



Semi-annual Information

Semi-annual Information on the Financial Condition,
the Degree of Price Stability Achieved and the Implementation
of Monetary Policy in the Second Half of 2025

Zagreb, May 2026





HNB

EUROSYSTEM

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HRVATSKA NARODNA BANKA

EUROSYSTEM



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Summary

The relatively strong economic growth in Croatia in 2025 moderated from the levels seen in 2024, while inflation picked up in 2025, driven by pressures on food prices and growing administered prices of energy. Core inflation decreased. The growth in the prices of services remained elevated amid increased consumer preference for services, elevated employment and the persistently strong wage growth, solid domestic demand and the increase in individual administered prices. The ECB continued to gradually lower its key interest rates in the first half of 2025, in line with the convergence of inflation in the euro area towards the target of around 2%, which led to a reduction in all interest rates, including bank lending and deposit rates in Croatia. In addition, the relatively strong growth in corporate and household loans further accelerated in 2025.

In managing financial assets, the Croatian National Bank aims to support monetary policy, financial stability and confidence in the financial system and is primarily guided by the principles of liquidity and safety of investment. As at 31 December 2025, financial assets totalled EUR 24,842.1m, comprising assets denominated in euro worth EUR 22,337.1m (89.9%) and assets denominated in US dollars and other currencies amounting to EUR 2,505.0m (10.1%). Amid high financial market volatility, in 2025 the rate of return on the entire euro portfolio of financial assets was 1.64%, while the rate of return on the US dollar portfolio totalled 4.11%.

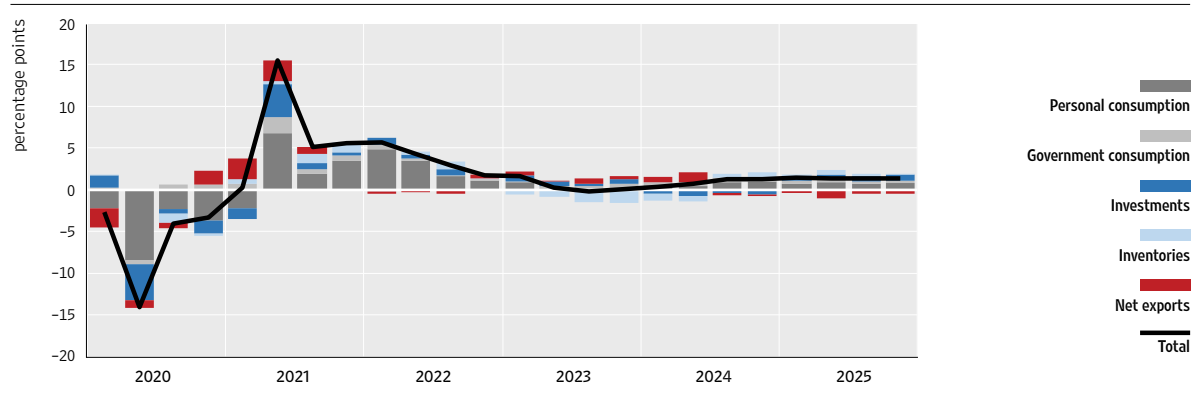
At the end of 2025, Croatia's banking system was highly liquid, capitalised and profitable. In 2025, credit institutions' assets increased by EUR 7.0bn (8.3%) and hit a record high of EUR 91.1bn. In 2025, credit institutions generated a profit of EUR 1.4bn, down by 6.1% from 2024. The capitalisation of the banking system remained high, while total capital ratio (22.7%) exceeded the EU average.

1 Euro area

1.1 Real developments and price movements

Economic growth in the euro area accelerated to 1.5% in 2025, following a modest growth of 0.9% in the preceding year. Despite pronounced global challenges related to geopolitical tensions and trade, accelerated growth suggests that the euro area economy remained resilient. The growth in economic activity was mostly driven by investment and personal consumption. Government consumption growth slowed down from the previous year, which may be partly linked to the gradual entry into force of the reformed EU common economic governance framework, encouraging fiscal adjustment in member states, especially by limiting expenditure growth. Imports of goods and services spiked, which may be due to trade diversion from China owing to the increase in US tariffs, so that, despite the growth in exports, the contribution of net foreign demand to total growth was negative. The expansion in aggregate demand and lower energy prices spurred industrial activity, following two years of stagnation. However, industrial recovery is concentrated in defence and pharmaceutical activities, while traditional industries, such as the automotive industry and manufacture of machinery, continue to face structural problems and increased competition from China. Service activities, particularly the information and communications sector, also made a significant contribution to economic growth, while construction activity also gradually recovered.

Figure 1.1.1 Euro area real GDP growth

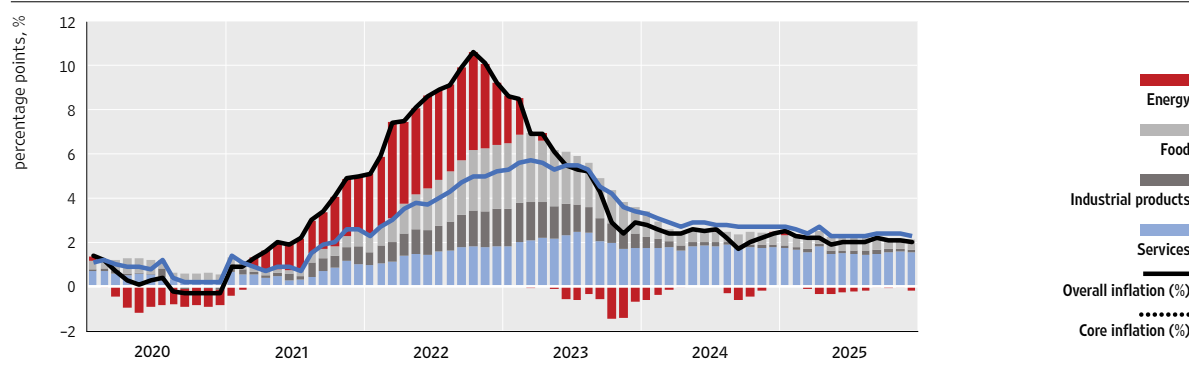


Source: Eurostat.

Euro area inflation, as measured by the harmonised index of consumer prices (HICP) in 2025, continued to decelerate amid lower prices of energy and other raw materials in the global market, weak import inflationary pressures in the segment of consumer goods and a gradual slowdown in wage growth. The average annual inflation moderated from 2.4% in 2024 to 2.1% and converged towards the ECB's target, due to the decline in the inflation of all its main components except energy. Core inflation (which excludes energy and food prices) slowed down to 2.4% in 2025, from 2.8% in 2024. The average annual food price inflation edged down to 2.8% in 2025, from 2.9% in 2024, but remained above the pre-pandemic long-term average. Food price inflation trended up until mid-2025, primarily as a result of the spillover of the rise in the prices of food raw materials

(especially coffee, cocoa and beef) to retail food prices in the euro area. The annual rate of change in energy prices rose to –1.4% in 2025, from –2.2% in 2024, but remained in negative territory and continued to dampen overall inflation.

