CNB called for applications for student internships for a maximum duration of 25 days. A total of 14 candidates applied. Four candidates were proposed and then selected for student internship with the CNB.

The scholarships contributed to the successful attraction of the adequate profile of employees to work with the CNB applicants for employment in the CNB with appropriate profiles. In April 2024, the CNB also invited applications for CNB scholarships. By the deadline for applications, a total of 47 candidates had put their names forward. Following expert interviews and psychological assessment, eight students were proposed as scholarship recipients: three studying economics, three studying IT, one studying engineering, and one studying civil engineering. The CNB signed scholarship agreements with the selected students.

Activities with students of Croatian institutions of higher education continued in 2024, as did invitations for applications for student internship at the CNB and CNB scholarships.

5 Ethics and integrity

The Code of Conduct of the Croatian National Bank lays down the highest standards of ethical conduct for employees, stressing as key values the principles of independence, accountability, transparency and maintenance of the highest standards of professional ethics and integrity including zero tolerance for inappropriate behaviour and harassment. The ethics framework of the Croatian National Bank incorporates the principles of the Eurosystem Ethics Framework and the Ethics Framework of the Single Supervisory Mechanism.

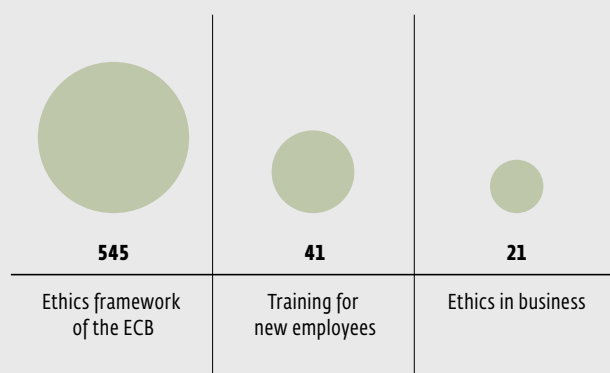
THE CODE OF CONDUCT OF THE CROATIAN NATIONAL BANK

The ethics framework of the Croatian National Bank consists of

- 1) the **Code of Conduct of the Croatian National Bank** (hereinafter: the Code of Conduct);
- 2) the Decision on restrictions on critical private financial transactions of employees of the Croatian National Bank;
- 3) the Decision on exemptions from the prohibition on receiving advantages; and
- 4) the Decision on managing conflicts of interest.

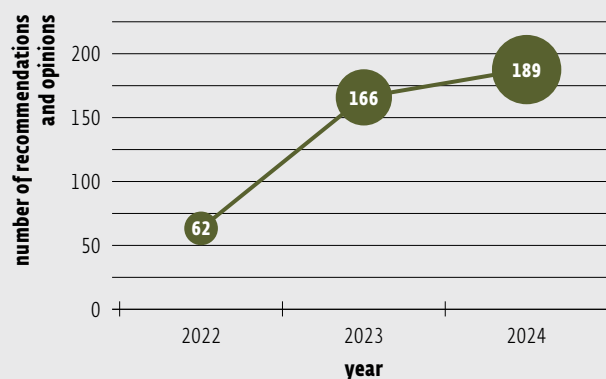
The Code of Conduct lays down the highest standards of ethical conduct and integrity for employees, classified into the following six areas: a) protection of dignity and prohibition of discrimination; b) avoidance of conflicts of interest; c) communication, including communication among employees, and between employees and third parties as well as in public appearances, teaching and opinion writing; d) professional secrecy and prohibition of the misuse of non-public information; e) impartiality; and f) treatment of the CNB's property and resources. The Code of Conduct also lays down the following core ethical behaviours promoted by the

FIGURE 1 Ethics training courses in 2024, by number of participants



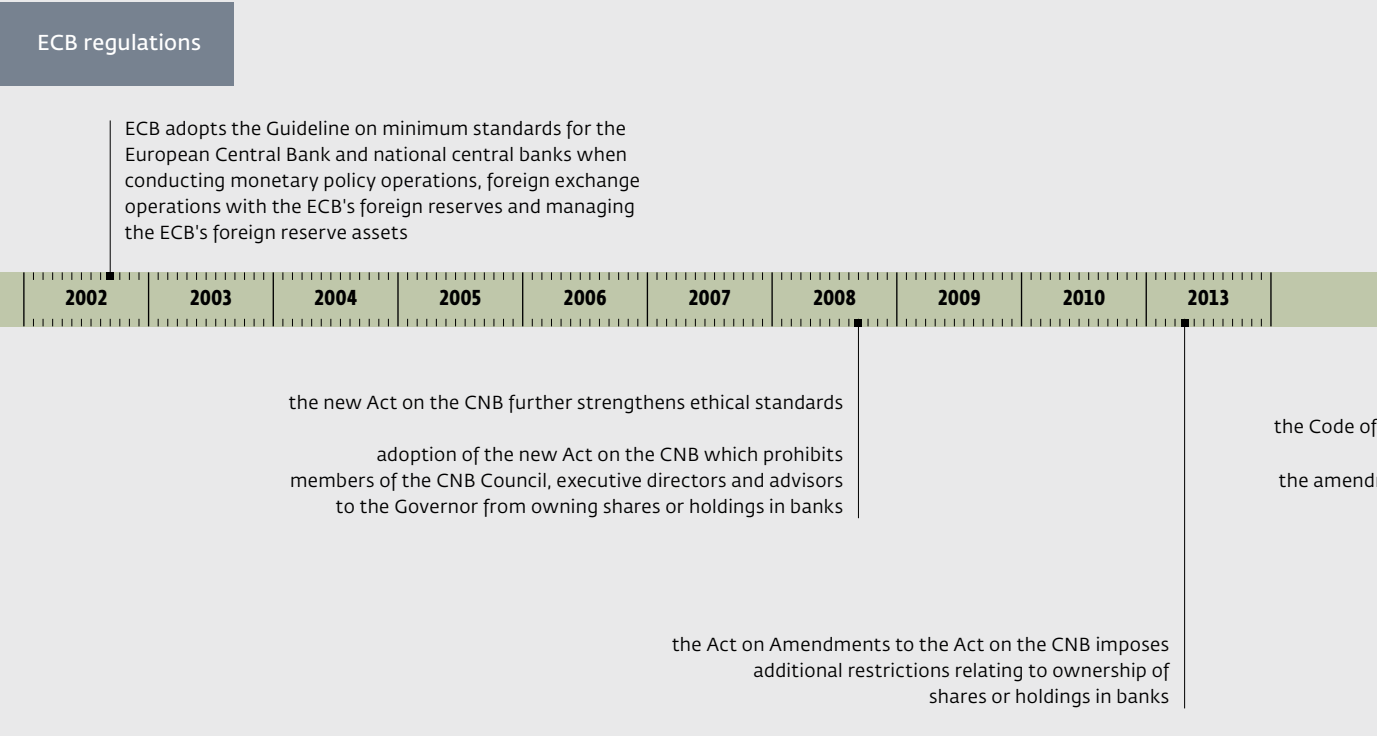
Source: CNB.

FIGURE 2 Number of inquiries requesting recommendations and opinions



Source: CNB.

FIGURE 3 Development of ethical standards in the CNB



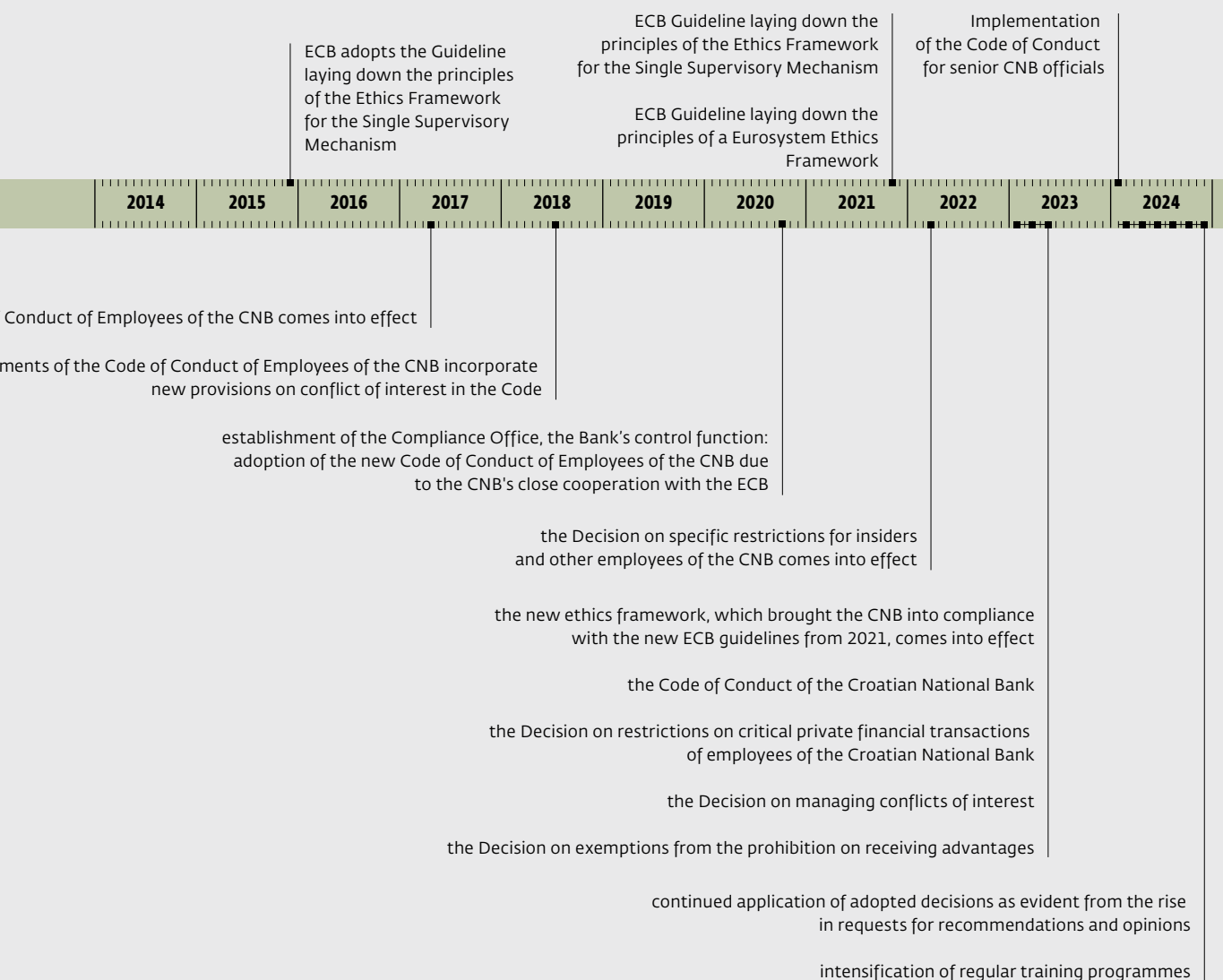
CNB regulations

Source: CNB.

CNB: acting responsibly, honestly, independently and impartially, with respect and discretion, avoiding any form of inappropriate behaviour, as well as maintaining professionalism, transparency, equality, diversity and inclusion.

EDUCATION AND COUNSELLING OF EMPLOYEES

In order to acquaint employees with the ethics framework of the Croatian National Bank, the Office continued educating and counselling employees in 2024. With this in view, two specialised training programmes were held in the field of ethics, ethics in business and the CNB ethics framework.



Furthermore, the Office also continued organising and conducting training courses for new employees of the CNB within the programme entitled “Razgovarajmo o etici” (Let’s talk about ethics) in an effort to provide them with basic information about the CNB’s ethics framework and acquaint them with the highest standards of ethical behaviour and integrity and the core ethical principles promoted by the CNB. In 2024, the Office carried out seven training courses for new employees.

An important task of the Office is also to provide counselling and instructions to employees, prepare opinions and interpretations of individual provisions that constitute the CNB’s ethics framework. In 2024, the greatest number of inquiries was

related to work for another employer and restrictions on critical private financial transactions of employees, followed to an equal extent by inquiries relating to the prevention of conflicts of interest, exceptions to the prohibition of receiving advantages and other areas pertaining to the CNB ethics framework.

The rising awareness of the importance of the principles of ethics and integrity is visible in the constant increase of inquiries requesting recommendations and opinions from the Office (Figure 2).

MONITORING OF ETHICAL COMPLIANCE

One of the main tasks of the Office is the regular monitoring of ethical compliance.

One of the main tasks of the Office also includes regular monitoring of ethical compliance. The compliance monitoring process is carried out according to the Annual plan of compliance monitoring, the objective of which is to monitor compliance with internal bylaws regulating the issues within the competence of the Office and aiming at promoting CNB operations based on responsible, honest, independent and impartial activity, with respect and discretion, maintaining professionalism, transparency, equality, diversity and inclusion, while avoiding any form of inappropriate behaviour.

In order to ensure consistent application of ethical standards, the Office will continue educating employees on the CNB ethics framework, since adherence to ethical values and standards laid down in the ethics framework ensures the credibility of the CNB, strengthens the trust of supervised entities and other monetary policy counterparties, as well as of all citizens of the Republic of Croatia in the operations and work of the Croatian National Bank.

Members of the Council and management of the Croatian National Bank

Boris Vujčić, Governor
Sandra Švaljek, Deputy Governor
Tomislav Čorić, Vicegovernor
Michael Faulend, Vicegovernor
Bojan Fras, Vicegovernor
Ivana Jakir-Bajo, Vicegovernor
Maroje Lang, Vicegovernor

Chief Economist: **Vedran Šošić**
 Chief Operating Officer: **Tomislav Presečan**

Executive directors

Research Area	Davor Kunovac
Controlling, Finance and Accounting Area	Diana Jakelić
Information Technology Area	Mario Žgela
Support Services Area	Boris Zaninović
Central Banking Operations Area	Irena Kovačec
Communications Area	Alemka Lisinski
Statistics Area	Tomislav Galac
Prudential Regulation and Methodology Area	Sanja Petrinić Turković
Expert Supervision and Oversight Area	Damir Blažeković
Prudential Supervision Area	Renata Samodol
Legal Area	Dražen Odorčić
Payment Operations Area	Bruno Vukoja
International and European Relations Area	Sanja Tomičić
Currency Area	Tihomir Mavriček

Directors of the Offices

Security Office	Zoran Bogdanović
Internal Audit Office	Ivana Krečak
Foreign Exchange Regulation Office	Zoran Jurak
Compliance Office	Vjekoslav Kozina
Consumer Protection Monitoring Office	Snježana Levar
Credit Institutions Resolution Office	Lidija Pranjić
Succession Issues Coordination Office	Snježana Raić
Office of the Governor	Nina Srkalović
Office for Coordination of Prudential Supervision, Oversight and Risk Management Activities	Mario Varjačić
Office for the Supervision of Entities in Non-Performing Loan Sales	Sandra Tripović
Financial Risk Management Office	Ivan Budimir
Visitors' Centre	Dejana Rebernik
Information and Education Centre "Moneterra – the Money Museum of the Croatian National Bank"	Ines Merkl

Organisational scheme



GOVERNOR		Deputy Governor	Vicegovernor
Chief Economist	Chief Operating Officer	Central Banking Operations Area	Statistics Area
Research Area	Controlling, Finance and Accounting Area	Monetary Operations Department Liquidity Forecasts Division Open Market Operations Division Transactions Processing Division	Monetary and Financial Statistics Department Monetary Financial Institutions Statistics Division Securities and Non-Monetary Financial Institutions Statistics Division Financial Accounts and Government Statistics Division
Economic Analysis Department	Controlling Department	Financial Asset Management Department Financial Asset Transactions Division Financial Transactions Control and Settlement Division Financial Asset Management Division	External Statistics Department Balance of Payments Statistics Division External Debt and International Investment Position Statistics Division
Monetary Policy Department	Finance and Accounting Department Central Accounting Division Monetary and Payment Operations Accounting Division International Reserves and Other Financial Assets Accounting Division Internal Accounting Operations Division Finance and Administrative Accounting Division	Communications Area	General Economic Statistics and Statistical Information Systems Department
Macprudential Policy and Financial Stability Department	Information Technology Area	External, Internal and Digital Communications Department External and Internal Communications Division Digital Communications Division	Foreign Exchange Regulation Office
Payment Operations Area	Application Systems Development Department Data Warehouse Division Business Application System Development Division Quality Assurance Division	Publications Department	
Payment Operations Regulation and Development Department	IT Operations Department Network and Operating Systems Management Division User Support Division Information System Security and Protection Division Database, Enterprise Reporting Systems and Document Management Division	Language and Documentation Department Translating and Language-Editing Division Information and Documentation Centre	
Payment Operations Supervision Department Payment Operations Supervision Division Operations Statistics Division	Support Services Area	Office of the Governor	
Payment Systems Operations Department Payment Systems Division Client Operations Division	Human Resources Department	Internal Audit Office	
Compliance Office	Technical Services Department Technical Support Services Division Maintenance Division	Financial Risk Management Office	
Information and Education Centre "Moneterra – the Money Museum of the Croatian National Bank"	General Services Department General Support Services Division Mail Services Division Facilities Supply and Storage Services Division	Visitors' Centre	
Succession Issues Coordination Office	Procurement Department		
	Business Protocol Department		
	Security Office		

Vicegovernor	Vicegovernor	Vicegovernor	Vicegovernor
Prudential Regulation, Methodology and On-site Supervision Area Prudential Regulation and Crisis Management Department On-Site Supervision and Risk Modelling Department Prudential Reporting, Methodology and Analysis Department Prudential Reporting Division Prudential Methodology and Analysis Division	International and European Relations Area European Relations Department ESCB and Eurosystem Division EU Policies Division International Financial Institutions Department International Financial Institutions Policies Division Division for Financial Relations with International Financial Institutions	Legal Area Financial and Supervisory Law Department Financial Law Division Supervisory Law Division General Legal Affairs Department Consumer Protection Monitoring Office	Currency Area Currency Operations Regulation, Development and Control Department Currency Operations Regulation and Development Division Currency Operations Control Division Currency Safekeeping, Processing and Supply Department Currency Safekeeping and Supply Division Currency Processing Division National Counterfeit, National Analysis and Coin National Analysis Centres National Counterfeit Centre National Analysis and Coin National Analysis Centres
Prudential Supervision Area Supervision Department I Supervision Department II	Credit Institution Resolution Office		
Expert Supervision and Oversight Area Information Systems Supervision Department Anti-Money Laundering and Terrorist Financing Supervision Department			
Office for Coordination of Prudential Supervision, Oversight and Risk Management Activities			
Office for the Supervision of Entities in Non-Performing Loan Sales			



Climate-related
Financial Report **2024**

Climate-related Financial Report

The Croatian National Bank's third climate-related disclosure for non-monetary portfolios informs the public about the impact of its financial activities on climate and the environment, raises the awareness and understanding of climate-related and environmental risks and contributes to consistent publication of climate metrics at Eurosystem level.