Figure 1.1.2 Euro area inflation indicators



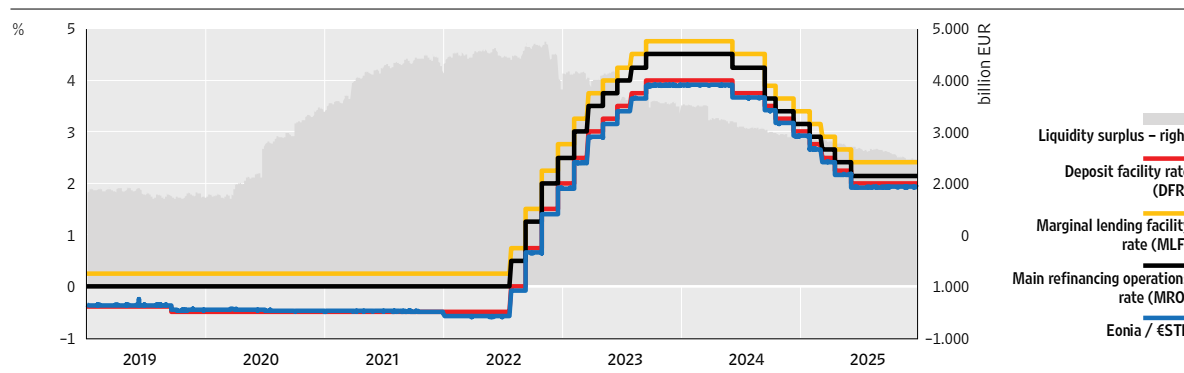
Note: Core inflation is measured by the harmonised index of consumer prices, which excludes energy, food, alcoholic beverages and tobacco prices.
Source: Eurostat.

1.2 Monetary policy and financial markets

The reduction in key interest rates in the euro area continued as inflation converged towards the target level. The deposit facility rate (DFR) which, in the current conditions of high liquidity surpluses, is a relevant indicator of the ECB's monetary policy, was lowered by the ECB's Governing Council on eight occasions in the period from June 2024 to June 2025, by 2 percentage points in total. The reduction in rates followed the recent inflationary episode, caused by a strong recovery from the COVID-19 crisis and Russia's aggression against Ukraine, triggered the strongest monetary policy tightening cycle since the creation of the euro, driving the key interest rates up by 4.5 percentage points, while the deposit facility rate hovered at the level of 4% from September 2023 to June 2024.

Given that inflation in the euro area was broadly close to 2% in 2025, at its last meeting in December 2025, the Governing Council stressed that inflation was currently at levels close to the medium-term target of 2% and that it should stabilise at these levels. From mid-June 2025, the deposit facility rate was 2.00%, the main refinancing operations (MRO) rate stood at 2.15% and the marginal lending facility (MLF) rate was 2.40%. It was also stressed in December 2025 that decisions on the appropriate level of interest rates will continue to be based on a data-dependent and meeting-by-meeting approach, with the Governing Council not pre-committing to a particular rate path.

Figure 1.2.1 Key ECB interest rates

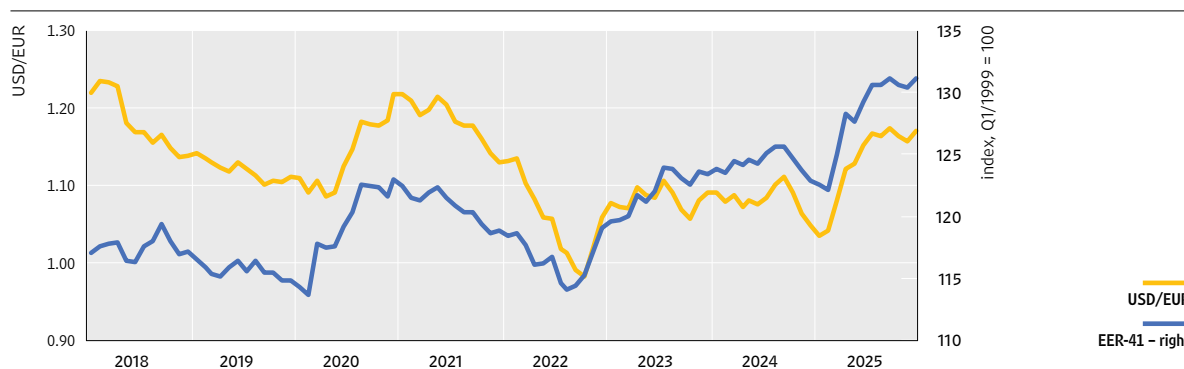


Notes: DFR (deposit facility rate); MLF (marginal lending facility); MRO (main refinancing operations). Since the beginning of 2022, EONIA has been replaced by €STR.

Amid the continued cycle of reduction in key ECB interest rates last year, money market interest rates also continued their downward trend. The €STR rate, which is the reference rate for the money market, fell to 1.9% in the first half of the year, keeping at this level until the end of December. At the end of 2024, the €STR rate reached 2.9%, indicating full transmission of the key ECB interest rate reduction to money market.

In the global foreign exchange market, the euro appreciated against the US dollar in the first half of last year, especially in early March following the announced increase in defence spending in Germany and in anticipation of similar increases in other European countries. Another episode of the strengthening of the euro took place immediately after the announcement by the US president of the introduction of reciprocal tariffs, despite the growth in US bond yields. It is possible that the US dollar depreciated at that point, as investors started demanding higher risk premiums for investing in US assets because of the unpredictability of US trade policy, thus becoming more oriented towards European assets and taking positions in the foreign exchange market to hedge against the weakening of the dollar. By the end of 2025, the exchange rate of the euro versus the US dollar was less volatile and continued to appreciate slightly. The exchange rate of the euro for the US dollar stood at an average of USD/EUR 1.17 in December, appreciating by almost 12% from the average recorded in December of the preceding year, which was at the same time its highest level in almost the last four years.

Figure 1.2.2 USD/EUR exchange rate and nominal effective exchange rate of the euro



Notes: EER-40 is the nominal effective exchange rate index of the euro against 40 major trading partners of the euro area. Data refer to monthly averages. Exchange rate increase indicates euro appreciation.

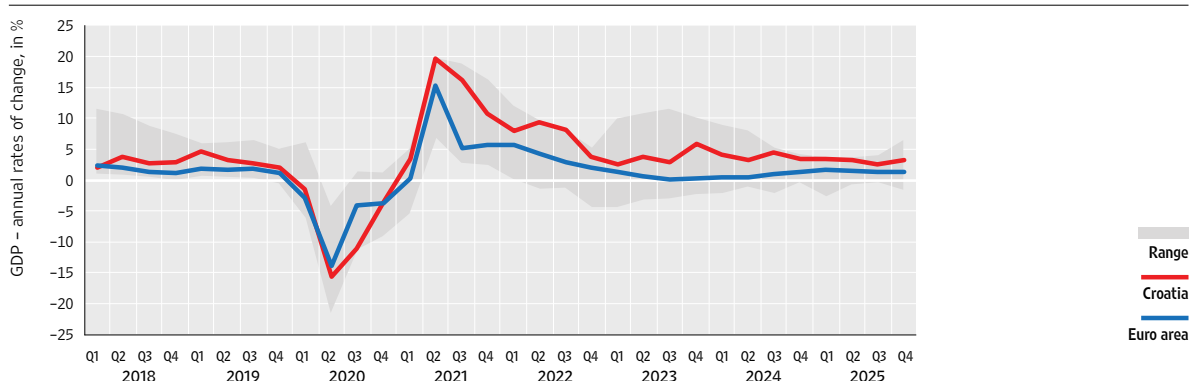
Source: ECB.

2 Croatian economy

2.1 Real developments

Economic activity slowed down to 3.2% in 2025, although this is still an elevated pace. The slowdown in growth primarily reflects a weaker growth of personal and government consumption amid the continued fall in the exports of services, while the growth in investment activity strengthened and the growth in the exports of goods remained relatively high.

Figure 2.1.1 Trends in economic activity in Croatia and the euro area

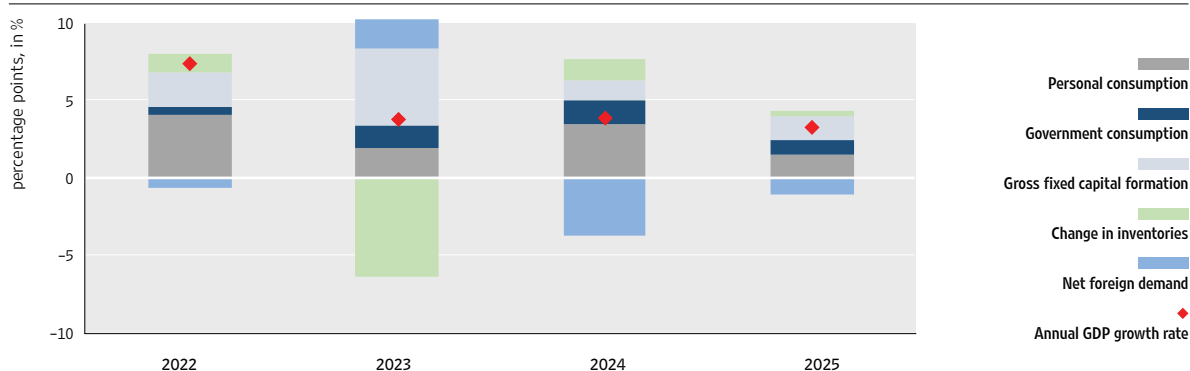


Note: The figure shows the range of values of real GDP growth of individual euro area member states, excluding Ireland.

Sources: CBS and Eurostat.

Personal consumption was supported by the continued growth in real disposable household income, which decelerated only slightly and continued to significantly exceed the increase in consumption. The growth in government consumption also decelerated, while, on the other hand, the growth in gross fixed capital formation intensified compared with 2024, owing to the growth in both private and public investment. As regards foreign demand, the exports of goods and services increased slightly from 2024, with the increase in the exports of goods remaining relatively robust, while the exports of services continued to decline, which may partly be linked with the diminished price competitiveness of Croatian tourism.

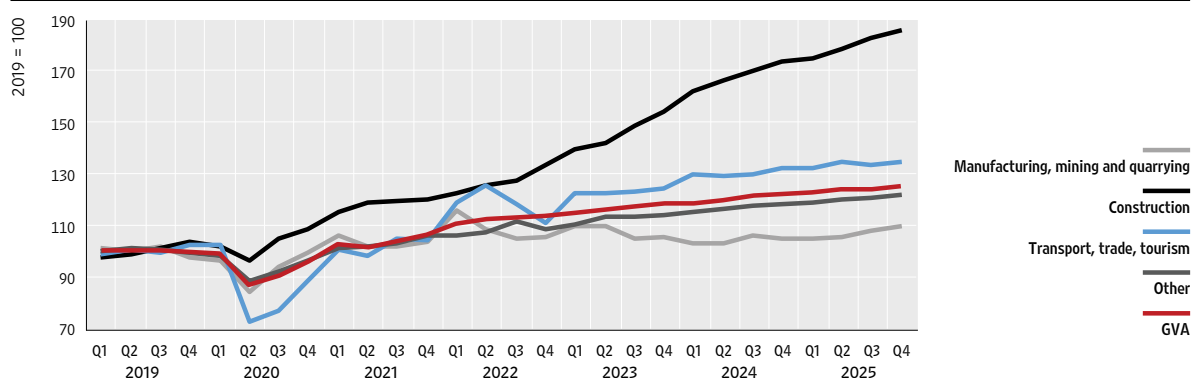
Figure 2.1.2 Contributions to the change in real economic activity



Source: CBS.

Observed by main activity, economic trends show a widespread slowdown in growth. Despite the still relatively strong growth in the construction activity, its contribution to GVA growth almost halved from 2024. Similar trends were also observed in tourism-related services and trade, which can be linked to a weaker growth in personal consumption and a real fall in the exports of tourist services. On the other hand, manufacturing activity strengthened following a decline in the last two years, probably partly supported by an increase in foreign demand, which led to a solid increase in goods exports.

Figure 2.1.3 Gross value added by activity in Croatia



Source: CBS.

BOX 1

Wine and chocolate: What is the link between global disruptions and domestic food prices?

(Prepared in line with the HNBblog under the same title, published on 28 April 2026)

We find that in the recent past, marked by the pandemic and the war in Ukraine, external supply-side disruptions have been the main driver of food price inflation in Croatia and the rest of the euro area. What sets Croatia apart from the remainder of the euro area are the speed and the ease with which retailers passed these costs on to consumers. And last but not least, we touch upon the energy shock caused by the escalation of the conflict in the Middle East, which threatens to set off a new inflationary wave.

Food and beverages account for almost a third of the consumer basket in Croatia, which is why the change in their prices has a strong impact on citizens' standard of living and well-being. In addition, food is purchased on a daily basis, meaning that, as in the case of energy prices, consumers' perceptions of overall inflation are often formed based on trends in food prices – the effect is often disproportional, given food's actual weight in the overall consumption basket (see blogpost at <https://www.hnb.hr/-/inlacija-i-percepcija-inlacije-u-hrvatskoj>).

Consumer food prices are also affected by disruptions in international energy and food commodity markets, such as the disruptions in 2021 and 2022 caused by the pandemic and the war in Ukraine, but also by local segments of the price chain, ranging from agriculture and manufacturing to wholesale and retail trade. Each of these segments is subject to specific conditions of supply-side and demand-side conditions and seeks to maximise profits to the extent that market conditions allow, as corporations do in other sectors of the economy as well. Amid the global rise in energy and food commodity prices, food prices in Croatia in 2022 grew relatively in line with the euro area average. However, their recent increase in 2024 and 2025 was predominantly of a local nature given that food prices at the euro area level rose only marginally (Figure 1).