This is the third climate-related financial report for the non-monetary portfolio of the Croatian National Bank. The first report was published in 2023 and, like the subsequent reports, followed the common approach to climate-related disclosures of the Eurosystem central banks, incorporating the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), the Partnership for Carbon Accounting Financials (PCAF) and the Network for Greening the Financial System (NGFS). The Eurosystem central banks, including the Croatian National Bank, have committed themselves to the disclosure of climate-related information regarding financial assets once a year.

Following TCFD recommendations, the climate report covers the following four thematic areas: a) governance, b) strategy, c) risk management, and d) metrics and targets.

The Croatian National Bank participates in activities and implements initiatives by which the Eurosystem aims to contribute to the transition to a climate-neutral economy and the achievement of the climate objectives of the European Union. Climate-related disclosures are continuously improved thanks to the greater availability and quality of climate-related data and evolving methodologies and expertise in the area of climate risks. This year's CNB disclosure also includes Scope 3 emissions metrics for other issuers and the metric of the share of investments in green bonds, social bonds and sustainability bonds.

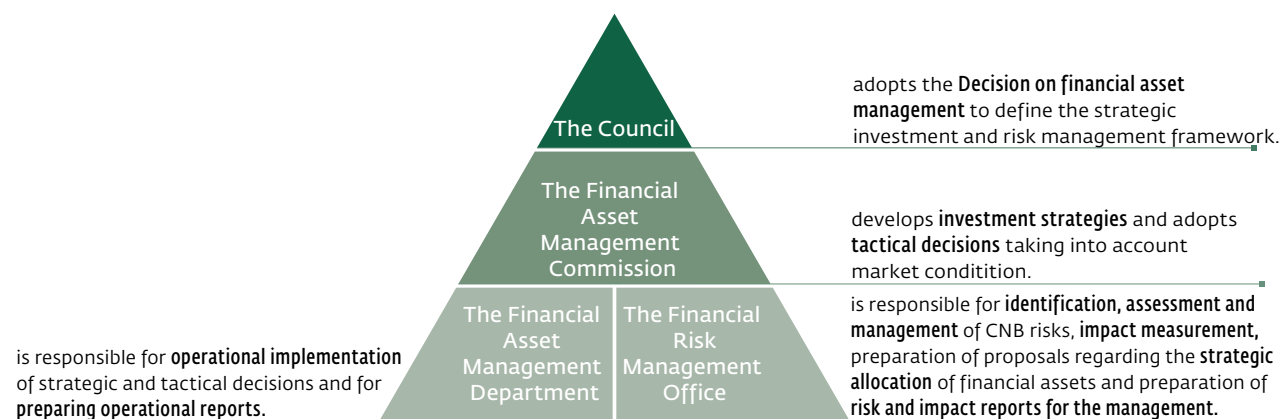
Similarly to previous climate-related financial reports, this report contains information regarding financial assets managed by the CNB, consisting of the foreign currency assets of the Republic of Croatia that have not been transferred to the European Central Bank, euro-denominated assets not accrued in the implementation of the common monetary policy and the portfolio of Croatian government bonds purchased within the pandemic programme of purchase of Croatian government bonds. At the end of 2024, the financial assets referred to in this report stood at about EUR 24.7bn.

1 GOVERNANCE

The governance of the Croatian National Bank is laid down in the Act on the CNB, the Treaty on the Functioning of the European Union and the Statute of the ESCB and of the ECB. The CNB takes into account climate-related issues in performing its tasks and operations as defined by the Act and supports the climate objectives of the European Union, as long as this does not pose a threat to the maintenance of price stability and financial stability.

The Council of the CNB adopts the strategic investment and financial risk management framework. In its Decision on financial asset management the Council specifies the guidelines, criteria and limits on financial asset risk exposures. In accordance with the objectives and criteria set by the Council of the CNB, the Financial Asset Management Commission develops investment strategies and adopts tactical decisions taking into account market conditions. The Financial Asset Management Department is responsible for investing financial assets on a daily basis, while the Financial Risk Management Office is responsible for assessing and measuring risks, impact measurement and drafting proposals for the strategic allocation of financial assets. It is the task of the Financial Asset Management Department and the Financial Risk Management Office to report to the Commission and the Council. In financial asset management, the CNB maintains appropriate risk exposure and, within the given restrictions, attempts to ensure favourable rates of return on its investments.

Financial assets managed by the CNB consist of the foreign currency assets of the Republic of Croatia that have not been transferred to the European Central Bank in accordance with Articles 30.1 and 48.1 of the Statute of the European System of Central Banks (ESCB) and of the European Central Bank (ECB) and euro-denominated domestic assets not related to the implementation of common monetary

FIGURE 1 Strategy and decisions regarding the management of CNB's financial assets

Source: CNB.

policy. These assets also include the portfolio, which is not actively managed, of Croatian government bonds purchased during the COVID-19 pandemic to mitigate economic consequences and market disturbances. In managing financial assets, the CNB aims to support monetary policy, financial stability and confidence in the financial system and is primarily ruled by the principles of liquidity and safety of investment.

The largest share of financial assets is invested in government and government institution securities, the safest and most liquid instruments. Therefore, the behaviour of the governments issuing these securities significantly affects the level of sustainability of the total financial asset portfolio. In addition, financial assets are invested in the securities of international financial institutions and agencies and in covered bonds.

The management of climate risks and opportunities regarding financial assets is incorporated in the existing structures of financial asset management and investment strategy. Such an integrated approach to climate-related and sustainability issues in general stems from the CNB's strategic documents and principles of climate change and sustainability considerations in performing all operations and tasks defined by the Act.

2 STRATEGY

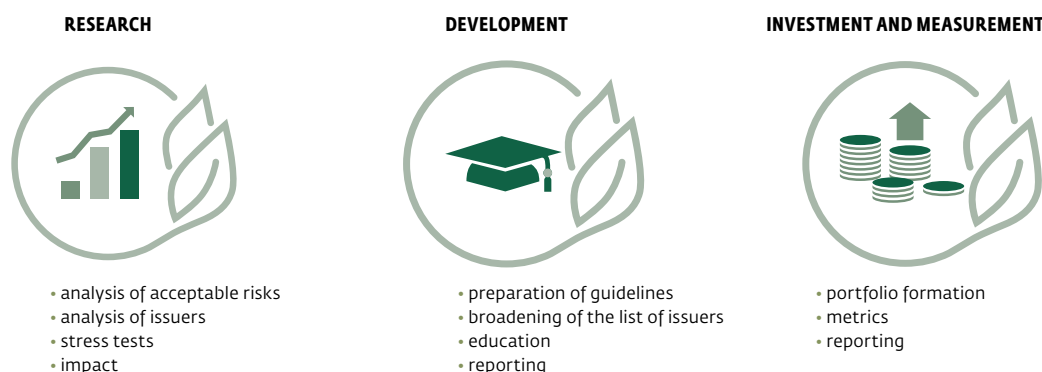
The CNB's sustainable investment strategy builds upon the [Strategic Plan for the period from 2024 to 2026](#) as the framework strategic document of the Croatian National Bank. The Strategic Plan has included the commitment to sustainable development among the six strategic objectives in the period to which the plan refers. Priority activities within this objective include recognising and understanding climate-related and environmental risks to which the bank's own financial assets are exposed, considering the principle of sustainability in financial asset management and promoting the green- ing of the financial systems.

The [Climate Strategy for the period from 2024 to 2026](#), adopted in December 2023, follows up on the Strategic Plan for the period from 2024 to 2026 and its objective of commitment to sustainable develop- ment. The Strategy defines the objectives and priorities in the area of climate change adaptation and mitigation. The Climate Strategy sets the following main goals for the forthcoming three-year period:

the understanding of climate risks for price stability and financial stability, integration of climate risks into the supervision of credit institutions, support to the transition to a low-carbon economy, reducing own carbon footprint and active support to climate change-related initiatives. The adoption of the Climate Strategy was preceded by the 2021 [Climate Pledge](#) under which the CNB undertook to develop and implement its own climate strategy in different areas within its competence, including in the area of financial asset management.

The goal of the CNB's sustainable investment strategy is greening financial assets, taking into consideration the importance of climate change mitigation and transition to a sustainable economy, as well as the management of climate risks to which the CNB's own assets are exposed. Furthermore, it is guided by the general principles for the management of CNB's financial assets. Research, development, investment and measurement activities are taken for the purpose of greening financial assets (Figure 2).

FIGURE 2 Activities to be taken for the purpose of greening financial assets



Source: CNB.

The CNB directs a portion of its investments towards bonds associated with projects having a positive impact on environmental and other aspects of sustainability: green bonds, social bonds and sustainability bonds. In this way, the CNB becomes indirectly involved in the process of reducing the greenhouse gases of their issuers.

3 RISK MANAGEMENT

The CNB recognises the importance of a thorough understanding of climate change risks for financial asset management and, in accordance with TFCF recommendations, identifies, assesses and manages climate change risks. In addition, the CNB incorporates long-term climate risks in its financial asset management and constantly acquires new knowledge and improves methodologies.

CNB financial assets are exposed to climate change risks. Integration of climate change risks in the process of comprehensive risk management is currently under way; these risks will not be assigned to a separate risk category, instead they will be considered as factors adding to existing categories of financial risks: market and credit risks as well as liquidity risk and operational risk. Financial risks are monitored through a system of daily limits on financial assets investment established by the risk management framework.

4 METRICS AND TARGETS

Metrics

Greenhouse gas emissions are measured and expressed in tonnes of CO₂ equivalent. In accordance with the generally accepted GHG Protocol, emissions from three scopes are usually reported. Scope 1 includes emissions for which an organisation is directly responsible by using its resources, such as natural gas, fuel oil or fuels. Scope 2 includes indirect emissions generated by the generation of electricity or heat used by an organisation. Scope 3 includes all other indirect emissions that occur throughout the entire value chain used by an organisation.

CO₂ equivalent enables the expression of emissions of different greenhouse gases (carbon dioxide, methane, nitrous oxide and other gases) in the units of carbon dioxide emissions, by converting their global warming potential into the potential of carbon dioxide global warming.

The Eurosystem common framework for climate-related financial disclosures for non-monetary portfolios envisages reporting on a minimum of three metrics: weighted average carbon intensity, total carbon emissions, carbon footprint and the share of green bonds, while the Croatian National Bank also reports on carbon intensity. The calculation of these metrics is based on the recommendations of TCFD and the Eurosystem.

The above metrics are applied to report, in accordance with the dual significance principle, on the interconnectedness between climate and the financial portfolio, i.e. on the impact of climate change on the financial portfolio's exposure to climate risks (so-called financial significance), as well as on the impact of the financial portfolio on climate and environment (the so-called environmental significance).

- **Weighted average carbon intensity (WACI)** measures a portfolio's exposure to issuers' greenhouse gas emissions, and is expressed in tonnes of CO₂e per million euro of issuers' revenue or per million euro of GDP for government issuers. Greenhouse gas emissions are normalised by the size of the issuers' economic activity and this is how their carbon intensity is obtained. The carbon intensity of an individual issuer is weighted by the share of the exposure to that issuer in the total portfolio in order to calculate weighted average carbon intensity. Weighted average carbon intensity is the central element of the Eurosystem's climate-related financial disclosures because it is calculated from easily available data, it includes the normalisation of data and is broadly used in the financial sector, which allows for its comparison for the portfolios of different sectors and in different periods. It provides an insight into financial significance, or the portfolio's exposure to climate transition risks.
- **Total carbon emissions (TCE)** measures the total carbon emissions of a portfolio; it is expressed in tonnes of CO₂e and calculated by weighting greenhouse gas emissions of the individual issuer by the share of investment in the total capital structure of the issuer, or GDP for government issuers. This metric is not normalised and cannot be used for comparison, and the level of this metric is mostly affected by the size of the portfolio itself. It provides an insight into environmental significance, i.e. its contribution to climate change. Total carbon emissions serve to calculate normalised metrics, such as the carbon footprint and carbon intensity.
- **Carbon footprint (CF)** normalises the total carbon emissions (TCE) by portfolio market value, expressed in tonnes of CO₂e per one million euro of investment. It allows for a comparison between portfolios of different sizes over time.

- **Carbon Intensity (CI)** normalises the total carbon emissions (TCE) by revenue or GDP according to purchasing power parity of the population or the value of central government spending, expressed in tonnes of CO₂e per one million euro of revenue/GDP. This metric measures the carbon efficiency of a portfolio in financing economic activity.

All four metrics are based on a standardised methodology and are often used in financial sector climate reports. The normalised metrics (WACI, CF and CI) and the absolute metric (TCE) complement each other and together provide a high degree of transparency in terms of a portfolio's exposure to climate risks, as well as the effect of a financial asset portfolio on climate and the environment.

In contrast to corporate issuers, the methods for allocation of emissions for government issuers are not standardised. Nevertheless, in order to ensure a higher level of transparency of disclosures for government investments, the common framework of the Eurosystem foresees three different methods for allocation of emissions for government issuers: according to production emissions, according to consumption emissions and according to central government emissions.

- **Production emissions** are greenhouse gas emissions created within country borders through production for domestic consumption and export. This definition is based on the territorial approach to emissions adopted by the United Nations Framework Convention on Climate Change (UNFCCC) for annual national emission inventories. Production emissions include two metrics: the one that includes and the one that excludes the effects of land use, land-use change and forestry (LULUCF).
- **Consumption emissions** are emissions related to domestic demand, including emissions caused by the consumption of imported goods and excluding emissions caused by the consumption of exported goods. This metric solves the problem of carbon leakage, which arises as a result of shifting production away from countries to which the goods are eventually imported for consumption.
- **Central government emissions** include direct emissions and indirect emissions of the central government.

The CNB, like all Eurosystem central banks, uses data from two climate data providers: ISS Institutional Shareholder Services, Inc. (ISS) and Carbon4 Finance (C4F). The guiding rule is to use data published by the issuer, and if these data are not available, modelled data from the specified providers are used. In addition, World Bank data for countries (GDP according to purchasing power parity, population, central government spending) are also used. This ensures comparability of data within the Eurosystem.

All data included in the calculation of the metrics should have the same reference years, but the disclosures of greenhouse gas emissions and economic data are published with a lag, so the reference years do not match for newer reporting periods. Also, data coverage is greater for government issuers than for other issuers, which limits the comparability of individual metrics.

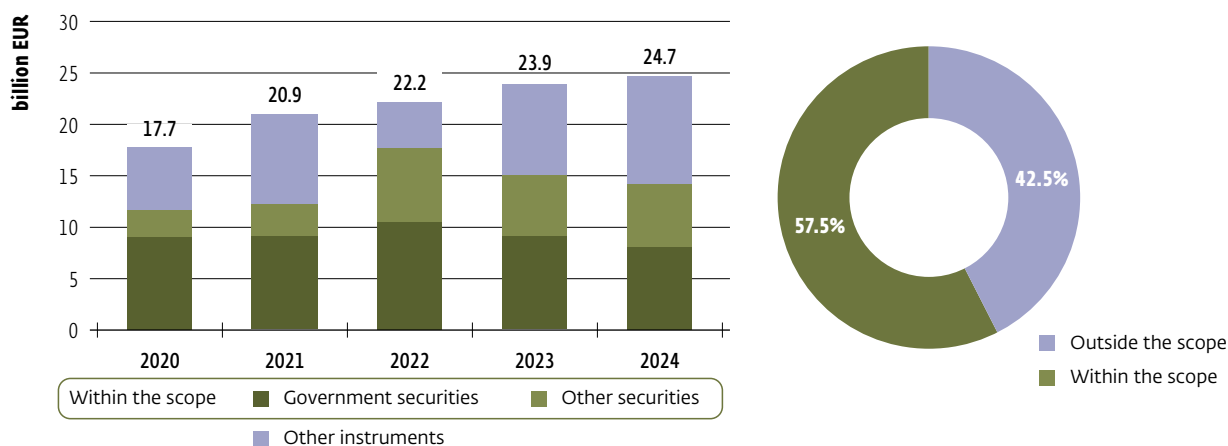
The CNB also reports on the share of investment in green, social and sustainability bonds in total financial assets using the ICMA Green Bond Principles.