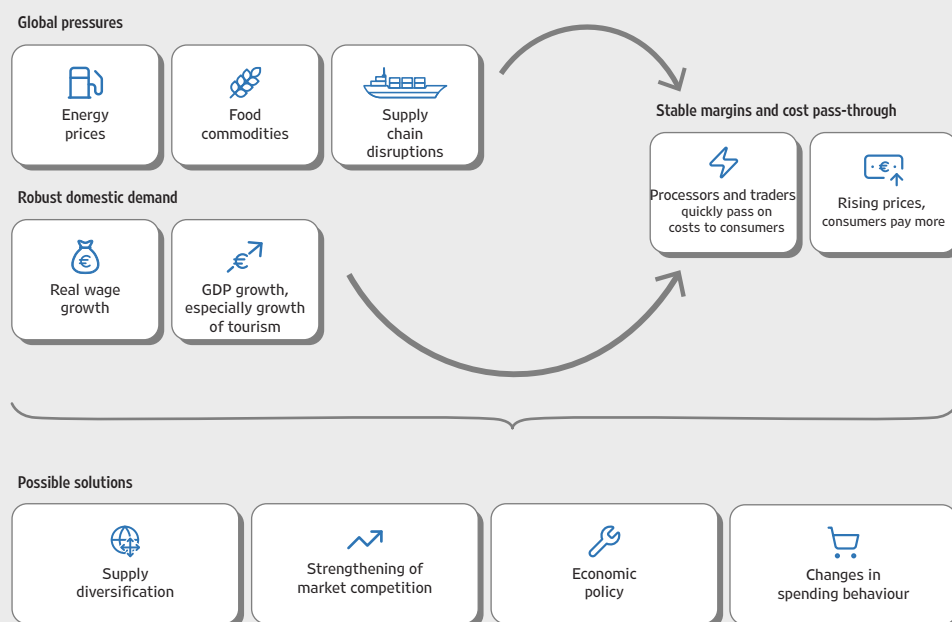
Figure 1 Food price inflation (Croatia and euro area) and energy price index



Note: Energy price index is calculated as an average of crude oil prices (Brent Oil, EUR) and Dutch gas spot prices (TTF, EUR), with 2019 as base 100.
Sources: Eurostat and CNB calculations.

The impact of increasingly frequent and intense disruptions in international markets on domestic food prices can be disentangled from the effects of local factors, relating to domestic supply chains, corporate business practices, and consumer behaviour. Food is not a homogeneous product category, meaning that the relative importance of foreign factors relative to domestic factors varies significantly across food components. Thus, the increase in retail prices of some items, such as chocolate, coffee and edible oil, largely reflects a strong rise in the prices of commodities used in production, that is, cocoa, raw coffee and sunflower seeds on global markets, since these products are fully imported or their domestic production relies on imported commodities. In contrast, products such as wine, poultry meat or tangerines are less dependent on imports given that total consumption is largely accounted for by domestic production.

Chart 1 Global pressures and domestic demand, pass-through to food prices

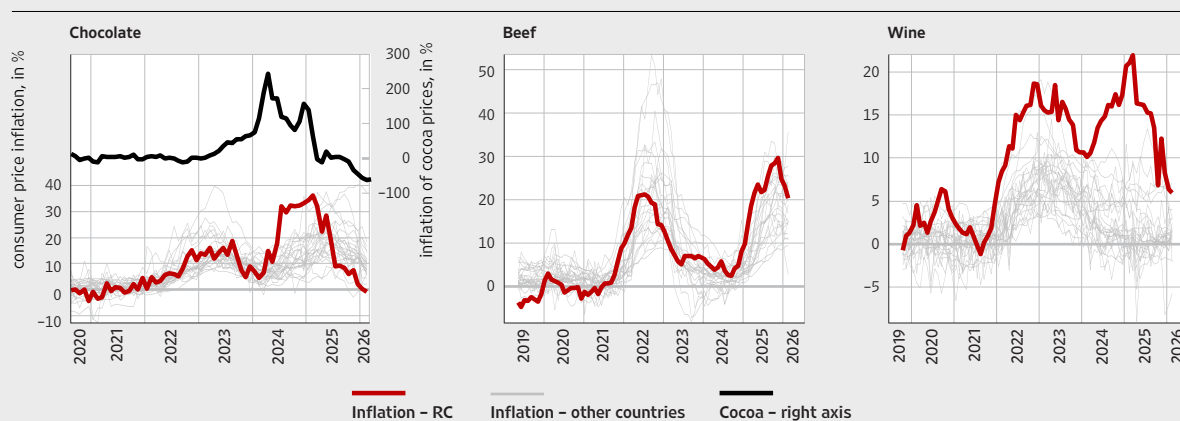


Source: CNB.

Sources of inflationary pressures can be broken down by their geographical location (external or domestic) and type (supply or demand shocks) based on detailed indicators on volumes and prices of imports of individual groups of food products. This breakdown provides greater insight into specific parts of the value chain where inflation first emerges – whether it arises in the domestic segments of the value chain or is imported from foreign markets. The rise in import prices and the concurrent decline in the volume of imports suggest that there are disturbances on the supply side in the international market, caused by factors such as adverse weather conditions, animal diseases or supply chain disruptions. The rise in energy prices in the international market is also manifested as a supply-side shock, given that higher energy costs drive up food prices at all stages of the production chain, without increasing in the volume of imports: in production (fertilisers, machinery, greenhouse heating), as well as in processing, transport and retail trade. Inflation can also be driven by local factors that do not depend on international markets. When both prices and volumes of imports are rising at the same time, inflation is likely to be driven by demand for products, brought about by rising income or high tourist expenditure, for example.

Such shocks manifest as rising food retail prices in Croatia that deviate from comparable trends in foreign markets. Local shocks also encompass factors such as rising producer prices by domestic farmers and processors, local production disruptions or autonomous changes in profit margins and retailers' pricing policies. By assessing the relative importance of the drivers of inflation – whether they are external or domestic and whether they stem from the supply side or demand side – insight can be gained into the market forces behind price developments. In this context, it is important to distinguish between local disturbances and common external shocks that simultaneously affect both Croatia and the euro area as a whole. Common monetary policy addresses common demand-side shocks in euro area countries, while local shocks are more adequately addressed by fiscal policy and other policies (e.g. agricultural, environmental or spatial planning policies). Regarding the causes of disruptions, monetary policy is better equipped for addressing common demand-side shocks given that interest rate adjustments influence inflation precisely by cushioning aggregate demand. Supply-driven shocks, by contrast, are often short-lived and typically do not elicit an immediate monetary policy response, unless they begin to affect overall inflation through rising inflationary expectations. Although food prices often change under the influence of supply-side factors, they can play an important role in shaping inflationary expectations – precisely because of their frequency of purchase and “visibility”. If short-term food price shocks begin to feed into citizens' expectations of future inflation and spread to the remaining components of the consumer basket, this might trigger more long-lasting upward pressure on both prices and wages. Moreover, demand-driven increases in euro area food prices point to broader economic conditions, which monetary policy is well equipped to address. Therefore, an in-depth analysis of these trends is necessary in order to identify, in a timely manner, whether temporary disruptions are translating into more persistent inflationary trends.

Figure 2 Consumer inflation, comparison between Croatia and other countries



Sources: Comext, Eurostat and CNB calculations.

Negative Croatian specificities

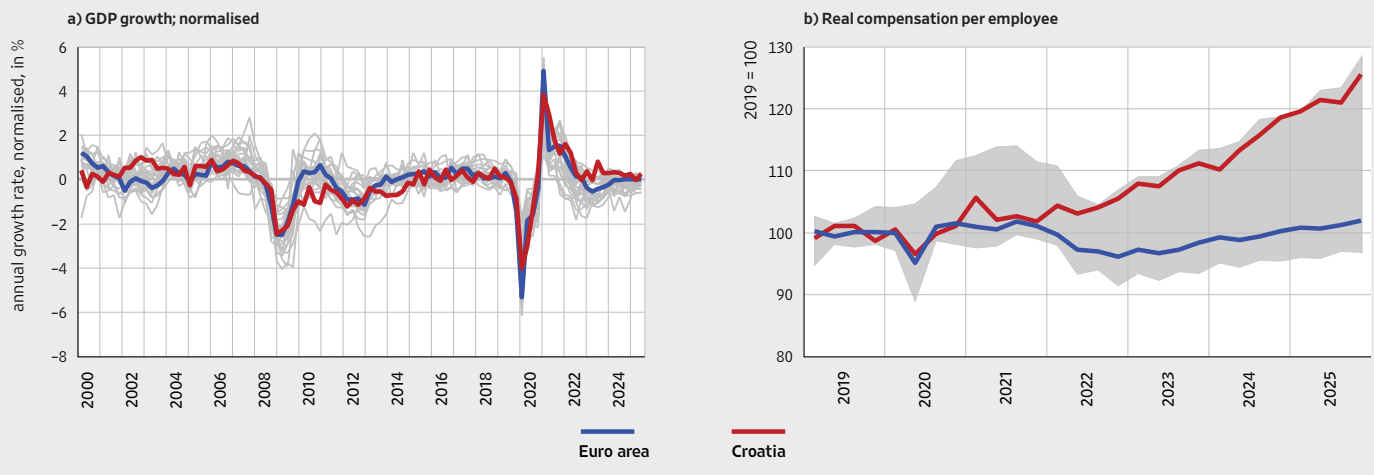
External supply-side disruptions were an important driver of food price inflation, especially in 2022 and 2023, but were further amplified by local factors, with retailers often able to pass on rising costs to consumers more quickly and intensely than in other countries. The rise in food prices has been relatively concentrated, with a dozen product categories alone, out of a total

of 76, accounting for more than a half of the total rise in food prices over the past few years. The decomposition of inflation for selected products that dominated food price inflation in over the observed period (chocolate, beef and wine) suggests that this episode of pronounced price growth differs markedly from previous episodes. The energy and food crisis after the outbreak of the war in Ukraine, further exacerbated by the post-pandemic increase in demand, brought about the first wave of a global increase in inflation, with domestic prices of beef, chocolate and other products increasing at a pace similar to that in the region. Regarding the second wave of inflation, which started in 2024, our results suggest that retailers were able to quickly and successfully passed on the cost increases driven by external supply-side shocks – such as a decrease in the quantity and an increase in the prices of cocoa and beef – to final consumers. Due to poor cocoa yields in West Africa, chocolate prices rose sharply in 2024 and 2025 in all countries, as they rely on the same underlying commodity source. In Croatia, however, consumer prices began rising as soon as commodity prices increased, whereas in all other countries they rose more slowly and with a time lag (**Figure 2**). Similarly, the price of beef increased in all countries during this period due to stricter environmental standards and higher operational costs, which drove up production costs and contributed to the gradual reduction of livestock stocks. The supply of beef in general, apart from these cyclical factors, is catching up with changes in demand more slowly than, for example, that of poultry or pork, due to considerably lower reproduction rates and a longer production cycle. Unlike in the rest of the euro area, rising domestic producer prices and a robust demand for beef further intensified the already present external inflationary pressures in Croatia in the later part of the period and final prices mostly rose more strongly than in other countries. The third key category is wine: the results suggest that, unlike the previous categories, developments in the international market have had almost no impact on wine prices – retail prices have grown despite favourable external downward price pressures. This insensitivity to external trends is mainly attributable to a strong preference for domestic wine, as well as robust aggregate demand. Over the observed period, the increase in wine prices was among the highest in Europe and, on average, largely higher than that of other food components in Croatia. This shows that the insensitivity of a product's price to global market trends, whether due to self-sufficiency of production or a preference for domestic goods, is not a guarantee of lower inflation for that product. The three analysed examples represent components of the food and beverages category, whose prices rose due to different initial causes, but whose overall increases were ultimately driven by strong domestic demand.

Results obtained by aggregating the decomposed drivers of price changes across 50 categories of food products confirm that the largest share of inflationary pressures in the recent period can be attributed to international market dynamics, primarily driven by supply-side shocks (**Figure 4**). However, the analysis of individual products illustrates that supply side shocks are only one part of the equation: the ability to pass inflationary pressure on to final prices also largely depends on the robustness of domestic demand, especially when it exceeds the existing supply (either supply of imports or domestic supply determined by the structural features of a product). Thus, euro area food price inflation stabilised at a low level in 2024, while in Croatia, subject to the same external disruptions, it flared up again in 2024 and 2025, driven by domestic factors. Economic activity and real wage growth in this period were stronger in Croatia than in the rest of the euro area (**Figure 3**). Together, these factors strengthened domestic demand, that is, the domestic business cycle, against

the backdrop of a visible slowdown in economic activity at the euro area level, which ultimately led to a pronounced domestic inflation component.