Calculated climate metrics and their development

Similarly to the majority of euro area central banks, the Croatian National Bank primarily invests its financial assets in the safest and highly liquid financial instruments, such as government and government institution securities. Therefore, the behaviour of the governments issuing these securities significantly affects the carbon footprint of the portfolio itself. All issuers of government securities included in financial assets are signatories to the Paris Agreement and are committed to the reduction of greenhouse gas emissions in accordance with the objectives of the Paris Agreement. The remaining portion of the CNB's financial assets consists of the securities of international financial institutions and agencies, covered bonds and other instruments including funds in the account, deposits and funds entrusted to the management of an international financial institution.

At the end of 2024, CNB's financial assets stood at about EUR 24.7bn, 88% of which was in euro and 12% in US dollars and other currencies. Investments in government and government institution securities accounted for around one third of financial assets, a further 23% of the assets were invested in securities of international financial institutions and agencies, and only a small share of the assets were invested in secured bonds (2%)¹. Since around 42% of the assets was in the form of deposits, funds in the account and funds entrusted to the management of an international financial institution, the calculated metrics comprise around 58% of total CNB financial assets.

FIGURE 3 Financial assets and their structure



Source: CNB.

At the end of 2024, total ESG investments stood at EUR 1.82bn or 7.4% of financial assets. The share of investments in green bonds in financial assets stood at 1.9%, in sustainability bonds 2.0%, and the share of investments in social bonds stood at 3.5%, with the largest portion of ESG investments accounting for the issues of international financial institutions and agencies.

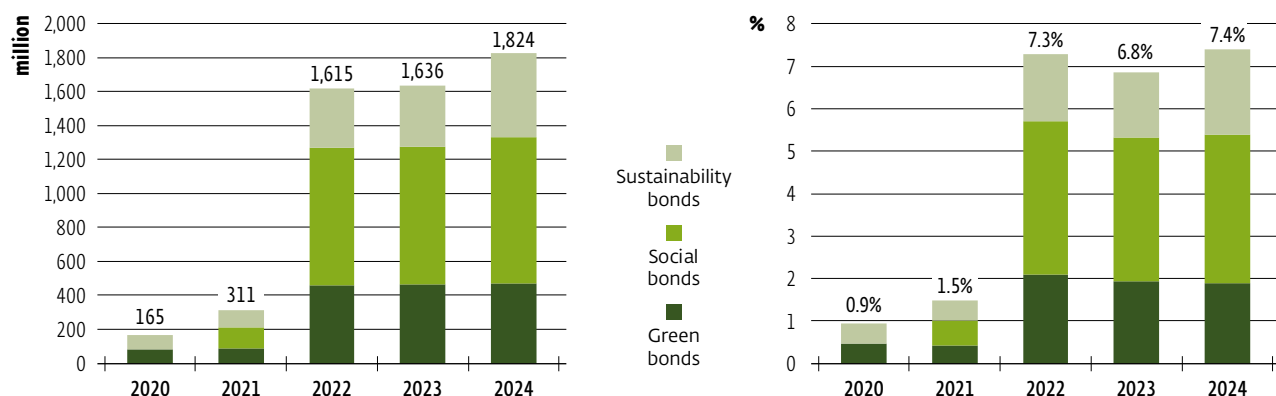
¹ The classification of financial assets in the Climate-related Financial Report differs from the classification in Chapter 3 Financial asset management due to the different purposes of these classifications. In accordance with the methodology of the Eurosystem, in the Climate-related Financial Report the securities of government development banks and agencies are integrated with the securities of international financial institutions and agencies, while in the chapter on asset management they are included in the assets of government and government institutions.

TABLE 1 Climate metrics for financial assets as at 31 December 2024

		Government issuers			
		Government and government institution securities			
		Production emission (excl. LULUCF)	Production emission (incl. LULUCF)	Consumption emission	Central government emission
Portfolio size	in nominal terms (EUR billion)	8,2			
WACI	tCO ₂ e per PPP of GDP, per capita or consumption	145.6 100%	134.3 100%	11.7 100%	77.9 100%
TCE	tCO ₂ e	1,190,598 100%	1,098,052 100%	1,586,791 100%	119,775 100%
Carbon footprint	tCO ₂ e per EUR million of investment	145.6 100%	134.3 100%	194.0 100%	14.7 100%
Carbon intensity	tCO ₂ e per PPP of GDP, per capita or consumption	145.6 100%	134.3 100%	11.0 100%	73.0 100%

		Total	Securities of international financial institutions and agencies	Covered bonds
Portfolio size	in nominal terms (EUR billion)	6.1	5.6	0.5
WACI	tCO ₂ e per EUR million of revenue, Scope 1–2	0.9 89%	1.0 88%	0.4 100%
TCE	tCO ₂ e, Scope 1–2	988.0 82%	937.1 85%	14.9 56%
	tCO ₂ e, Scope 3	372,306.0 82%	323,602.4 85%	48,703.6 56%
Carbon footprint	tCO ₂ e per EUR million of investment, Scope 1–2	0.2 82%	0.2 85%	0.0 56%
Carbon intensity	tCO ₂ e per EUR million of revenue, Scope 1 – 2	3.1 82%	3.4 85%	0.4 56%

Sources: ISS, C4F, World Bank, Bloomberg, ECB and CNB.

FIGURE 4 ESG investments and their share in financial assets

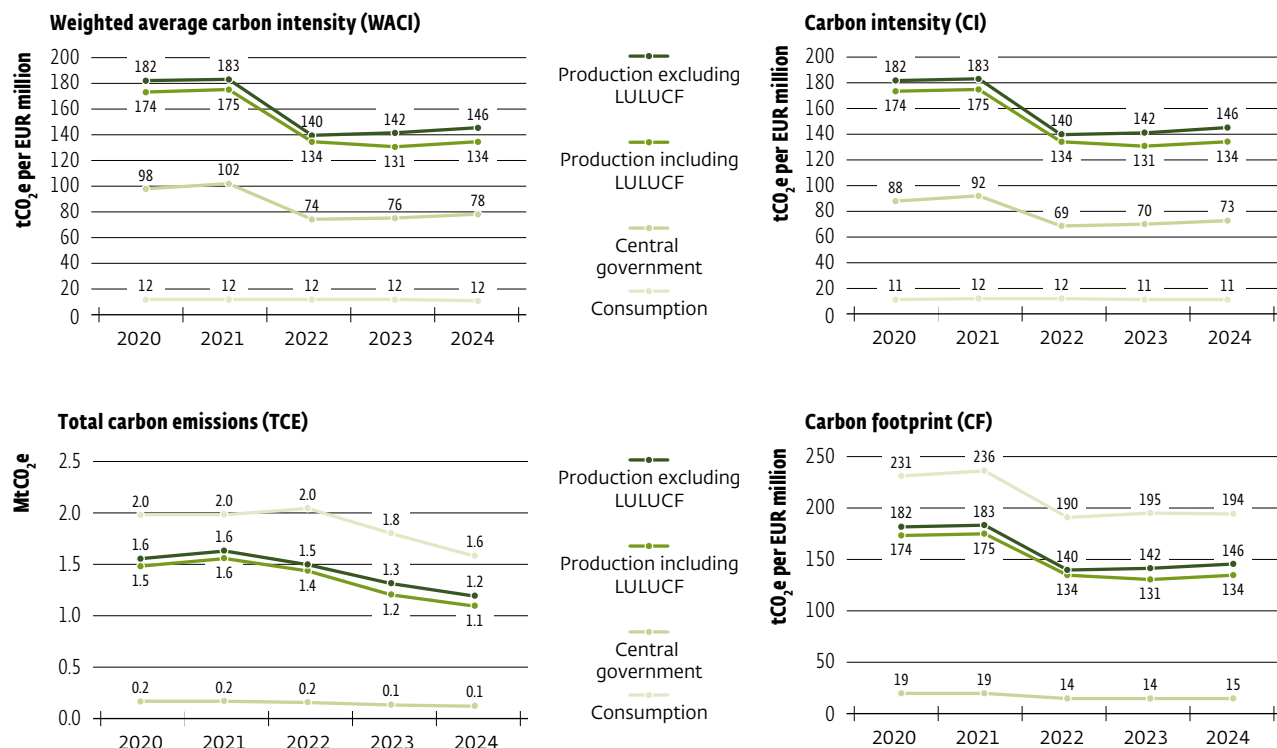
Source: CNB.

Table 1 shows climate metrics for the financial assets of the Croatian National Bank invested in government securities, the securities of international financial institutions and agencies and secured bonds. The metrics for the securities of government issuers should be observed separately from the metrics for the securities of other issuers due to different methods for allocation of emissions. The latest available data for production emissions and emissions caused by the consumption of government issuers refer to 2022, while the data on central government emissions refer to 2021. The latest available data for the emissions of other issuers, as well as the financial data for all types of issuers, refer to 2023. Data for all government issuers in the portfolio of financial assets were fully available, while data availability for supranational institutions, agencies and secured bonds came to between 56% and 100%.

Figure 5 shows developments in climate metrics for financial assets in the form of securities of government issuers. Macroeconomic developments significantly contributed to changes in climate metrics (WACI, CF and CI) in the period from 2020 to 2022. The end of the COVID-19 pandemic led to an economic recovery that impacted the increase in issuers' emissions, as well as the rise in GDP and income of institutions. Economic activity growth exceeded the increase in emissions, which eventually led to improved climate metrics. From 2022 to 2024, WACI, CF and CI climate metrics were relatively stable. The TCE metric, which was not normalised, declined under the effect of the lower level of investment in government securities. Changes in metrics from previous reports reflect an improved availability of data or the revision of data on emissions or financial data.

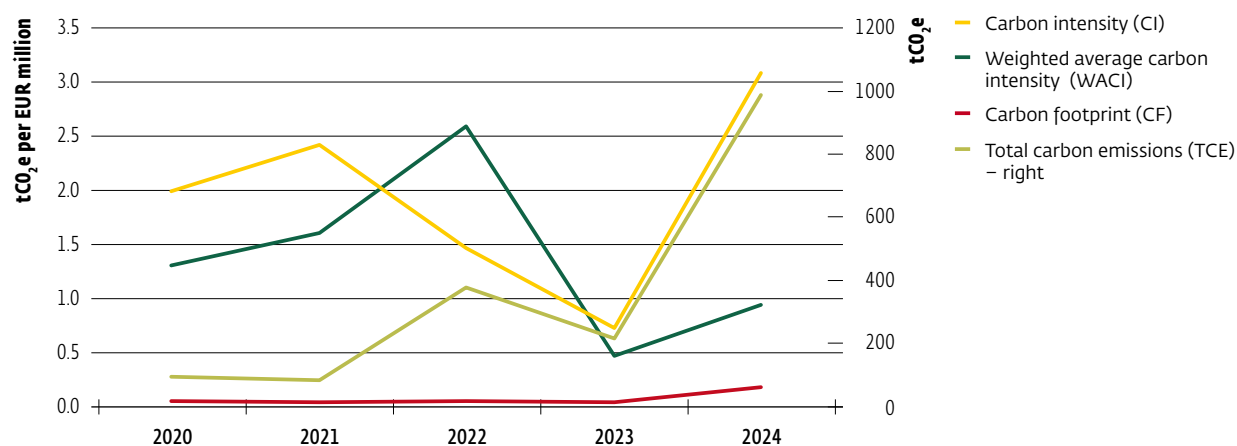
Figure 6 shows developments in climate metrics for financial assets in the form of securities of other issuers from 2020 to 2024. From 2020, their carbon footprint was below 1 tCO₂e per EUR million of investment. The metrics for 2023 and 2024 are based on the same data on emissions and financial data due to the lag in the publishing of the data. Data for previous years have been revised and updated, which has resulted in an increase in the total carbon emissions (TCE) and carbon intensity (CI) metrics. Significant differences in the amount of metrics in the observed period indicate the potential methodological deficiencies of input data, so that their subsequent revisions and consequent updating of the metrics in future reports are expected.

FIGURE 5 Developments in climate metrics for the portfolio of securities of government issuers for different methods for allocation



Sources: ISS, C4F, World Bank, Bloomberg, ECB and CNB.

FIGURE 5 Developments in climate metrics for the portfolio of securities of other issuers (Scope 1 – 2)



Sources: ISS, C4F, World Bank, Bloomberg, ECB and CNB.

The CNB reports and analyses the metrics for other issuers based on Scope 1, Scope 2 and Scope 3 emissions. The above emissions are partially published by the issuers themselves and are partially modelled by climate data providers. The reliability and comparability of Scope 3 data on emissions are limited due to (i) significant uncertainty of the assessment; (ii) different assessment of various data providers; and (iii) constant methodological improvements.

Objectives

Under the European Climate Law and the Paris Agreement, the objective of the European Union is to achieve climate neutrality by 2050 and to reduce greenhouse gas emissions by at least 55% by 2030 compared to 1990 levels. Zero net emissions can be achieved through emission reduction, investment in green technologies and environmental recovery. Since the investment strategy for the CNB's financial assets is based on the principle of liquidity and safety of investment, it is highly uncertain that the majority of investments in securities will continue to refer to the securities of EU member states. Therefore, the improvement of climate metrics for the CNB's financial assets will directly depend on the commitment of EU member states to achieving the objectives from the Paris Agreement and the European Climate Law.

The CNB invests in green, social and sustainability bonds with the aim of supporting the transition to a low-carbon economy and will continue investing in such securities in line with the acceptable risk framework and market conditions.

Within its mandate, the CNB will support decarbonisation and deepen the understanding of the effects of climate change on the financial asset portfolios it manages, verify the availability and reliability of data and methodologies used in the metrics calculation and work on the improvement of methodologies used in assessment of exposure to climate change risks.

With its further reporting on climate metrics for financial assets, the CNB will ensure a high level of transparency and accountability to the public.

APPENDIX – COMMON EUROSISTEM METRICS

METRIC 1 Weighted average carbon intensity (WACI)

$$WACI = \sum_n^i \left(\frac{\text{current value of investment}_i}{\text{current portfolio value}} \right) \times \left(\frac{\text{issuer's GHG emissions}_i}{\text{issuer's €M revenue or PPP adj GDP, population, total consumption expenditure}_i} \right)$$

METRIC 2 Total carbon emissions (TCE)

$$TCE = \sum_n^i \left(\frac{\text{current value of investment}_i}{\text{EVIC or PPP adj GDP}_i} \right) \times \text{issuer's GHG emissions}_i$$

METRIC 3 Carbon footprint (CF)

$$CF = \frac{\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{EVIC or PPP adj GDP}_i} \right) \times \text{issuer's GHG emissions}_i}{\text{current portfolio value (€M)}}$$

METRIC 4 Carbon intensity (CI)

$$CI = \frac{\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{EVIC or PPP adj GDP}_i} \right) \times \text{issuer's GHG emissions}_i}{\sum_n^i \left(\frac{\text{current value of investment}_i}{\text{EVIC or PPP adj GDP}_i} \right) \times \left(\frac{\text{issuer's €M revenue or PPP adj GDP, population, total consumption expenditure}_i}{\text{current portfolio value (€M)}} \right)}$$



FINANCIAL STATEMENTS

For the year ended 31 December 2024



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 2024, the profit and loss account for the year then ended, and notes, comprising material 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 2024, and of its financial performance for the year then ended, in accordance with Article 60 of the Act on the Croatian National Bank and Guideline (EU) 2024/2941 of the European Central Bank of 14 November 2024 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2024/31) ("the basis of preparation").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). 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 and fair presentation 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 ISAs 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 ISAs, 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 control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Croatian National Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council of the Croatian National Bank.
- Conclude on the appropriateness of the Council of the Croatian National bank's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Croatian National Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Croatian National Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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

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

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

KPMG Croatia d.o.o. za reviziju

Ivana Lučića 2a
10000 Zagreb
Hrvatska

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

 **KPMG Croatia**
d.o.o. za reviziju
Eurotower, 17. kat
Ivana Lučića 2a, 10000 Zagreb
Goran Horvat
President of the Management Board,
Croatian certified auditor

Zagreb, 21 February 2025

BALANCE SHEET

(All amounts are expressed in thousands of euro)

Assets	31/12/2024	31/12/2023
1 Gold and gold receivables	1,131	841
2 Claims on non-euro area residents denominated in foreign currency	3,198,263	2,868,200
2.1 Receivables from the International Monetary Fund (IMF)	1,299,419	1,205,572
2.2 Balances with banks and security investments, external loans and other external assets	1,898,844	1,662,628
3 Claims on euro area residents denominated in foreign currency	575,651	486,471
4 Claims on non-euro area residents denominated in euro	758,749	852,849
4.1 Balances with banks, security investments and loans	758,749	852,849
4.2 Claims arising from the credit facility under ERM II	–	–
5 Lending to euro area credit institutions related to monetary policy operations denominated in euro	43,000	55,000
5.1 Main refinancing operations	43,000	55,000
5.2 Longer-term refinancing operations	–	–
5.3 Fine-tuning reverse operations	–	–
5.4 Structural reverse operations	–	–
5.5 Marginal lending facility	–	–
5.6 Credits related to margin calls	–	–
6 Other claims on euro area credit institutions denominated in euro	425,149	366,317
7 Securities of euro area residents denominated in euro	11,328,824	12,554,465
7.1 Securities held for monetary policy purposes	–	–
7.2 Other securities	11,328,824	12,554,465
8 General government debt denominated in euro	–	–
9 Intra-Eurosystem claims	22,485,769	30,175,721
9.1 Participating interest in the ECB	417,637	420,517
9.2 Claims equivalent to the transfer of foreign reserves	313,957	327,152
9.3 Claims related to TARGET	4,730,043	16,080,813
9.4 Claims related to the allocation of euro banknotes within the Eurosystem	17,024,132	13,347,239
9.5 Other claims within the Eurosystem (net)	–	–
10 Items in course of settlement	–	–
11 Other assets	364,660	364,204
11.1 Coins of euro area	–	–
11.2 Tangible and intangible fixed assets	113,237	110,045
11.3 Other financial assets	20,166	15,675
11.4 Off-balance-sheet instruments revaluation differences	9,642	2,196
11.5 Accruals and prepaid expenses	216,945	212,161
11.6 Sundry	4,670	24,127
Total assets	39,181,196	47,724,068

The notes on pages 149 to 193 form an integral part of these financial statements.

(All amounts are expressed in thousands of euro)

Liabilities	31/12/2024	31/12/2023
1 Banknotes in circulation	11,309,009	12,081,286
2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	16,065,651	17,638,981
2.1 Current accounts (covering the minimum reserve system)	953,326	880,569
2.2 Deposit facility	15,112,325	16,758,412
2.3 Fixed-term deposits	–	–
2.4 Fine-tuning reverse operations	–	–
2.5 Deposits related to margin calls	–	–
3 Other liabilities to euro area credit institutions denominated in euro	3,716,240	9,428,593
4 Debt certificates issued	–	–
5 Liabilities to other euro area residents denominated in euro	3,663,374	4,629,859
5.1 General government	3,179,363	3,912,926
5.2 Other liabilities	484,011	716,933
6. Liabilities to non-euro area residents denominated in euro	200,910	70,877
7. Liabilities to euro area residents denominated in foreign currency	202,192	259,353
8 Liabilities to non-euro area residents denominated in foreign currency	–	–
8.1 Deposits, balances and other liabilities	–	–
8.2 Liabilities arising from the credit facility under ERM II	–	–
9 Counterpart of special drawing rights allocated by the IMF	1,298,226	1,204,434
10 Intra-Eurosystem liabilities	190,161	224,322
10.1 Liabilities equivalent to the transfer of foreign reserves	–	–
10.2 Liabilities related to TARGET	–	–
10.3 Net liabilities related to the allocation of euro banknotes within the Eurosystem	–	–
10.4 Other liabilities within the Eurosystem (net)	190,161	224,322
11 Items in course of settlement	–	–
12 Other liabilities	588,367	423,147
12.1 Off-balance-sheet instruments revaluation differences	2	9,482
12.2 Accruals and income collected in advance	16,527	45,701
12.3 Sundry	571,838	367,964
13 Provisions	496,010	495,927
13.1 Risk provisions	491,074	491,074
13.2 Other provisions	4,936	4,853
14 Revaluation accounts	955,810	783,405
15 Capital and reserves	484,699	483,884
15.1 Capital	331,807	331,807
15.2 Reserves	152,892	152,077
16 Accumulated losses carried forward	–	–
17 Profit/(loss) for the year	10,547	–
Total liabilities	39,181,196	47,724,068

The notes on pages 149 to 193 form an integral part of these financial statements.

PROFIT AND LOSS ACCOUNT

(All amounts are expressed in thousands of euro)

	2024	2023
1 Net interest income/(expense)	46,380	2,816
1.1 Interest income	1,263,563	879,384
1.2 Interest expense	(1,217,183)	(876,568)
2 Net result of financial operations and write-downs	5,188	305,398
2.1 Realised gains/(losses) arising from financial operations	5,188	305,398
2.2 Write-downs on financial assets and positions	–	–
3 Net result of pooling monetary income	(189,816)	(224,667)
4 Net income/(expense) from fees and commissions	12,036	7,421
5 Income from equity instruments and participating interests	11,988	849
6 Other income	234,770	6,324
Total net income	120,546	98,141
7 Staff costs	(42,363)	(35,046)
8 Administrative expenses	(28,623)	(30,071)
9 Depreciation of tangible and intangible fixed assets	(11,239)	(9,763)
10 Costs of production of banknotes and coins	(27,640)	(23,173)
11 Other costs	(134)	(88)
Total operating expenses	(109,999)	(98,141)
Profit/(loss) before the transfer (to)/from risk provisions	10,547	–
12 Transfer (to)/from risk provisions	–	–
13 PROFIT/(LOSS) FOR THE YEAR	10,547	–

The financial statements set out on pages 143 to 193 were approved on 21 February 2025:

Director of the Finance and Accounting Department:

Mario Varović



Governor:

Boris Vujčić



Note 1 – General information and accounting policies

1.1 GENERAL INFORMATION

The Croatian National Bank is the central bank of the Republic of Croatia with headquarters in Zagreb, Trg hrvatskih velikana 3. Its status has been defined by the Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020). The Croatian National Bank forms part of the European System of Central Banks (ESCB) and the Eurosystem. The Eurosystem comprises the European Central Bank (ECB) and the national central banks of those states that have adopted the euro. The euro area consists of EU states that have introduced the euro as their currency.

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.

In accordance with the Treaty on the Functioning of the European Union and the Statute of the ESCB and of the ECB, the Croatian National Bank carries out the following tasks:

- 1) participates in the definition and implementation of monetary policy of the European Union;
- 2) conducts foreign exchange operations (transactions) as set out in Article 219 of the Treaty on the Functioning of the European Union; and
- 3) ensures the smooth operation of payment systems.

Without prejudice either to its tasks referred to in Article 88 of the Act on the Croatian National Bank or to its independence, the Croatian National Bank, acting in accordance with the relevant legal acts of the European Union, its institutions and bodies, carries out the following tasks:

- 1) manages the foreign reserves of the Republic of Croatia that have not been transferred to the ECB, as well as other assets of the Republic of Croatia recorded in the Croatian National Bank balance sheet as at the date of the introduction of the euro as the official currency of the Republic of Croatia;
- 2) issues and withdraws or revokes authorisations and approvals and adopts other decisions in accordance with the laws governing the operation of credit institutions and the operation of credit unions, payment service providers, electronic money issuers and payment systems, payment operations, the issuance of electronic money, foreign exchange operations and the operation of authorised foreign exchange offices;
- 3) exercises supervision and oversight in accordance with the laws governing the operation of credit institutions and the operation of credit unions, payment service providers, electronic money issuers and payment systems, payment operations and the issuance of electronic money;
- 4) opens credit institutions' accounts and accepts deposits from credit institutions, executes payment transactions across these accounts and grants loans to credit institutions;
- 5) collects and processes statistical data;
- 6) regulates and improves payment operations and ensures their smooth operation;

- 7) acts as fiscal agent for the Republic of Croatia and performs other operations on behalf of the Republic of Croatia, as provided by law;
- 8) adopts subordinate legislation on the operations within its competence;
- 9) implements macroprudential policy for the purpose of contributing to maintaining the stability of the financial system as a whole within its competence;
- 10) performs other operations as provided by other regulations.

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 (until 18 July 2024),
- D. Sc. Roman Šubić, Vicegovernor (until 18 July 2024),
- M. Sc. Ivana Jakir-Bajo, Vicegovernor,
- D. Sc. Tomislav Ćorić, Vicegovernor, and
- D. Sc. Maroje Lang, Vicegovernor (since 19 July 2024).

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 2024 have been prepared in accordance with Guideline (EU) 2024/2941 of the European Central Bank of 14 November 2024 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2024/31) (hereinafter: ECB Guideline; as previously governed by 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), as amended). 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 financial statements of the Croatian National Bank are presented in euros.

1.2.2 Changes to accounting policies

In 2024 there were no changes to accounting policies applied by the Croatian National Bank.

1.2.3 Other changes

The new Guideline (EU) 2024/2941 of the European Central Bank of 14 November 2024 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2024/31) introduced changes to the presentation of the balance sheet and the profit and loss account of the Croatian National Bank aiming to foster transparency and increase the information value of the financial statements for the readers.

The presentation of “Loss for the year” and “Accumulated losses carried forward” has been changed. Thus far presented on the assets side of the balance sheet, these items are now presented as standalone items on the liabilities side. The position of the item “Provisions” has also changed, being split into two items: “Risk provisions” and “Other provisions”; it has also come to changes within the item “Claims/ (liabilities) within the Eurosystem”. Namely, claims of the Croatian National Bank vis-à-vis the ECB arising from TARGET have previously been presented together with other items under “Other liabilities within the Eurosystem (net)”, while they are now presented separately as the sub-item “Claims related to TARGET”.

Several changes have also been made relating to the layout of the profit and loss account. Instead of the expression “Provisions for financial risks”, the new ECB Guideline provides for the use of a new expression “Risk provisions” in the item “Transfer (to)/from provisions for financial risks”, as well as for the presentation of the item “Transfer (to)/from risk provisions” as a standalone item prior to the final result being presented in the profit and loss account. Instead of being presented in item 5, the item “Net result of pooling of monetary income” is now presented in item 3 in the profit and loss account.

The presented amounts referring to 2023 have been amended accordingly.

1.2.4 Qualitative characteristics and accounting assumptions

In the preparation of the financial statements, the following quantitative characteristics and accounting assumptions are applied: economic reality and transparency, prudence, significance, consistency and comparability, going concern basis, accrual basis and post-balance sheet events.

1.2.5 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 debt securities for monetary policy purposes), gold and other precious metals and assets under management with international institutions, 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.

1.2.6 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 euro-denominated transactions, financial instruments and related accruals are recorded according to the cash/settlement approach.

1.2.7 Recognition of assets and liabilities

A financial or other asset or liability is recognised in the balance sheet of the Croatian National Bank 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 Croatian National Bank;
- substantially all of the risks and rewards associated with the asset or liability are transferred to the Croatian National Bank;
- the cost or value of the asset to the Croatian National Bank or the amount of the obligation can be measured reliably.

1.2.8 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 euro price per defined unit of weight of gold 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 during the reporting period were as follows:

Currency	31/12/2024 (1 euro)	31/12/2023 (1 euro)	Change %
USD	1.03890	1.10500	(5.98)
XDR	0.79719	0.82257	(3.09)

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.

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.

1.2.9 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 foreign exchange 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 foreign exchange 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.

Marketable securities (other than debt securities currently held for monetary policy purposes and those classified as held-to-maturity) and similar assets are valued either at mid-market prices or on the basis of the relevant yield curve prevailing on the balance sheet date, on a security-by-security basis. Options embedded in securities are not separated for valuation purposes. For the year ending 31 December 2024, mid-market prices on 31 December 2024 were used.

Marketable debt securities classified as held-to-maturity and non-marketable securities are valued at amortised cost, which is subject to impairment. Illiquid equity shares and any other equity instruments held as permanent investments are valued at cost subject to impairment.

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

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.

1.2.10 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.

1.2.11 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 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 euro banknotes and coins are reported in the profit and loss account when they are invoiced or occur in any other way.

1.2.12 Banknotes in circulation

The ECB and the euro area national central banks (NCBs), which together comprise the Eurosystem, issue euro banknotes¹. The total value of euro banknotes in circulation is allocated to the Eurosystem central banks on the last working day of each month in accordance with the banknote allocation key². The ECB has been allocated an 8% share of the total value of euro banknotes in circulation, whereas the remaining 92% has been allocated to national central banks according to their weightings in the capital key of the ECB. The share of banknotes allocated to each national central bank is disclosed in the balance sheet under liability item "Banknotes in circulation".

The difference between the value of the euro banknotes allocated to each national central bank in accordance with the banknote allocation key and the value of the euro banknotes that it actually puts into circulation also gives rise to remunerated³ intra-Eurosystem balances. These claims (or liabilities) are disclosed under the item “Net claims (liabilities) related to the allocation of euro banknotes within the Eurosystem” (see “Intra-ESCB balances/intra-Eurosystem balances” in the notes on accounting policies).

From the euro cash changeover year⁴ until five years following the euro cash changeover year the intra-Eurosystem balances arising from the allocation of euro banknotes are adjusted in order to avoid significant changes in national central banks’ relative income positions as compared to previous years. The adjustments are affected by taking into account the differences between the average value of banknotes in circulation of each national central bank in the reference period⁵ and the average value of banknotes that would have been allocated to them during that period under the ECB capital key. The adjustments will be reduced in annual stages until the first day of the sixth year after the euro cash changeover year when income on banknotes will be allocated fully in proportion to the national central banks’ paid-up shares in the ECB’s capital. In the year under review the adjustments resulted from the accession of the Croatian National Bank (in 2023) and will terminate at the end of 2028.

The interest income and expense on these balances is cleared through the accounts of the ECB and is disclosed under item “Net interest income/(expense)” in the profit and loss account.

In the cash changeover year, kuna banknotes in circulation are presented in the balance sheet position L1 “Banknotes in circulation”, and after the cash changeover year, they are presented in the position L12 “Other liabilities” on the liabilities side of the balance sheet. The estimated amount of kuna banknotes that will not be returned to the Croatian National Bank is recognised as income in the profit and loss account pursuant to the decision of the Council of the Croatian National Bank.

For the purpose of adopting a Decision on the recognition of income from kuna notes not being returned from circulation, the expert service shall prepare an Expert opinion and submit it to the Council of the Croatian National Bank. The Expert opinion shall be prepared in accordance with the Decision on the methodology for the preparation of the opinion by the expert service on the assessment of the nominal value of kuna banknotes not being returned from circulation. The methodology for estimating the remaining kuna banknotes in circulation uses the method of calculating the return trend of kuna banknotes based on the data on the return of kuna banknotes in the period after 30 June 2023, using a linear and exponential trend for the next fifteen years, and the method of calculating the return of kuna banknotes using the data on the return of national currencies in the three euro area countries that last introduced the euro before the Republic of Croatia joined the euro area. The amount of kuna banknotes not being returned to the Croatian National Bank shall be assessed at the end of every year.

- 1 Decision of the ECB of 13 December 2010 on the issue of euro banknotes (ECB/2010/29) (2011/67/EU) (OJ L 35, 9.2.2011, p. 26), as amended. The unofficial consolidated text with the list of amendments can be found [here](#).
- 2 “Banknote allocation key” means the percentages that result from taking into account the ECB’s share in the total euro banknote issue and applying the subscribed capital key to the national central banks’ share in that total.
- 3 Decision (EU) 2016/2248 of the ECB of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (ECB/2016/36), OJ L 347, 20.12.2016, p. 26, as amended. The unofficial consolidated text with the list of amendments can be found [here](#).
- 4 Euro cash changeover year refers to the year in which the euro banknotes are introduced as legal tender in the respective Member State.
- 5 The reference period refers to the 24 months which start 30 months before the day on which euro banknotes become legal tender in the respective Member State, for the Croatian National Bank this is the period from July 2020 to June 2022.

1.2.13 Intra-ESCB balances/intra-Eurosystem balances

Intra-Eurosystem balances result primarily from cross-border payments in the European Union (EU) that are settled in central bank money in euro. These transactions are for the most part initiated by private entities (i.e. credit institutions, corporations and individuals). They are settled in TARGET – the Trans-European Automated Real-time Gross settlement Express Transfer system – and give rise to bilateral balances in the TARGET accounts of EU central banks. Payments conducted by the ECB and the NCBs also affect these accounts. All settlements are automatically aggregated and adjusted to form part of a single position of each NCB vis-à-vis the ECB. The movements in TARGET accounts are reflected in the accounting records of the ECB and the NCBs on a daily basis. Intra-Eurosystem balances of the Croatian National Bank vis-à-vis the ECB arising from TARGET, are presented on the balance sheet of the Croatian National Bank as an asset or a liability position under “Claims related to TARGET” or “Liabilities related to TARGET”. Intra-ESCB balances versus non-euro area NCBs not arising from TARGET are disclosed either under “Claims on non-euro area residents denominated in euro” or “Liabilities to non-euro area residents denominated in euro”.

Intra-Eurosystem claims arising from the Croatian National Bank’s participating interest in the ECB are reported under “Participating interest in the ECB”. In particular, this balance sheet item includes: (a) the NCBs’ paid-up share in the ECB’s subscribed capital, (ii) any net amount paid by the NCBs due to the increase in their shares in the ECB’s⁶ equity value resulting from all previous ECB capital key adjustments, and (iii) contributions in accordance with Article 48.2 of the Statute of the ESCB with respect to central banks of Member States whose derogations have been abrogated. Intra-Eurosystem claims arising from the transfer of foreign reserve assets to the ECB by the Croatian National Bank at the time of joining the Eurosystem are denominated in euro and reported under “Claims equivalent to the transfer of foreign reserves”.