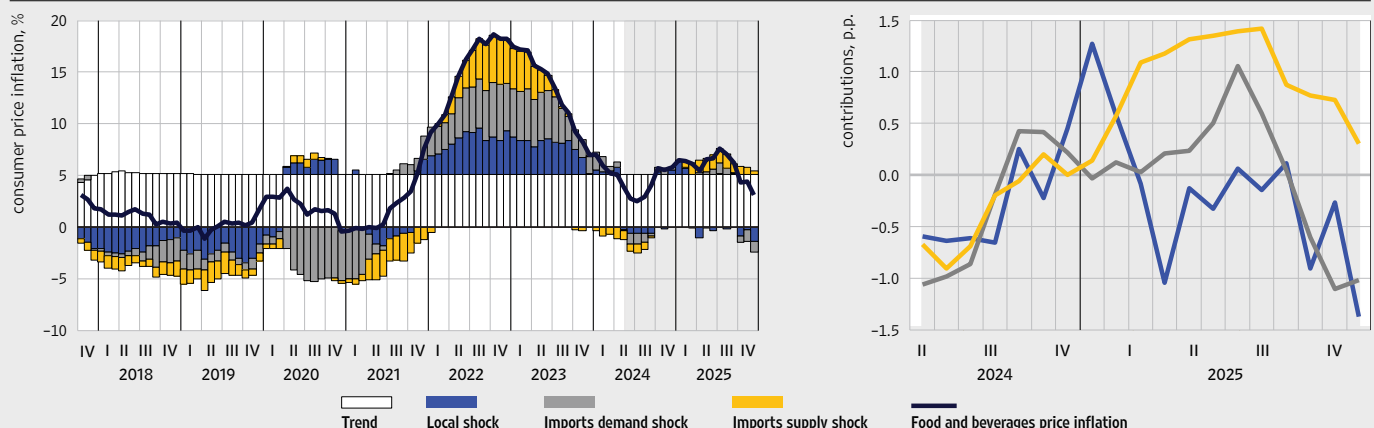
Figure 3 GDP and real wage growth in Croatia and other member countries



Sources: Eurostat and CNB calculations.

The dynamics of the domestic component of food price inflation illustrates well the crucial role of demand in the formation of final prices. The decomposition suggests that the domestic component of inflation (“local shock”), accompanied by unfavourable external trends, had a crucial impact on the reignition of food price inflation in mid-2024. However, in early 2025, this domestic inflation component, independent of imports, recorded a sharp decline that coincided with the consumer boycott of retail stores organised by a platform called Halo, inspektore. The boycott appears to have temporarily reduced food price inflation by 2 percentage points over the following three months (Figure 4, right, blue line). However, this effect was largely masked by a simultaneous increase in import prices, which exerted an upward pressure on the overall food price level, offsetting the effect of the organised consumer campaign.

Figure 4 Decomposition of the annual food and beverage inflation rate into import supply and demand shocks and a residual “local” shock, illustrating the effect of the consumer boycott

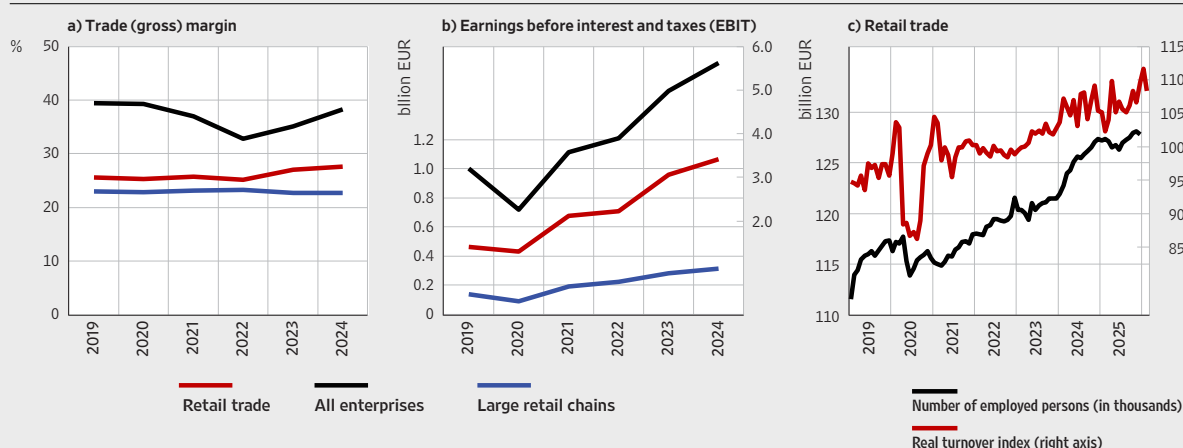


Note: The right-hand figure shows contributions of individual shocks to the food and beverage inflation rate in the recent period.
Sources: Comext, Eurostat and CNB calculations.

The role of retail chains and other factors in food price inflation

In the period from 2019 to 2024, food retailers doubled their profits while maintaining a stable gross margin (Figure 5), suggesting that they successfully passed on rising costs to final consumers. It should be noted that the maintenance of margins amid increased costs in the recent inflationary episode was not limited to the retail sector or large retail chains, but was rather a rule at the level of the entire economy: the overall profits of all enterprises doubled while they also maintained stable gross margins that were higher at the economy level than those in the trade sector. Such an increase in profits, higher than the cumulative food price inflation of approximately 40% in the same period, was possible only under conditions of robust domestic demand (Figure 3 and Figure 5c). In such circumstances, corporates pass on costs to consumers, as they are willing to accept a new price. This is how inflation perceived by consumers in stores manifests itself, even though it is largely triggered by external disruptions at earlier stages of the pricing chain. It can be abated by an easing of demand, either autonomously due to consumer behaviour or by economic policy actions, as well as by economic policy measures aimed at strengthening competition. Observing food price inflation only through the prism of corporate pricing strategy does not provide a complete picture, given that without strong demand that supports such decisions, the pass-through of costs to consumers would not be possible.

Figure 5 Profits and profit margins in domestic food production and trade



Notes: The category "All enterprises" refers to a sample of 1000 largest Croatian enterprises in 2024. The sector "Retail trade" covers business entities classified in class G47 according to the National Classification of Economic Activities (NCEA), while the category "Large retail chains" refers only to the seven largest retail chains in the domestic market. Gross margin is calculated as the difference between revenues and costs of goods sold, expressed as a share of revenues. EBIT stands for operating income, excluding financing costs and taxes.

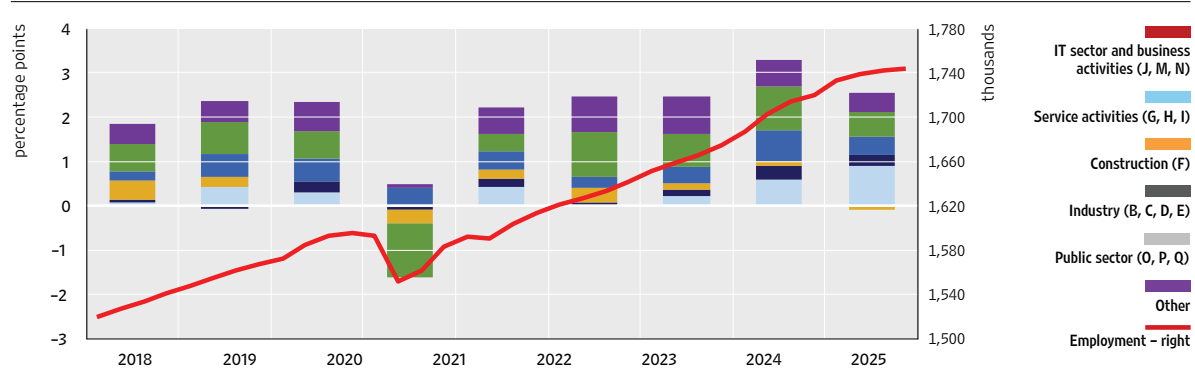
Sources: FINA and CBS.