Intra-Eurosystem balances arising from the allocation of euro banknotes within the Eurosystem are included as a single net asset/liability under “Net claims related to the allocation of euro banknotes within the Eurosystem” or “Net liabilities related to the allocation of euro banknotes within the Eurosystem” (see “Banknotes in circulation” in the notes on accounting policies).

Other intra-Eurosystem balances denominated in euro (e.g. the ECB’s interim profit distribution to NCBs, if any, correspondent accounts, and the balance due to the difference between monetary income to be pooled and redistributed), are presented as a single net asset or liability position under either “Other claims within the Eurosystem (net)” or “Other liabilities within the Eurosystem (net)”.

1.2.14 Income recognition

The following rules apply to income recognition:

- a) realised gains and realised losses are taken to the profit and loss account;
- b) unrealised gains are not recognised as income, but recorded directly in a revaluation account;
- c) at year end, unrealised losses are taken to the profit and loss account if they exceed previous revaluation gains registered in the corresponding revaluation account;
- d) unrealised losses taken to the profit and loss account are not reversed in subsequent years against new unrealised gains;

⁶ Equity value means the total of the ECB’s reserves, revaluation accounts and provisions equivalent to reserves, minus any loss carried forward from previous periods. In the event of capital key adjustments taking place during the financial year, the equity value also includes the ECB’s accumulated net profit or net loss until the date of the adjustment.

- e) 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;
- f) 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 euro, if all foreign exchange gains/losses are borne by the Ministry of Finance, 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 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.

1.2.15 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. Differences in the average rate/gold price between inflows and outflows made during the day also result in realised gains or losses. Where a liability situation exists in respect of a foreign currency or gold position, the reverse treatment applies to the abovementioned approach.

1.2.16 Revaluation accounts

The Croatian National Bank establishes revaluation accounts for the purpose of revaluation of assets and liabilities. Revaluation accounts are established from unrealised gains on the revaluation of assets and liabilities. In addition to the abovementioned revaluation accounts, the Croatian National Bank also established pre-entry revaluation accounts from unrealised gains arisen before or on the date of the entry of the Croatian National Bank into the Eurosystem (Note 3, under 14 Revaluation accounts).

1.2.17 Provisions

Provisions are amounts set aside before arriving at the profit or loss figure in order to provide for any known or expected liability or risk, the cost of which cannot be accurately determined.

Risk provisions

The Croatian National Bank may establish provisions for financial risks in accordance with a decision of 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 (Note 3, under 6 Provisions and Note 7 Risk management). The decision to increase or decrease provisions for financial risks is made by the Council of the Croatian National Bank. 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.

Other provisions

The Croatian National Bank recognises 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. Other provisions also include provisions due to the impairment of monetary policy operations.

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.

1.2.18 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.

Gains 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 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.

1.2.19 Taxation

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

1.2.20 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 is shown in the table below:

Asset class	Expected useful life in 2024 (number of years)	Expected useful life in 2023 (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 ECB's main refinancing operations rate (MRO). 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. The increased carrying amount of an asset attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

1.3 USE OF JUDGEMENTS AND ESTIMATES

In preparing the financial statements for 2024, 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 exposure of the Croatian National Bank to financial risks for the purpose of establishing provisions for financial risks, the amount of other provisions, as well as to assess the amount of kuna banknotes not being returned to the Croatian National bank, which is recognised as income in the profit and loss account.

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

Note 2 – Asset items

1 GOLD AND GOLD RECEIVABLES

	31/12/2024	31/12/2023	Change	
			Absolute	%
Quantity in gold ounces	450.25	450.25	–	–
Price				
EUR/gold ounce	2,511.069	1,867.828	643.241	34.44
Carrying amount in thousands of euro	1,131	841	290	34.44

Gold and gold receivables changed due to the increase in the price of gold ounce.

2 CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

2.1 Receivables from the International Monetary Fund (IMF)

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
<i>Euro-denominated balances with the IMF:</i>				
Membership quota	899,906	872,143	27,763	3.18
Euro-denominated bills of exchange	(897,035)	(869,360)	(27,675)	(3.18)
IMF account no. 1	(2,344)	(2,272)	(72)	(3.17)
<i>Reserve position with the IMF</i>	527	511	16	3.13
IMF account no. 2	(32)	(31)	(1)	(3.23)
Total	495	480	15	3.13
<i>Balances with the IMF denominated in special drawing rights</i>				
Foreign currency current account with the IMF	1,298,273	1,204,461	93,812	7.79
PRG-HIPC fund deposit	–	631	(631)	(100)
PRGT Deposit and Investment Account	651	–	651	–
Total	1,298,924	1,205,092	93,832	7.79
Total	1,299,419	1,205,572	93,847	7.78

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 euro 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 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. 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. The Croatian National Bank's deposit to the PRG-HIPC Trust fell due on 30 September 2024, and a new Agreement between the IMF and the Croatian National Bank was signed, providing for depositing of an amount of XDR 519,161 thousands for the PRG-HIPC Trust, to be deposited to the deposit and investment account (DIA) of the Poverty and Reduction and Growth Trust (PRGT) run by the IMF.

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

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Securities	1,659,048	1,348,200	310,848	23.06
Balances with banks, external loans and other external assets	239,796	314,428	(74,632)	(23.74)
Total	1,898,844	1,662,628	236,216	14.21

2.2.1 Securities

The table below shows investments in securities outside the euro area denominated in foreign currency.

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Marketable debt securities other than held-to-maturity	533,597	627,683	(94,086)	(14.99)
Marketable held-to-maturity debt securities	1,125,451	720,517	404,934	56.20
Total	1,659,048	1,348,200	310,848	23.06

Investments in held-to-maturity debt securities increased significantly in 2024, with a part of the increase coming from redirecting investments from marketable debt securities other than those held-to-maturity.

Investments in securities by currency

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
USD	1,529,066	1,210,636	318,430	26.30
Other currencies	129,982	137,564	(7,582)	(5.51)
Total	1,659,048	1,348,200	310,848	23.06

2.2.2 Balances with banks, external loans and other external assets

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Cash and current accounts	1,537	2,536	(999)	(39.39)
Deposits with other banks	19,251	18,099	1,152	6.36
Reverse repo agreements	26,182	112,579	(86,397)	(76.74)
Assets under management with international financial institutions	192,826	181,214	11,612	6.41
Total	239,796	314,428	(74,632)	(23.74)

Investments in reverse repo agreements in USD decreased in 2024 in favour of other investment instruments.

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

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2024	Change	
			Absolute	%
USD	238,669	312,175	(73,506)	(23.55)
Other currencies	1,127	2,253	(1,126)	(49.98)
Total	239,796	314,428	(74,632)	(23.74)

3 CLAIMS ON EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Marketable debt securities other than held-to-maturity	48,436	–	48,436	–
Marketable held-to-maturity debt securities	329,120	232,424	96,696	41.60
Balances with banks, loans and other assets	198,095	254,047	(55,952)	(22.02)
Total	575,651	486,471	89,180	18.33

All investments in this item are in US dollars.

4 CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN EURO

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Marketable held-to-maturity debt securities	758,749	852,849	(94,100)	(11.03)
Total	758,749	852,849	(94,100)	(11.03)

The value of marketable held-to-maturity securities decreased due to certain securities maturing in 2024.

5 LENDING TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO

In accordance with Article 32.4 of the Statute of the ESCB and of the ECB, losses from monetary policy operations, if they were to materialise, are shared, by decision of the Governing Council, in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares (Note 3, under 13 Provisions). Losses can only materialise if both the counterparty fails and the recovery of funds received from the resolution of the collateral provided by the counterparty is not sufficient. For specific collateral which can be accepted by NCBs at their own discretion, risk sharing has been excluded by the Governing Council of the ECB.

	31/12/2024	31/12/2023	Change	
			Absolute	%
Main refinancing operations	43,000	55,000	(12,000)	(21.82)
Longer-term refinancing operations	–	–	–	–
Fine-tuning reverse operations	–	–	–	–
Structural reverse operations	–	–	–	–
Marginal lending facility	–	–	–	–
Credits related to margin calls	–	–	–	–
Total	43,000	55,000	(12,000)	(21.82)

5.1 Main refinancing operations

Main refinancing operations are executed through liquidity providing reverse transactions with a frequency and a maturity of normally one week, on the basis of standard tenders. Since October 2008, these operations were conducted as fixed rate tender procedures. These operations play a key role in achieving the aims of steering interest rate, managing market liquidity and signalling the monetary policy stance.

5.2 Longer-term refinancing operations

These operations aim to provide counterparties with additional longer-term refinancing. These operations were conducted at fixed rate with allotment of the total amount bid.

In addition to the series of seven quarterly targeted longer-term refinancing operations (TLTRO III) introduced in 2019, the Governing Council added three further operations to this series in December 2020, which were conducted between June and December 2021. These operations had a three-year maturity, so that the last operation matured in 2024. For all TLTROs-III, starting 12 months after the settlement of each operation, participants had the option on a quarterly basis of terminating or reducing the amount of TLTRO III concerned before maturity. Borrowing rates in these operations could be as low as 50 basis points below the average interest rate on the deposit facility over the period from 24 June 2020 to 23 June 2022, but in any case could not become less negative than -1%, and as low as the average (for the relevant period) interest rate on the deposit facility during the rest of the life of the same operation.⁷

⁷ On 27 October 2022 the Governing Council decided that, from 23 November 2022 until the maturity date or early repayment date of each respective outstanding TLTRO III operation, the interest rate on TLTRO III operations will be indexed to the average applicable key ECB interest rates over this period.

The actual interest rates could only be known at the maturity or early repayment of each operation and before that a reliable estimate was used for calculating the TLTRO III interest accruals. For the financial statements for 2023, the interest rate for the accruals was indexed to the average applicable key ECB interest rate since the beginning of the last interest period of these operations, which began on 23 November 2022. (Any difference between accrued and actual interest rates is reflected in the result for 2024.)

5.3 Fine-tuning reverse operations

Fine-tuning reverse operations aim to regulate the market liquidity situation and steer interest rates, particularly to smooth the effects on interest rates caused by unexpected market fluctuations. Owing to their nature, they are executed on an ad-hoc basis.

5.4 Structural reverse operations

These are reverse open-market transactions through standard tenders to enable the Eurosystem to adjust its structural liquidity position vis-à-vis the financial sector.

5.5 Marginal lending facility

Marginal lending facilities may be used by counterparties to obtain overnight liquidity from national central banks at a pre-specified interest rate against eligible assets.

5.6 Credits related to margin calls

This item refers to cash paid to counterparties in those instances where the market value of the collateral exceeds an established trigger point implying an excess of collateral with respect to outstanding monetary policy operations.

6 OTHER CLAIMS ON EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

(All amounts are expressed in thousands of euro)

	31/12/2024	31/12/2023	Change	
			Absolute	%
Current accounts and deposits	6	2	4	200.00
Reverse repo agreements	50,000	–	50,000	–
Monetary operations before the entry into the Eurosystem	366,315	366,315	–	–
Deposits related to margin calls (for repo agreements)	8,828	–	8,828	–
Total	425,149	366,317	58,832	16.06

7 SECURITIES OF EURO AREA RESIDENTS DENOMINATED IN EURO

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Other securities	11,328,824	12,554,465	(1,225,641)	(9.76)
Total	11,328,824	12,554,465	(1,225,641)	(9.76)

7.1 Securities held for monetary policy purposes

	Start date	End date ⁸	Decision	Universe of eligible securities ⁹
Securities Markets Programme (SMP)				
SMP	May 2010	September 2012	ECB/2010/5	Public and private debt securities issued in the euro area ¹⁰
Asset purchase programme (APP)				
CBPP3	October 2014	June 2023	ECB/2020/8, as amended	Covered bonds of euro area residents
ABSPP	November 2014	June 2023	ECB/2014/45, as amended	Senior and guaranteed mezzanine tranches of asset-backed securities of euro area residents
PSPP	March 2015	June 2023	ECB/2020/9	Bonds issued by euro-area central, regional or local governments or recognised agencies as well as by international organisations and multilateral development banks located in the euro area
CSPP	June 2016	June 2023	ECB/2016/16, as amended	Bonds and commercial paper issued by non-bank corporations established in the euro area
Pandemic emergency purchase programme (PEPP)				
PEPP	March 2020	December 2024	ECB/2020/17, as amended	All asset categories eligible under the APP

In 2024 the asset purchase programme (APP)¹¹ portfolio continued to decline, as the Eurosystem, since July 2023, no longer reinvests the principal payments from maturing securities.¹²

As concerns the PEPP¹³, following the Governing Council decision in December 2023¹⁴, during the first half of 2024 the Eurosystem continued to reinvest, in full, the principal payments from maturing securities. Over the second half of the year, the PEPP portfolio declined by EUR 7.5 billion per month on average, as the Eurosystem did not reinvest all of the principal payments from maturing securities. The reinvestments under the PEPP were discontinued at the end of 2024.

The securities purchased under these programmes are valued at cost subject to impairment.

The Governing Council assesses on a regular basis the financial risks associated with the securities held under these programmes. In this context, impairment tests are conducted on an annual basis, using data as at the year-end and are approved by the Governing Council. In these tests, impairment indicators are assessed separately for each programme. In cases where impairment indicators are observed, further analysis is performed to confirm that the cash flows of the underlying securities have not been affected by an impairment event.

⁸ For SMP, "End date" refers to the termination of the programme, while for APP and PEPP to the end of purchases.

⁹ Further eligibility criteria for the specific programmes can be found in the Governing Council's decisions.

¹⁰ Only public debt securities issued by five euro area treasuries were purchased under the SMP.

¹¹ Further details on the APP can be found on the [ECB's website](#).

¹² See the [press release](#) of 15 June 2023 of the Governing Council's decisions.

¹³ Further details on the PEPP can be found on the [ECB's website](#).

¹⁴ See the [press release](#) of 14 December 2023 of the Governing Council's decisions.

The Croatian National Bank held no securities reported under asset item 7.1 on the NCB's balance sheet. In accordance with the decision of the Governing Council taken under Article 32.4 of the Statute of the ESCB, losses from holdings of securities, if they were to materialise, are shared in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares, excluding government securities under the PSPP and PEPP programmes.

In the context of the impairment test conducted as at the end of 2024 on securities purchased under the Corporate Sector Purchase Programme (CSPP) and the Pandemic Emergency Purchase Programme (PEPP-CORP), the Governing Council identified two impairment indicators. The Governing Council considered that the identified impairment indicators had not affected the estimated future cash flows. No impairment losses were therefore recorded at the year-end on the holdings of securities under these programmes. Furthermore, no impairment losses were recorded in respect of the other securities purchased under other programmes.

7.2 Other securities

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Held-to-maturity debt securities	9,465,881	10,594,369	(1,128,488)	(10.65)
Bonds of the Republic of Croatia	1,862,943	1,960,096	(97,153)	(4.96)
Total	11,328,824	12,554,465	(1,225,641)	(9.76)

This line item shows securities purchased for monetary policy purposes before the entry into the Eurosystem, that is bonds of the Republic of Croatia purchased by the Croatian National Bank in an effort to maintain liquidity and stability of the financial system due to the coronavirus pandemic (COVID-19).

In 2024, the Croatian National Bank sold EUR 29,000 thousands (nominal value) of securities from its held-to-maturity portfolio, due to adjustments related to a limited framework.

9 INTRA-EUROSISTEM CLAIMS

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Participating interest in the ECB	417,637	420,517	(2,880)	(0.68)
Claims equivalent to the transfer of foreign reserves	313,957	327,152	(13,195)	(4.03)
Claims related to TARGET	4,730,043	16,080,813	(11,350,770)	(70.59)
Net claims related to the allocation of euro banknotes within the Eurosystem	17,024,132	13,347,239	3,676,893	27.55
Other claims within the Eurosystem (net)	–	–	–	–
Total	22,485,769	30,175,721	(7,689,952)	(25.48)

9.1 Participating interest in the ECB

For the Croatian National Bank this balance sheet item includes the paid-up share in the ECB's subscribed capital in the amount of EUR 68,511 thousands (31/12/2023: EUR 71,391 thousands) and contributions in accordance with Article 48.2 of the Statute of the ESCB in the amount of EUR 349,126 thousands (31/12/2023: EUR 349,126 thousands).

Pursuant to Article 28 of the Statute of the ESCB, the ESCB national central banks are the sole subscribers to the capital of the ECB. Subscriptions depend on shares which are fixed in accordance with Article 29 of the Statute of the ESCB and are subject to adjustment every five years or whenever there is a change in composition of the ESCB national central banks. The latest adjustment took place on 1 January 2024.

Based on Council Decision 2003/517/EC of 15 July 2003 on the statistical data to be used for the adjustment of the key for subscription to the capital of the European Central Bank¹⁵, the NCBs' capital key shares were adjusted as follows on 2 January 2024, by means of transfers among the NCBs:

TABLE 1 CONTRIBUTIONS OF NATIONAL CENTRAL BANKS TO THE ECB CAPITAL

NCB	Capital subscription key until 31/12/2023, %	Capital subscription key from 1/1/2024, %
Nationale Bank van België/Banque Nationale de Belgique	2.9630	3.0005
Deutsche Bundesbank	21.4394	21.7749
Eesti Pank	0.2291	0.2437
Central Bank of Ireland	1.3772	1.7811
Bank of Greece	2.0117	1.8474
Banco de España	9.6981	9.669
Banque de France	16.6108	16.3575
Hrvatska narodna banka	0.6595	0.6329
Banca d'Italia	13.8165	13.0993
Central Bank of Cyprus	0.1750	0.1802
Latvijas Banka	0.3169	0.3169
Lietuvos bankas	0.4707	0.4826
Banque centrale du Luxembourg	0.2679	0.2976
Central Bank of Malta	0.0853	0.1053
De Nederlandsche Bank	4.7662	4.8306
Oesterreichische Nationalbank	2.3804	2.4175
Banco de Portugal	1.9035	1.9014
Banka Slovenije	0.3916	0.4041
Národná banka Slovenska	0.9314	0.9403
Suomen Pankki – Finlands Bank	1.4939	1.4853
Subtotal for euro area NCBs	81.9881	81.7681
Българска народна банка (Bulgarian National Bank)	0.9832	0.9783
Česká národní banka	1.8794	1.9623
Danmarks Nationalbank	1.7591	1.7797
Magyar Nemzeti Bank	1.5488	1.5819
Narodowy Bank Polski	6.0335	6.0968
Banca Națională a României	2.8289	2.8888
Sveriges Riksbank	2.9790	2.9441
Subtotal for non-euro area NCBs	18.0119	18.2319
TOTAL	100.00	100.00

¹⁵ OJ L 181, 19.7.2003, p. 43.

On 1 January 2024, the share of the Croatian National Bank in the subscribed capital of the ECB, which stands at EUR 10,825,007 thousands, decreased from 0.6595% to 0.6329% so that asset item 9.1 “Participating interest in the ECB” decreased by EUR 2,880 thousands and now stands at EUR 68,511 thousands.

9.2 Claims equivalent to the transfer of foreign reserves

The amount of EUR 313,957 thousands represents the Croatian National Bank’s claims arising from the transfer of foreign reserve assets to the ECB, when the Croatian National Bank joined the Eurosystem. In line with Article 30.2 of the Statute of the ESCB, these contributions are fixed in proportion to NCBs’ share in the subscribed capital of the ECB.

Given the five-yearly adjustment of the NCBs’ weightings in the key for subscription to the ECB’s capital on 1 January 2024, the weighting of the Croatian National Bank in the ECB’s subscribed capital decreased. In order to reflect its reduced capital key share, the euro-denominated claim of the Croatian National Bank decreased by EUR 13,195 thousands to EUR 313,957 thousands on 1 January 2024.

The remuneration of these claims is calculated daily at the latest available (marginal) interest rate used by the Eurosystem in its tenders for main refinancing operations (MRO)¹⁶, adjusted to reflect a zero return on the gold component (see Note 6 Post-balance sheet events).

9.3 Claims related to TARGET

This item consists of the TARGET balance of the Croatian National Bank vis-à-vis the ECB (see “Intra-ESCB balances/ intra-Eurosystem balances” in the notes on accounting policies).

The remuneration of these claims (with the exception of balances arising from back-to-back swap transactions in connection with US dollar liquidity-providing operations) is calculated daily at the latest available (marginal) interest rate used by the Eurosystem in its tenders for main refinancing operations (see Note 6 Post-balance sheet events).

9.4 Net claims related to the allocation of euro banknotes within the Eurosystem

This item consists of the claims of the Croatian National Bank vis-à-vis the Eurosystem relating to the allocation of euro banknotes within the Eurosystem (see “Banknotes in circulation” and “Intra-ESCB balances/intra-Eurosystem balances” in the notes on accounting policies). The increase, when compared with 31 December 2023, was due to the decrease in the amount of euro banknotes, which the Croatian National Bank released into circulation in 2024 (Note 3, under 1 Banknotes in circulation).

The remuneration of these claims is calculated daily at the latest available (marginal) interest rate used by the Eurosystem in its tenders for main refinancing operations (see Note 6 Post-balance sheet events).

11 OTHER ASSETS

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Tangible and intangible fixed assets	113,237	110,045	3,192	2.90
Other financial assets	20,166	15,675	4,491	28.65
Off-balance-sheet instruments revaluation differences	9,642	2,196	7,446	339.07
Accruals and prepaid expenses	216,945	212,161	4,784	2.25
Sundry	4,670	24,127	(19,457)	(80.64)
Total	364,660	364,204	456	0.13

¹⁶ Further details on the ECB’s interest rates can be found [here](#).

11.2 Tangible and intangible fixed assets

(All amounts are expressed in thousands of euro)	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 PROPERTY, PLANT AND EQUIPMENT	Soft-ware and licences	Assets under development – intangible assets	TOTAL INTANGIBLE ASSETS	TOTAL property, plant, equipment and intang. assets
Balance as at 1 January 2024											
Cost or revaluation value	72,010	10,844	43,067	9,380	1,209	5,125	141,635	10,359	2,021	12,380	154,015
Accumulated depreciation/amortisation	–	(3,565)	(25,869)	(5,993)	(1,174)	–	(36,601)	(7,369)	–	(7,369)	(43,970)
Net book value	72,010	7,279	17,198	3,387	35	5,125	105,034	2,990	2,021	5,011	110,045
For the year ended 31 December 2024											
Opening net book amount	72,010	7,279	17,198	3,387	35	5,125	105,034	2,990	2,021	5,011	110,045
Additions	–	4,124	1,158	917	114	8,191	14,504	–	–	–	14,504
Brought into use	521	–	1,592	657	798	(3,568)	–	362	(362)	–	–
Revaluation	–	–	–	–	–	–	–	–	–	–	–
Impairment	–	–	–	–	–	–	–	–	–	–	–
Net written off	(73)	–	–	–	–	–	(73)	–	–	–	(73)
Depreciation/amortisation (charge for the year, Note 5 under 7)	(1,152)	(2,314)	(5,888)	(972)	(94)	–	(10,420)	(819)	–	(819)	(11,239)
Closing net book amount	71,306	9,089	14,060	3,989	853	9,748	109,045	2,533	1,659	4,192	113,237
Balance as at 31 December 2024											
Cost or revaluation value	72,458	14,968	45,712	10,654	2,121	9,748	155,661	10,709	1,659	12,368	168,029
Accumulated depreciation/amortisation	(1,152)	(5,879)	(31,652)	(6,665)	(1,268)	–	(46,616)	(8,176)	–	(8,176)	(54,792)
Net book value	71,306	9,089	14,060	3,989	853	9,748	109,045	2,533	1,659	4,192	113,237

11.2 Tangible and intangible fixed assets (continued)

(All amounts are expressed in thousands of euro)	Property owned by the CNB (land and buildings)	Right-of-use buildings (office buildings)	Computers and equipment	Furniture and equipment	Motor vehicles	Assets under development – property, plant, equipment	TOTAL PROPERTY, PLANT AND EQUIPMENT	Soft-ware and licences	Assets under development – intangible assets	TOTAL INTANGIBLE ASSETS	TOTAL property, plant, equipment and intang. assets
Balance as at 1 January 2023											
Cost or revaluation value	64,138	7,152	34,393	7,237	1,182	4,041	118,143	9,462	2,918	12,380	130,523
Accumulated depreciation/amortisation	(2,925)	(1,475)	(21,106)	(5,766)	(1,159)	–	(32,431)	(6,633)	–	(6,633)	(39,064)
Net book value	61,213	5,677	13,287	1,471	23	4,041	85,712	2,829	2,918	5,747	91,459
For the year ended 31 December 2023											
Opening net book amount	61,213	5,677	13,287	1,471	23	4,041	85,712	2,829	2,918	5,747	91,459
Additions	124	3,692	6,958	2,607	27	3,457	16,865	–	–	–	16,865
Brought into use	171	–	2,165	37	–	(2,373)	–	897	(897)	–	–
Revaluation	11,484	–	–	–	–	–	11,484	–	–	–	11,484
Impairment	–	–	–	–	–	–	–	–	–	–	–
Net written off	–	–	–	–	–	–	–	–	–	–	–
Depreciation/amortisation (charge for the year, Note 5 under 7)	(982)	(2,090)	(5,212)	(728)	(15)	–	(9,027)	(736)	–	(736)	(9,763)
Closing net book amount	72,010	7,279	17,198	3,387	35	5,125	105,034	2,990	2,021	5,011	110,045
Balance as at 31 December 2023											
Cost or revaluation value	72,010	10,844	43,067	9,380	1,209	5,125	141,635	10,359	2,021	12,380	154,015
Accumulated depreciation/amortisation	–	(3,565)	(25,869)	(5,993)	(1,174)	–	(36,601)	(7,369)	–	(7,369)	(43,970)
Net book value	72,010	7,279	17,198	3,387	35	5,125	105,034	2,990	2,021	5,011	110,045

11.3 Other financial assets

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
BIS shares	5,563	5,563	–	–
SWIFT shares	189	10	179	1,790.00
Investment in the Croatian Mint	14,414	10,102	4,312	42.68
Total	20,166	15,675	4,491	28.65

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 2024, the Croatian National Bank received a dividend in the amount of HRK 1,107 thousands (2023: EUR 849 thousands).

Under Article 11 of the By-laws of the Society for World Bank Interbank Financial Telecommunication (SWIFT), SWIFT shares shall be reallocated every three years; the reallocation was effected in the first quarter of 2024 based on the financial contribution paid for the network-based services between 1 January and 31 December 2023. The Croatian National Bank purchased in 2024 23 SWIFT shares in the total amount of EUR 179 thousands and now holds 29 SWIFT shares.

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 euro)

Net asset value as at 1/1/2024	10,102
Revaluation in 2024	4,312
Net asset value as at 31/12/2024	14,414

11.4 Off-balance-sheet instruments revaluation differences

This 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 revaluation differences of derivative instruments by instrument and currency that are recognised in the balance sheet.

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Foreign exchange swaps (FX SWAP) in USD	9,642	–	9,642	–
Foreign exchange swaps (FX SWAP) in JPY	–	2,196	(2,196)	(100.00)
Total	9,642	2,196	7,446	339.07

11.5 Accruals and prepaid expenses

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Deposits with other banks	79	89	(10)	(11.24)
Foreign currency denominated securities not held to maturity	3,699	1,561	2,138	136.96
Foreign currency denominated securities held to maturity	13,056	5,523	7,533	136.39
Euro denominated securities held to maturity	30,166	36,401	(6,235)	(17.13)
Securities held for monetary policy purposes before the entry into the Eurosystem	14,971	14,974	(3)	(0.02)
Lending to credit institutions from RC related to monetary policy operations	4	28	(24)	(85.71)
Lending to credit institutions from RC related to monetary policy operations before the entry into the Eurosystem	4,342	3,411	931	27.29
Foreign currency reverse repo agreements	359	561	(202)	(36.01)
Reverse repo agreements in euro	204	–	204	–
Foreign exchange swaps (FX SWAP)	3,967	4,761	(794)	(16.68)
Remuneration for intra-Eurosystem claims	141,915	141,151	764	0.54
Prepaid expenditure	4,180	3,699	481	13.00
Other	3	2	1	50.00
Total	216,945	212,161	4,784	2.25

Sub-item A 11.5 shows accrued interest on various bases, with the largest part of this item referring to accrued remuneration for intra-Eurosystem claims, that is, EUR 28,078 thousands arising from TARGET (31 December 2023: EUR 55,038 thousands), EUR 102,627 thousands based on the adjustment of euro banknotes within the Eurosystem (31 December 2023: EUR 75,417 thousands) and EUR 11,210 thousands for foreign reserve assets transferred to the ECB (31 December 2023: EUR 10,696 thousands).

11.6 Sundry

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Numismatics	1,301	1,341	(40)	(2.98)
Receivables	1,307	1,342	(35)	(2.61)
Advances given	231	19,790	(19,559)	(98.83)
Other tangible assets	1,495	1,285	210	16.34
Other	336	369	(33)	(8.94)
Total	4,670	24,127	(19,457)	(80.64)

Within Advances given there were no advances given for the production of euro coins (31 December 2023: EUR 19,719 thousands).

Note 3 – Liability items

1 BANKNOTES IN CIRCULATION

The item banknotes in circulation consists of the Croatian National Bank's share of the total euro banknotes in circulation (see Note Banknotes in circulation in the notes on accounting policies).

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Total value of euro banknotes put into circulation by the Croatian National Bank	(5,715,123)	(1,749,759)	(3,965,364)	(226.62)
Liability resulting from the ECB's share of euro banknotes in circulation	(983,526)	(1,008,523)	24,997	2.48
Claim according to the Croatian National Bank's weighting in the ECB capital key	18,007,658	14,355,762	3,651,896	25.44
<i>Total euro banknotes in circulation</i>	<i>11,309,009</i>	<i>11,597,480</i>	<i>(288,471)</i>	<i>(2.49)</i>
Kuna banknotes in circulation	–	483,806	(483,806)	(100.00)
Total banknotes in circulation	11,309,009	12,081,286	(772,277)	(6.39)

During 2024, the total value of banknotes in circulation within the Eurosystem increased by 1.35%. According to the allocation key, the Croatian National Bank had euro banknotes in circulation worth EUR 11,309,009 thousands at the end of the year, compared with EUR 11,597,480 thousands at the end of 2023. The value of the euro banknotes actually issued by the Croatian National Bank in 2024 decreased. As this was less than the allocated amount, the difference of EUR 17,024,132 thousands (compared to EUR 13,347,239 thousands as at 31 December 2023) is shown under asset item 9.4 "Net claims related to the allocation of euro banknotes within the Eurosystem".

2 LIABILITIES TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Current accounts (covering the minimum reserve system)	953,326	880,569	72,757	8.26
Deposit facility	15,112,325	16,758,412	(1,646,087)	(9.82)
Fixed-term deposits	–	–	–	–
Fine-tuning reverse operations	–	–	–	–
Deposits related to margin calls	–	–	–	–
Total	16,065,651	17,638,981	(1,573,330)	(8.92)

2.1 Current accounts (covering the minimum reserve system)

Current accounts contain the credit balances on the transaction accounts of credit institutions that are required to hold minimum reserves, excluding funds of credit institutions that are not freely disposable and accounts of credit institutions exempt from minimum reserve requirements, which are disclosed separately under Liability item 3 "Other liabilities to euro area credit institutions denominated in euro".

Banks' minimum reserve balances were remunerated at the latest available (marginal) interest rate used by the Eurosystem in its tenders for main refinancing operations until 20 December 2022, and at the Eurosystem's deposit facility (overnight deposit) rate between 21 December 2022 and 19 September 2023. Following a Governing Council decision on 27 July 2023 these balances are remunerated at zero percent, starting from 20 September 2023.

2.2 Deposit facility

The deposit facility refers to overnight deposits placed by Croatian banks that access the Eurosystem's liquidity absorbing standing facility at the pre-specified rate.

2.3 Fixed-term deposits

Fixed-term deposits are fine-tuning liquidity absorbing operations that take the form of deposits.

2.4 Fine-tuning reverse operations

Fine-tuning reverse operations are used to offset high liquidity imbalances.

2.5 Deposits related to margin calls

This item refers to deposits made by counterparties in those instances where the market value of the collateral pledged falls short of an established trigger point.

3 OTHER LIABILITIES TO EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Repo deposits of banks	3,706,629	9,423,063	(5,716,434)	(60.66)
Court-mandated deposits	5,622	5,530	92	1.66
Deposits related to margin calls (for repo agreements)	3,989	–	3,989	–
Total	3,716,240	9,428,593	(5,712,353)	(60.59)

The item Other liabilities to euro area credit institutions denominated in euro includes funds of credit institutions that are not freely disposable and accounts of credit institutions exempt from minimum reserve requirements.

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

5 LIABILITIES TO OTHER EURO AREA RESIDENTS DENOMINATED IN EURO

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
General government	3,179,363	3,912,926	(733,563)	(18.75)
Other liabilities	484,011	716,933	(232,922)	(32.49)
Total	3,663,374	4,629,859	(966,485)	(20.88)

The item General government includes funds in government accounts, while Other liabilities includes repo agreements, deposits of financial institutions not subject to minimum reserve requirements and deposits of mandatory pension funds.

The Act on Amendments to the Mandatory Pension Funds Act (Official Gazette 156/2023) has broadened the universe of permitted investments of mandatory pension funds (MPFs) to include deposits with the Croatian National Bank and the European Central Bank. The conditions for putting MPF funds in fixed-term deposits are governed by the Decision on interest rates on cash balances with the Croatian National Bank not related to monetary policy operations. MPF deposits with the CNB are placed as fixed-term deposits by mandatory pension fund management companies.

6 LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN EURO

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Due to European Commission	129,532	70,867	58,665	82.78
Other liabilities	71,378	10	71,368	713,680.00
Total	200,910	70,877	130,033	183.46

Liabilities to the European Commission include euro transaction accounts: Own Resources Account and the European Development Fund Account.