The energy shock caused by the escalation of conflict in the Middle East is creating new upward price pressures, potentially hinting at a new inflationary wave. Experience from the previous episode suggests that while supply-driven shocks are difficult to avoid in the short run, it is important to identify the risks of unnecessary diffusion of unfavourable external developments through excessive demand. However, these domestic inflation drivers are likely to be less pronounced this time: fiscal space is now significantly constrained, and consumers have already shown awareness that their consumption patterns are an important determinant of inflation. Should demand nevertheless intensify, food price inflation is likely to accelerate in the event of a longer-than-expected conflict in the Middle East.

2.2 Labour market

The growth in employment and wages moderated in 2025, even though labour costs continued their relatively strong upward trend, while employment was almost stagnant from the second half of the year. After surging in 2024 (3.3%), growth slowed down to 2.5% in 2025. Employment growth was more pronounced in public administration, education and healthcare (activities O, P and Q, hereinafter: the public sector) than in the rest of the economy. Unemployment continued its downward path in 2025, reflecting increased clearings from the CES records for other reasons, which can be attributed to finding employment without the help of the CES, but also to reinforced controls. The average registered unemployment rate in 2025 declined to 4.5% (down from 5.3% in 2024), while the ILO unemployment rate stood at 4.9% (compared with 5% in 2024). The growth in the average gross wage declined to 11.1% in 2025, from 14.8% in 2024, due to a slower growth in public wages after a considerable increase in 2024 driven by the wage system reform, while the wage dynamics in the private sector remained almost unchanged. The real wage purchasing power continued to trend up, and real net and gross wages increased by around 7%.

Figure 2.2.1 Employment by NCA, seasonally adjusted data, contributions to the annual rate of change and total employment



Source: CPII (seasonally adjusted by the CNB).

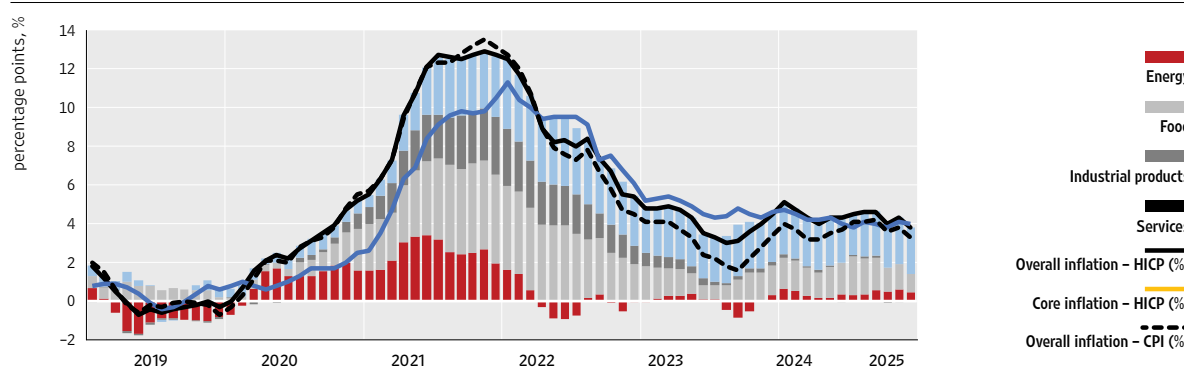
2.3 Price developments

The overall consumer price inflation accelerated in 2025 from the previous year under the influence of upward pressures on food prices, the withdrawal of fiscal support and the rise in the administered prices of energy (gas, electricity and heat). In contrast, core inflation, which excludes volatile energy and food prices that largely depend on factors not influenced by monetary policy (such as changes in commodity prices in the global market and weather conditions), further trended down. The average annual rate of overall inflation measured by the harmonised index of consumer prices (HICP) went up from 4.0% in 2024 to 4.4% in 2025.

Inflation pressures started to pick up in the second half of 2024 and in early 2025, but after that upward price pressures started to gradually abate. Despite short-term fluctuations, inflation was lower at the end of the year than at the beginning of the year (down to 3.8% in December from 5.1% in January). The national inflation indicator (CPI), which reflects the structure of the consumption of Croatian households, also followed a similar trend, and declined from 4.0% in January to 3.3% in December, even though its average level in 2025 as a whole was higher than in

2024 (up to 3.7% from 3.0%). The level of inflation is higher when measured by the harmonised index than when measured by the national indicator; this reflects the difference in the structure of the basket of goods and services used in their calculation. The share of services in the HICP is larger than in the CPI because the calculation of HICP includes the consumption of foreign tourists, while food and energy are relatively more represented in the national indicator. Accordingly, the still elevated services price inflation is reflected in HICP inflation significantly more than in the inflation measured by the national indicator.

Figure 2.3.1 Inflation indicators in Croatia



Source: CNB.

As regards the developments in the prices of the main inflation components, the acceleration of the average annual rate of change in energy prices (HICP) from -0.3% in 2024 to 3.3% in 2025 was the result of the rise in the administered prices of gas, electricity and heat energy, as well as the withdrawal of some fiscal support related to the caps on household energy prices, with other countries mostly withdrawing this support earlier. Energy price increases were cushioned by the decline in the retail refined petroleum prices in the domestic market, due to the fall in the prices of crude oil in the world market.

Food prices rose more than in the preceding year, on average. The average annual food price inflation rate increased from 4.4% in 2024 to 5.4% in 2025. Current pressures on food prices were strong in the second half of 2024 and the first seven months of 2025 due to the spillover of elevated prices of certain food raw materials and adverse weather conditions (especially the dry summer season). However, the pressures on food prices abated in the second half of the year given that the prices of food raw materials in the global market started to decline in the first half of 2025. The easing of the annual rates of inflation of food prices in the second half of the year was also due to favourable base effects given the more pronounced growth in these prices in the same period in 2024. Inflationary pressures on food prices were also mitigated by government measures.

Core inflation, which excludes energy and food prices, further trended down to 4.1% in 2025, from 4.8% in 2024. This was largely due to the decline in the inflation of industrial prices from 1.3% to 0.2%, amid low import pressures, the appreciation of the euro and the low growth rates of producer prices for consumer goods. In contrast, services price inflation, the second major component of core inflation, slowed down only slightly, from 7.6% to 7.4%. The persistently elevated services price inflation mirrors a high demand for services, a tight labour market and the

still significant wage growth, as well as the increase in individual administered prices of services (rent). Thus, services continued to contribute the most to overall inflation.