In accordance with ECB Guideline (EU) 2021/564 of 17 March 2021 (replaced by Guideline (EU) 2024/1211) on the Eurosystem's provision of reserve management services in euro to central banks and countries located outside the euro area and to international organisations, the Croatian National Bank has concluded an arrangement with a central bank outside the Eurosystem on the Eurosystem's provision of reserve management services (ERMS). Funds received and a fixed-term deposit from a central bank outside the Eurosystem in the amount of EUR 71,368 thousands are reported under Other liabilities.

7 LIABILITIES TO EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Liabilities to financial sector counterparties	198,090	254,041	(55,951)	(22.02)
General government	4,102	5,312	(1,210)	(22.78)
Total	202,192	259,353	(57,161)	(22.04)

Liabilities to financial sector counterparties refer to repo deposits of euro area financial institutions denominated in foreign currency.

9 COUNTERPART OF SPECIAL DRAWING RIGHTS ALLOCATED BY THE IMF

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Net cumulative allocations	1,298,226	1,204,434	93,792	7.79
Total	1,298,226	1,204,434	93,792	7.79

In 2024 the Ministry of Finance paid up to the Croatian National Bank commitments of the Republic of Croatia due to the IMF based on the succession of membership in the IMF in relation to the first and second allocation of special drawing rights in the total amount of XDR 44,205 thousands (EUR 53,841 thousands).

This balance sheet line item is the euro equivalent of XDR 1,034,938 thousands (31 December 2023: XDR 990,733 thousands).

10 INTRA-EUROSISTEM LIABILITIES

10.4 Other liabilities within the Eurosystem (net)

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Due to ECB in respect of monetary income	190,161	224,322	(34,161)	(15.23)
Total	190,161	224,322	(34,161)	(15.23)

Regarding the position vis-à-vis the ECB in respect of the annual pooling and allocation of monetary income within the Eurosystem national central banks, the Croatian National Bank had a debit balance of EUR 190,161 thousands at year-end (Note 5, under 3 Net result of pooling monetary income).

12 OTHER LIABILITIES

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Off-balance-sheet instruments revaluation differences	2	9,482	(9,480)	(99.98)
Accruals and income collected in advance	16,527	45,701	(29,174)	(63.84)
Sundry	571,838	367,964	203,874	55.41
Total	588,367	423,147	165,220	39.05

12.1 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 revaluation differences of derivative instruments by instrument and currency that are recognised in the balance sheet.

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Foreign exchange swaps (FX SWAP) in USD	–	9,482	(9,482)	(100.00)
Foreign exchange swaps (FX SWAP) in JPY	2	–	2	–
Total	2	9,482	(9,480)	(99.98)

12.2 Accruals and income collected in advance

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Deposits of RC	9,419	13,530	(4,111)	(30.38)
Repo agreements	5,514	26,754	(21,240)	(79.39)
Deposits of other customers	512	–	512	–
Overnight deposits of credit institutions	–	3,724	(3,724)	(100.00)
Foreign exchange swaps (FX SWAP)	705	792	(87)	(10.98)
Other	377	901	(524)	(58.16)
Total	16,527	45,701	(29,174)	(63.84)

12.3 Sundry

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Euro coins	170,728	146,651	24,077	16.42
Kuna banknotes	189,337	–	189,337	–
Kuna coins	155,234	148,723	6,511	4.38
Amounts due to employees	3,362	1,592	1,770	111.18
Taxes and contributions	1,983	1,316	667	50.68
Trade payables	8,394	6,703	1,691	25.23
Bank cash accounts of TARGET participants	35,764	54,971	(19,207)	(34.94)
Other	7,036	8,008	(972)	(12.14)
Total	571,838	367,964	203,874	55.41

From the year after the cash changeover year, this position also shows kuna banknotes in circulation. Kuna banknotes are exchanged without a time limit, and kuna coins until the expiry of three years from the date of the introduction of the euro.

The bank's cash account is the bank's dedicated account opened with the Croatian National Bank for the purpose of supplying banks with cash through cash supply centres that is not a transaction account in the sense of the regulation governing payment operations. The transfers of funds for the purpose of supplying banks with euro cash are made through the TARGET system.

The item Other comprises the present value of the lease liability in the amount of HRK 6,480 thousands (31 December 2023: EUR 7,391 thousands).

13 PROVISIONS

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
<i>Risk provisions</i>				
Provisions for financial risks	491,074	491,074	–	–
<i>Other provisions</i>				
Provisions for securities held for monetary policy purposes	–	345	(345)	(100.00)
Provisions for court cases	–	88	(88)	(100.00)
Provisions for employee benefits	4,936	4,420	516	11.67
<i>Total other provisions</i>	4,936	4,853	83	1.71
Total	496,010	495,927	83	0.02

Pursuant to the decision of the Council of the Croatian National Bank, provisions for financial risks as at 31 December 2024 remained unchanged from the amount of provisions for financial risks as at 31 December 2023.

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 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 7 – Risk management.

With respect to the provision established in 2023 by the national central banks of participating Member States with regard to credit risks, an amount of EUR 42,918 thousands was used to cover most of the loss realised after the sale in 2024 of impaired securities held by one of the Eurosystem NCBs under the CSPP. Of this amount, EUR 345 thousands were covered by the provision established in 2023 by the Croatian National Bank.

The Croatian National Bank had no provisions for court cases as at 31 December 2024 because court cases were terminated in favour of the Croatian National Bank (31 December 2023: EUR 88 thousands).

14 REVALUATION ACCOUNTS

The table below shows revaluation account balances.

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Securities	1,102	1,166	(64)	(5.49)
Foreign currency positions	170,048	5	170,043	3,400,860.00
Assets under management with international financial institutions	1,017	878	139	15.83
IMF	15	–	15	–
Gold	363	73	290	397.26
Silver	196	–	196	–
Significant interests	5,503	1,191	4,312	362.05
Revaluation reserves for fixed assets	54,083	54,898	(815)	(1.48)
Pre-entry revaluation accounts	723,483	725,194	(1,711)	(0.24)
Total	955,810	783,405	172,405	22.01

The table below shows pre-entry revaluation account balances:

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
USD/HRK pre-entry revaluation account	158,161	158,161	–	–
Pre-entry revaluation account for the coverage of losses	565,322	567,033	(1,711)	(0.30)
Total	723,483	725,194	(1,711)	(0.24)

Unrealised gains from the pre-entry revaluation account for the coverage of losses were used for the coverage of unrealised foreign exchange losses and for the coverage of losses from the change in the prices of securities not held to maturity (see Note 5, under 2 Net result of financial operations and write-downs).

15 CAPITAL AND RESERVES

(All amounts are expressed in thousands of euro)	31/12/2024	31/12/2023	Change	
			Absolute	%
Initial capital	331,807	331,807	–	–
General reserves	152,892	152,077	815	0.54
Total	484,699	483,884	815	0.17

The initial capital in the amount of EUR 331,807 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 EUR 66,361 thousands.

The increase in general reserves was due to the transfer of revaluation reserves for fixed assets (buildings) to general reserves, that is, realisation of the revaluation reserve due to depreciation in the amount of EUR 811 thousands (31 December 2023: EUR 618 thousands) and realisation of the revaluation reserve due to the sale of assets in the amount of EUR 4 thousands.

Note 4 – Off-balance-sheet accounts

FOREIGN EXCHANGE SWAPS (FX SWAP)

In 2024, the Croatian National Bank concluded foreign exchange swaps, and the amounts of claims and liabilities arising from these transactions as at 31 December 2024 and 31 December 2023 are shown in the tables below.

(All amounts are expressed in thousands of euro)

Foreign exchange swaps	31/12/2024			
	USD	JPY	EUR	Total
Claims	789,581	–	–	789,581
Liabilities	–	(129,941)	(650,000)	(779,941)
Total	789,581	(129,941)	(650,000)	9,640

(All amounts are expressed in thousands of euro)

Foreign exchange swaps	31/12/2023			
	USD	JPY	EUR	Total
Claims	715,356	–	–	715,356
Liabilities	–	(137,643)	(585,000)	(722,643)
Total	715,356	(137,643)	(585,000)	(7,287)

COLLATERAL

Total fair value of collateral obtained for monetary policy operations of the Eurosystem as at 31 December 2024 amounted to EUR 47,037 thousands (31 December 2023: EUR 66,204 thousands).

Total fair value of collateral obtained for collateralised credits associated with monetary policy before the entry into the Eurosystem as at 31 December 2024 amounted to EUR 440,751 thousands (31 December 2023: EUR 434,801 thousands).

Total fair value of collateral obtained by foreign currency reverse repo agreements (sovereign bonds and bonds of state institutions rated AAA to AA-) as at 31 December 2024 amounts to EUR 196,539 thousands (31 December 2023: EUR 396,574 thousands).

Total fair value of collateral given in foreign currency repo agreements as at 31 December 2024 amounts to EUR 4,176,066 thousands (31 December 2023: EUR 10,489,418 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 EUR 22,667 thousands (31 December 2023: EUR 22,667 thousands).

CONTINGENT LIABILITIES AND COMMITMENTS

Legal actions: As at 31 December 2024, the Croatian National Bank had no provisions for court cases (see Note 3, under 13 Provisions).

Capital commitments: As at 31 December 2024 the capital commitments of the Croatian National Bank amounted to EUR 2,734 thousands (31 December 2023: EUR 4,908 thousands).

Note 5 – Notes to the Profit and Loss Account

1 NET INTEREST INCOME/(EXPENSE)

(All amounts are expressed in thousands of euro)	2024	2023	Change	
			Absolute	%
Foreign currency interest income:				
Foreign currency deposits	2,709	4,072	(1,363)	(33.47)
Foreign currency reverse repo agreements	11,378	12,570	(1,192)	(9.48)
Foreign currency denominated securities not held to maturity	28,938	30,986	(2,048)	(6.61)
Foreign currency denominated securities held to maturity	26,778	18,455	8,323	45.10
Foreign exchange swaps	52,527	27,164	25,363	93.37
Balances with the IMF	14,084	–	14,084	–
Loans to domestic banks	–	5	(5)	(100.00)
Total	136,414	93,252	43,162	46.29
Domestic currency interest income:				
Monetary policy operations	54	133	(79)	(59.40)
Intra-Eurosystem claims for:				
TARGET	510,556	338,116	172,440	51.00
Allocation of euro banknotes within the Eurosystem	404,240	182,227	222,013	121.83
Transfer of foreign reserve assets to the ECB	11,210	10,696	514	4.81
Securities not held to maturity	–	3,069	(3,069)	(100.00)
Held-to-maturity securities	140,691	150,411	(9,720)	(6.46)
Reverse repo agreements	1,249	39,645	(38,396)	(96.85)
Securities held for monetary policy purposes before the entry into the Eurosystem	58,076	60,442	(2,366)	(3.91)
Monetary policy operations before the entry into the Eurosystem	931	1,031	(100)	(9.70)
Other	142	362	(220)	(60.77)
Total	1,127,149	786,132	341,017	43.38
Total interest income	1,263,563	879,384	384,179	43.69

(All amounts are expressed in thousands of euro)	2024	2023	Change	
			Absolute	%
Foreign currency interest expense:				
Foreign currency repo agreements	(11,150)	(12,215)	(1,065)	(8.72)
Amortised premium on securities not held to maturity	(123)	(43)	80	186.05
Amortised premium on held-to-maturity securities	(1,527)	(3,837)	(2,310)	(60.20)
Foreign exchange swaps (FX SWAP)	(43)	(5)	38	760.00
Net cumulative allocations with the IMF	(14,083)	–	14,083	–
Total	(26,926)	(16,100)	10,826	67.24
Domestic currency interest expense:				
Ministry of Finance deposits	(115,748)	(102,680)	13,068	12.73
Other government deposits	(28,409)	(10,028)	18,381	183.30
Repo agreements	(394,487)	(165,665)	228,822	138.12
Deposits of mandatory pension funds	(9,512)	–	9,512	–
Other deposits	(2,988)	–	2,988	–
Banks' minimum reserve requirements (MRR)	–	(11,999)	(11,999)	(100.00)
Overnight deposits of banks	(532,226)	(478,926)	53,300	11.13
Amortised premium on securities not held to maturity	–	(5)	(5)	(100.00)
Amortised premium on held-to-maturity securities	(29,004)	(36,103)	(7,099)	(19.66)
Foreign exchange swaps (FX SWAP)	(34,647)	(11,497)	23,150	201.36
Amortisation premium on securities held for monetary policy purposes before the entry into the Eurosystem	(41,321)	(42,687)	(1,366)	(3.20)
Leases	(178)	(186)	(8)	(4.30)
Other	(1,737)	(692)	1,045	151.01
Total	(1,190,257)	(860,468)	329,789	38.33
Total interest expense	(1,217,183)	(876,568)	340,615	38.86
Total net interest income/(expense)	46,380	2,816	43,564	1,547.02

2 NET RESULT OF FINANCIAL OPERATIONS AND WRITE-DOWNS

(All amounts are expressed in thousands of euro)	2024	2023	Change	
			Absolute	%
Realised gains/(losses) arising from financial operations:				
Foreign exchange differences	66	171	(105)	(61.40)
Securities	(92)	2,668	(2,760)	(103.45)
Assets under management with international financial institutions	9,348	8,242	1,106	13.42
Losses from sales of held-to-maturity securities	(4,134)	(2,838)	1,296	45.67
Other gains:				
Income from the release of the EUR/HRK and USD/HRK pre-entry revaluation accounts	–	95,542	(95,542)	(100.00)
Income from the release of the pre-entry account for the coverage of losses (negative net result of pooling of monetary income)	–	201,613	(201,613)	(100.00)
Total	5,188	305,398	(300,210)	(98.30)
Write-downs on financial assets and positions:				
<i>Foreign exchange:</i>				
Foreign exchange differences	(1)	(81,037)	81,036	100.00
Income from the release of the pre-entry revaluation account for USD/HRK and for the coverage of foreign exchange losses/revaluation reserves for foreign exchange differences	1	81,037	(81,036)	(100.00)
Total foreign exchange differences:	–	–	–	–
<i>Change in prices:</i>				
Securities	(1,710)	(443)	(1,267)	(286.00)
Other precious metals	–	(29)	29	100.00
Income from the release of the pre-entry account for the coverage of losses from changes in prices	1,710	472	1,238	262.29
Total change in prices:	–	–	–	–
Total	–	–	–	–
Total net result of financial operations and write-downs	5,188	305,398	(300,210)	(98.30)

The item Realised gains/(losses) arising from financial operations also includes realised losses arising from the sale of securities in the held-to-maturity portfolio, due to adjustments related to a limited framework.

Foreign exchange losses (EUR 1 thousand) and losses from changes in the prices of securities (EUR 1,710 thousand) for 2024 were covered completely from the pre-entry revaluation account for the coverage of losses.

3 NET RESULT OF POOLING MONETARY INCOME

(All amounts are expressed in thousands of euro)	2024	2023	Change	
			Absolute	%
Net monetary income pooled by the Croatian National Bank	(538,609)	(552,186)	(13,577)	(2.46)
Net monetary income allocated to the Croatian National Bank	348,576	327,864	20,712	6.32
<i>Monetary income reallocation for the year</i>	(190,033)	(224,322)	(34,289)	(15.29)
Corrections to monetary income reallocation of the previous year	(128)	–	128	–
Share of provisions against risks	345	(345)	(690)	–
Total	(189,816)	(224,667)	(34,851)	(15.51)

This item contains the net result of pooling of monetary income for 2024, amounting to an expense of EUR 189,816 thousands in comparison with an expense of EUR 224,667 in the previous year. This item also contains the Croatian National Bank's share in the realised loss in relation to the sale in 2024 of impaired securities held by an NCB of the Eurosystem in its CSPP portfolio as well as the dissolving of the provisions established in 2023 against risks in monetary policy operations (see Note 3, under 13 Provisions).

The amount of each Eurosystem NCB's monetary income is determined by measuring the annual income that derives from the earmarkable assets held against its liability base. The liability base consists mainly of the following items: banknotes in circulation; liabilities to euro area credit institutions related to monetary policy operations denominated in euro; net intra-Eurosystem liabilities resulting from TARGET transactions; net intra-Eurosystem liabilities related to the allocation of euro banknotes within the Eurosystem, accrued interest recorded at quarter-end by each NCB on monetary policy liabilities the maturity of which is one year or longer; liabilities vis-à-vis the ECB backing the claim in relation to swap agreements that earn net income for the Eurosystem; deposit liabilities to defaulted Eurosystem counterparties which have been reclassified from liability item 2.1 Current accounts (covering the minimum reserve system). Any interest paid on liabilities included within the liability base is to be deducted from the monetary income to be pooled.

The earmarkable assets consist mainly of the following items: lending to euro area credit institutions related to monetary policy operations denominated in euro; securities held for monetary policy purposes; intra-Eurosystem claims equivalent to the transfer of foreign reserve assets to the ECB; net intra-Eurosystem claims resulting from TARGET transactions; net intra-Eurosystem claims related to the allocation of euro banknotes within the Eurosystem; claims on euro area counterparties related to swap agreements between the ECB and non-Eurosystem central banks that earn net income for the Eurosystem; accrued interest recorded at quarter-end by each NCB on monetary policy assets the maturity of which is one year or longer; a limited amount of each NCB's gold holdings in proportion to each NCB's capital key share.

The amount of each Eurosystem NCB's monetary income shall be determined by measuring the actual income that derives from the earmarkable assets recorded in its books. As an exception to this, gold is considered to generate no income and the following are considered to generate income at the latest available (marginal) interest rate used by the Eurosystem in its tenders for main refinancing operations: (i) securities held for monetary policy purposes under Decision ECB/2009/16 of 2 July 2009 on the implementation of the covered bonds purchase programme, (ii) securities held for monetary policy purposes under Decision ECB/2011/17 of 3 November 2011 on the implementation of the second covered

bond purchase programme and (iii) debt instruments issued by central, regional and local governments and recognised agencies and substitute debt instruments issued by public non-financial corporations under Decision ECB/2020/9 of 3 February 2020 on the implementation of a secondary markets public sector asset purchase programme or Decision ECB/2020/17 of 24 March 2020 on a temporary pandemic emergency purchase programme. Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its liability base, the difference shall be offset by applying to the value of the difference the latest available (marginal) rate for the Eurosystem's main refinancing operations.

The monetary income pooled by the Eurosystem is allocated among NCBs according to the subscribed ECB capital key. The pooling and reallocation of monetary income to NCBs leads to certain net reallocation effects. One reason is that the yields earned on certain earmarkable assets and the interest expense paid on certain liability base items may differ to a varying degree among the Eurosystem NCBs. In addition, usually each Eurosystem NCB's share of earmarkable assets and in the liability base deviates from its share in the subscribed capital of the ECB. The difference between the monetary income pooled by the Croatian National Bank amounting to EUR 538,609 thousands and reallocated to the Croatian National Bank amounting to EUR 348,576 thousands is the net result arising from the calculation of monetary income.

The breakdown of the net result of monetary income pooling into its various components is shown in the following table:

(All amounts are expressed in thousands of euro)	Net MI pooled CNB	Net MI Total NCBs	MI redistribution according to the Eurosystem key	Net result of the pooling MI 2024	Net result of the pooling MI 2023
	a		b	b-a	
Lending to euro area credit institutions	54	6,709,494	51,933	51,879	215,844
Securities held for monetary policy purposes subject to risk sharing	–	8,202,226	63,486	63,486	68,238
Securities held for monetary policy purposes not subject to risk sharing	–	130,280,643	1,008,396	1,008,396	1,028,440
Intra-Eurosystem claims equivalent to the transfer of foreign reserves to the ECB	11,210	1,448,301	11,210	–	39
Net claims (liabilities) related to the allocation of euro banknotes	404,240	(5,231,830)	(40,495)	(444,735)	(220,973)
Claims related to TARGET transactions	510,557	15,608,283	120,811	(389,746)	(224,121)
GAP (difference between earmarkable assets and liability base)*	144,774	8,864,416	68,612	(76,162)	(533,898)
Liabilities to euro area credit institutions	(532,226)	(120,846,918)	(935,377)	(403,151)	(557,891)
TOTAL	538,609	45,034,615	348,576	(190,033)	(224,322)

* For presentational purposes residual income related to claims arising from liquidity providing arrangements to non-Eurosystem central banks and amounting to EUR 1,102 thousands is included in this line item.

4 NET INCOME/(EXPENSE) FROM FEES AND COMMISSIONS

(All amounts are expressed in thousands of euro)	2024	2023	Change	
			Absolute	%
Fees and commissions income				
Fees for the supervision of credit institutions	17,076	14,742	2,334	15.83
Cash supply services for banks	1,917	2,569	(652)	(25.38)
Other	161	85	76	89.41
Total	19,154	17,396	1,758	10.11
Fees and commissions expense				
Securities deposit and custody costs	(233)	(1,124)	(891)	(79.27)
Obligatory contribution to EBA budget	(739)	(683)	56	8.20
Cash supply services for banks	(5,622)	(7,623)	(2,001)	(26.25)
Other	(524)	(545)	(21)	(3.85)
Total	(7,118)	(9,975)	(2,857)	(28.64)
Net fees and commissions income/(expense)	12,036	7,421	4,615	62.19

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, base, 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.

For the services provided under the Decision on supplying banks with euro cash, banks are charged a fee in accordance with the Fees Tariff for supplying banks with euro cash, which is issued by the Governor of the Croatian National Bank. The supplying of banks with euro cash for the Croatian National Bank is carried out by FINA gotovinski servisi d.o.o., for which the Croatian National Bank pays an agreed fee.

Regulation (EU) No 1093/2010 establishing a European Banking Authority (EBA) defines that competent authorities form part of the 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.

5 INCOME FROM EQUITY INSTRUMENTS AND PARTICIPATING INTERESTS

(All amounts are expressed in thousands of euro)	2024	2023	Change	
			Absolute	%
BIS dividend income	1,107	849	258	30.39
Income from participating interests in the ECB	10,881	–	10,881	–
Total	11,988	849	11,139	1,312.01

Income from equity instruments and participating interests as at 31 December 2024 also includes a decrease in the relative share of the Croatian National Bank in the ECB's capital due to the change in the key for capital subscription (see Note 2, under 9.1 Participating interest in the ECB).

6 OTHER INCOME

(All amounts are expressed in thousands of euro)	2024	2023	Change	
			Absolute	%
Sale of numismatics and investment gold	175	399	(224)	(56.14)
Other income	234,595	5,925	228,670	3,859.41
Total	234,770	6,324	228,446	3,612.37

The item Other income shows income of EUR 227,849 thousands recognised in the profit and loss account pursuant to the Decision of the Council of the Croatian National Bank and the estimated amount of kuna banknotes that will not be returned to the Croatian National Bank (see "Banknotes in circulation" in the notes on accounting policies).

7 TOTAL OPERATING EXPENSES/STAFF COSTS

Total operating expenses

(All amounts are expressed in thousands of euro)	2024	2023	Change	
			Absolute	%
Staff costs	(42,363)	(35,046)	7,317	20.88
Administrative expenses	(28,623)	(30,071)	(1,448)	(4.82)
Depreciation of tangible and intangible fixed assets	(11,239)	(9,763)	1,476	15.12
Costs of production of banknotes and coins	(27,640)	(23,173)	4,467	19.28
Other costs	(134)	(88)	46	52.27
Total	(109,999)	(98,141)	11,858	12.08

Administrative expenses include the costs of maintenance of office buildings and other fixed assets, overheads, network programmes maintenance costs, office supplies costs, small inventory costs, professional development costs, provisions for court cases and other current costs. Depreciation costs for the right of use assets amounted to EUR 2,314 thousands in 2024 (2023: EUR 2,090 thousands) and are reported under Depreciation and amortisation costs.

Staff costs

(All amounts are expressed in thousands of euro)	2024	2023	Change	
			Absolute	%
Net salaries	(20,159)	(18,088)	2,071	11.45
Contributions from and contributions on salaries	(10,635)	(9,583)	1,052	10.98
Taxes and surtaxes	(3,997)	(3,666)	331	9.03
Other employee related expenses	(7,056)	(3,302)	3,754	113.69
Provisions for employee benefits	(516)	(407)	109	26.78
Total	(42,363)	(35,046)	7,317	20.88

The average number of employees during 2024 was 767 (2023: 745).

13 PROFIT/(LOSS) FOR THE YEAR

The Croatian National Bank realised a profit for 2024 in the amount of EUR 10,547 thousands. The allocation of the 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 2024.

The Croatian National Bank realised a profit for 2023 in the amount of zero euro after covering the losses from pre-entry revaluation accounts (Note 5, under 2 Net result of financial operations and write downs).

Note 6 – Post-balance sheet events

On 13 March 2024 the Governing Council decided¹⁷ on a set of principles that will guide monetary policy implementation in the future and that, amongst other key parameters, it will continue to steer the monetary policy stance through the deposit facility rate (DFR). In the same context the Governing Council decided that from 1 January 2025 the DFR will become the basis for the remuneration of (i) TARGET balances; (ii) claims/liabilities related to the allocation of euro banknotes within the Eurosystem; and (iii) claims equivalent to the transfer of foreign reserves. The DFR will also be the rate to apply for the remuneration of the difference between the value of earmarkable assets and the liability base as well as the remuneration of certain monetary policy security holdings for monetary income sharing purposes (see note 5, under 3 “Net result of pooling monetary income”).

After 31 December 2024 there were no other significant events that would have an impact on the financial statements of the Croatian National Bank.

Note 7 – Risk management

The Croatian National Bank manages non-monetary financial assets (own funds in euro and international reserves in foreign currency), where the level of risk is also significantly influenced by monetary policy implementation which is reflected in the monetary part of the balance sheet of the Croatian National Bank.

¹⁷ See the press release of 13 March 2024 of the Governing Council's decisions.

The Croatian National Bank manages non-monetary financial assets based on the principles of liquidity and safety, which means that it maintains high liquidity of financial assets and appropriate risk exposures and seeks to achieve favourable return on its investments within the defined limits.

Risks inherent to managing non-monetary financial assets 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 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 and the pre-entry revaluation account for the coverage of losses can be used to cover the negative impacts on the profit and loss account arising from all financial risks.

7.1 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 financial assets into high-quality instruments with minimum risk, such as government bonds, government guaranteed bonds, bank bonds with government guarantees and guaranteed bonds, into instruments of international financial institutions with high credit rating and into both collateralised and non-collateralised deposits. Collateralised deposits represent deposits secured by government bonds in the amount equal to or in excess of the value of the deposit. Uncollateralised deposits are invested only with central banks and international financial institutions. Financial assets investments are limited per types of issuer and per types of financial institutions, which diversifies credit risk.

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

The Croatian National Bank invests financial assets 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 and instruments with international financial institutions rated Aaa to Baa3.

7.2 LIQUIDITY RISK

Liquidity risk is the risk of inability to settle all the liabilities and obligations in foreign currency 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 financial assets into demand deposits, 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 total financial assets into deposits with maturities of up to three months and into securities. At 31 December 2024, 42% of financial assets were liquid and at 31 December 2023 approximately 40% of financial assets were liquid.

7.3 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 the 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 the 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.

7.3.1 Foreign exchange risk

The Croatian National Bank holds a portion of its assets in foreign currencies, which exposes it to foreign exchange risk in terms of fluctuations in the exchange rates of the euro against 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 financial assets it manages in accordance with its own guidelines (excluding the Ministry of Finance funds, XDR holdings with the IMF, investments in repo agreements, and investments under the ERMS).

The portion of financial assets formed out of the Ministry of Finance funds, repo deals, funds in special drawing rights (XDR) and funds received under the ERMS 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 EUR 356 million.

7.3.2 Interest rate risk

Interest rate risk is the risk of a decline in the value of the Croatian National Bank's portfolio of financial assets due to possible changes in interest rates on the fixed-yield instrument markets.

Financial assets, 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 a held to maturity 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 with the trading portfolios and liquid investment portfolios, while with the held-to-maturity investment portfolios it almost has no exposure to interest rate risk.

The part of the financial assets that consists of the Ministry of Finance funds, funds based on repo agreements with banks, the membership in the IMF and other property owned by other legal entities, is operated by the Croatian National Bank in accordance with commitments, in order to protect it against interest rate risk.

7.3.3 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.





Abbreviations and symbols

ABBREVIATIONS

2LoD	second line of defence
AIS	account information service
AMLSCO	Standing Committee on anti-money laundering and countering terrorist financing
AMLTF	Anti-Money Laundering and Terrorist Financing Act
AnaCredit	analytical credit database
API	application programming interface
APN	Agency for Transactions and Mediation in Immovable Properties
BCBS	Basel Committee for Bank Supervision
BIS	Bank for International Settlements
BISIN	Bank for International Settlements Innovation Network
bn	billion
BRRD	Bank Recovery and Resolution Directive (Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms)
C4F	Carbon4 Finance
CBDC	central bank digital currency
CBRD	Croatian Bank for Reconstruction and Development
CBS	Croatian Bureau of Statistics
CCD	Consumer Credit Directive
CDCC	Central Depository and Clearing Company
CDIA	Croatian Deposit Insurance Agency
CEF	Center of Excellence in Finance
CESEE	Central, Eastern and Southeastern Europe
CF	carbon footprint
CHF	Swiss franc
CI	carbon intensity
CIR	cost-to-income ratio
CLVPS	Croatian Large Value Payment System
CMDI	crisis management and deposit insurance
CNB	Croatian National Bank
CO ₂ e	carbon dioxide equivalent or CO ₂ equivalent
CPII	Croatian Pension Insurance Institute
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
CSDB	Centralised Securities Database
DFR	deposit facility rate
DGSD	Deposit Guarantee Schemes Directive
DLT	distributed ledger technology
DORA	Digital Operational Resilience Act
DWH	Data Warehouse
EBA	European Banking Authority
EBRD	European Bank for Reconstruction and Development

ECB	European Central Bank
ECC	Ethics and Compliance Committee
EC	European Commission
ECL	expected credit loss
ECOFIN	Economic and Financial Affairs Council
EDIS	European deposit insurance scheme
EEA	European Economic Area
EER-41	nominal effective exchange rate index of the euro against 41 major trading partners of the euro area
EFC	Economic and Financial Committee
EFIF	European Forum for Innovation Facilitators
EFTPOS	electronic funds transfer at point of sale
EIOPA	European Insurance and Occupational Pension Authority
ERM II	Exchange Rate Mechanism
ESCB	European System of Central Banks
ESG	environmental, social, governance
ESMA	European Securities and Markets Authority
ESM	European Stability Mechanism
ESRB	European Systemic Risk Board
€STR	euro short-term rate
EU	European Union
EUR	euro
EURIBOR	Euro Interbank Offered Rate
Euro-NCS	Euro National Clearing System
Fed	Federal Reserve System
FINA	Financial Agency
FinRep	FinTech repository
FinTech	financial technology
GDP	gross domestic product
GDPR	General Data Protection Regulation
GVA	gross value added
HANFA	Croatian Financial Services Supervisory Agency
HFCN	Household Finance and Consumption Network
HICP	harmonised index of consumer prices
HLTF	High Level Task Force on Digital Euro
HRK	Croatian kuna
ICT	Information and Communication Technology
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IMFC	International Monetary and Financial Committee
IMF	International Monetary Fund
IMI	internal model inspection
IRB	Internal Ratings Based Approach
IReF	Integrated Reporting Framework
IRT	Internal Resolution Team
ISS	Institutional Shareholder Services, Inc.

IT	information technology
LCR	liquidity coverage ratio
LGD	loss given default
MF	Ministry of Finance
MiCA	Markets in Crypto-Assets Regulation
MLF	marginal lending facility
m	million
MREL	minimum requirement for own funds and eligible liabilities
MRO	main refinancing operations
NBU	National Bank of Ukraine
NCA	National Classification of Activities
NCS	National Clearing System
NGFS	Network for Greening the Financial Systems
NPE	non-performing exposures
NPL	non-performing loans
NRR	national reference rate
NRRP	National Recovery and Resilience Plan
NSFR	net stable funding ratio
O-SIIs	other systemically important institutions
OECD	Organisation for Economic Co-operation and Development
OSI	on-site inspection
PCAF	Partnership for Carbon Accounting Financials
PD	probability of default
PIS	payment initiation service
PMB	Program Monitoring with Board Involvement
PMLTF	prevention of money laundering and terrorist financing
PRGT	Poverty Reduction and Growth
PSD2	Second Payment Services Directive
PSD3	Third Payment Services Directive
PSR	Payment Services Regulation
RC	Republic of Croatia
RFI	Rapid Financing Instrument
RIAD	Register of Institutions and Affiliates Data
RIAD TS	RIAD transaction system
ROAA	return on average assets
ROAE	return on average equity
RRF	Resilience and Recovery Fund
RST	Resilience and Sustainability Trust
RTA	Resident Twinning Advisor
SCTInst	SEPA Credit Transfer Instant
SCT	SEPA Credit Transfer
SDR	special drawing rights
SEPA	Single Euro Payment Area
SHSDB	Securities Holdings Statistics Database
SMS	short message system
SRB	Single Resolution Board

SREP	Supervisory Review and Evaluation Process
SRMR	Single Resolution Mechanism Regulation
SRMR	Single Resolution Mechanism Regulation (Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions)
SRM	Single Resolution Mechanism
SudReg	Court Register
TAIEX	Technical Assistance and Information Exchange
TARGET2-HR	national component of the TARGET2 system
TARGET2	Trans-European Automated Real-time Gross Settlement Express Transfer system
TCE	total carbon emissions
TCFD	Task Force on Climate-related Financial Disclosures
tCO ₂ e	tonnes of carbon dioxide equivalent or CO ₂ equivalent
thous.	thousand
TIPS DCA	TARGET Instant Payment Settlement Dedicated Cash Account
TIPS	TARGET Instant Payment Settlement
TREA	total risk exposure amount
UNFCCC	United Nations Framework Convention on Climate Change
UN	United Nations
USA	United States of America
USD	US dollar
WACI	weighted average carbon intensity

SYMBOLS

–	no entry
....	data not available
0	value is less than 0.5 of the unit of measure being used
φ	average
a, b, c,...	indicates a note beneath the table and figure
*	corrected data
()	incomplete or insufficiently verified data

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