Croatia's inflation rate has been notably higher in 2025 than the average in the euro area. This can be attributed to several factors, including stronger economic growth, faster wage and personal consumption growth, later withdrawal of energy support to households relative to other countries, a supportive fiscal stance, which is partially linked to the considerable inflow of EU funds, and the process of price convergence in Croatia towards the higher average level in the euro area associated with the gradual convergence of per capita income to the EU average.

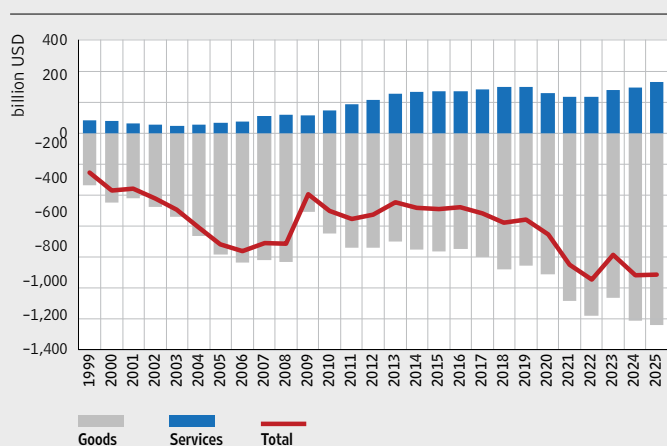
BOX 2

Trade relations between the European Union and the USA and the possible impact of the new US trade policy on the European economy

Uncertainty surrounding the US trade policy, which has lasted for quite some time, culminated in April 2025 with the imposition of high tariffs on imports from China and the significant tightening of trade relations with most of the key US partners, the European Union included. In late July, a trade agreement was achieved between the USA and the EU and some of the tariffs were temporarily abolished by a US Supreme Court ruling in February. Despite the partial alleviation of measures, the level of uncertainty has remained elevated. The US trade policy is still subject to changes and negative effects could become more evident in the upcoming period. The direct effects on the European economy have thus far been limited owing to the relatively small exposure to the US market, but elevated uncertainty and weaker foreign demand have increased the vulnerability of firms relying strongly on exports to the USA. Although Croatia is one of the less exposed EU member states in that regard, the negative impact of elevated uncertainty on economic activity and the possible indirect effects stemming from weakening demand from partner countries should not be neglected.

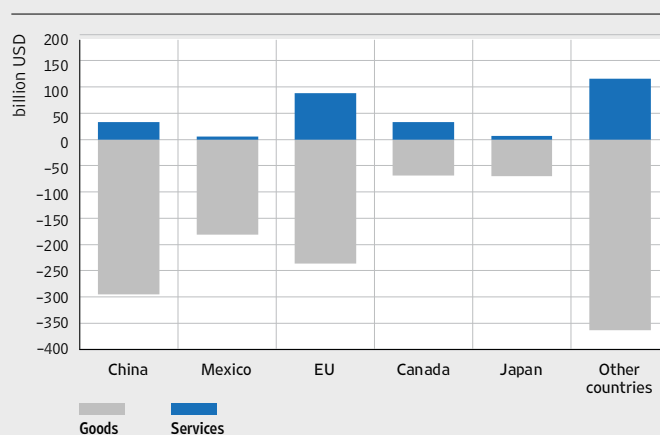
In early 2025, the US administration revised its trade policy by establishing a protectionist regime vis-a-vis the rest of the world. Such a policy was explained by the need to protect the domestic industry from competition and to mitigate the US dependency on imports. Specifically, the relative stagnation of industrial production in the USA and the simultaneous strong growth in domestic demand resulted in the gradual deepening of the foreign trade deficit, which reached USD 1,213bn or 4.2% of the US GDP in 2024 (Figure 1). The USA runs a trade deficit with most of its key trading partners, primarily China, Mexico, Canada and the European Union. It is the world's largest net importer of various capital goods (industrial machinery, apparatus and appliances) as well as of consumer electronics, cars and pharmaceutical products. A part of the goods trade deficit is offset by the surplus in the services trade, which stood at USD 295bn or 1% of the US GDP in 2024 and which is mainly achieved by the export of tourist, business, financial and IT services. European Union countries are the largest net importer of services from the US (Figure 2).

Figure 1 US foreign trade balance in the trade of goods and services



Source: Bureau of Economic Analysis.

Figure 2 US foreign trade balance vis-a-vis major trading partners, 2024.



Source: Bureau of Economic Analysis.

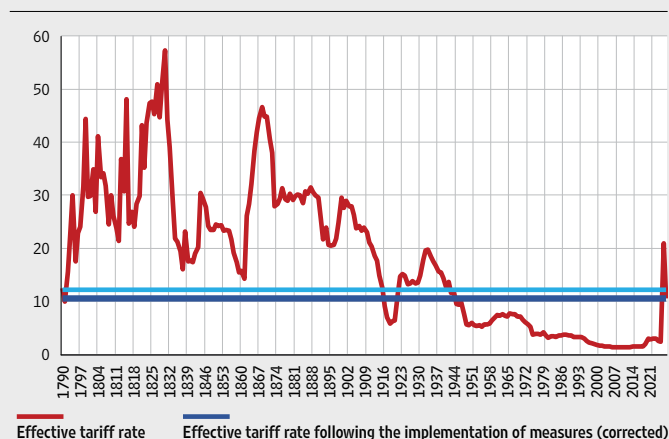
A wave of tightened tariff measures began in February 2025 with the imposition of the 25% “fentanyl tariff” on imports from Mexico and Canada (with some exemptions), while products imported from China were hit by an additional tariff of 10%. In March, a global tariff of 25% on the imports of steel and aluminium entered into force and a tariff of 25% on cars and car parts followed soon thereafter. In early April, the US administration presented a plan of trade measures which included a universal tariff of 10% and special, “reciprocal” tariffs laid down specifically for each country, with exemptions for strategic goods. A “reciprocal” tariff of 20% was announced for member states of the European Union. However, after a strong reaction from the financial markets, the “reciprocal” tariff was temporarily reduced to 10%, which made way for bilateral negotiations between the USA and the affected partners and eventually resulted in a tentative trade agreement currently undergoing ratification.

In the second half of 2025, some of the global measures were tightened further: tariffs on steel, aluminium and copper were raised to 50% and new tariffs on lumber (10%) and furniture (25%) were imposed. In late July 2025, a provisional trade agreement was reached between the European Union and the USA, which resulted in a uniform tariff rate of 15% being applied to most European goods, including the goods under Section 232 (cars, pharmaceutical products, semi-conductors, lumber and furniture).

In early 2026, the overall effective tariff rate was reduced to approximately one half of the level recorded in mid-2025, when it stood above 20% (Figure 3). This was a result of the US Supreme Court ruling made in late February 2026, which proclaimed all tariffs imposed under the International Emergency Economic Powers Act (IEEPA), including the “reciprocal” and “fentanyl” tariffs, unlawful. On the same day, the US government introduced a new global tariff of 10% under Section 122, with an almost identical scope. The measure is provisional and set to expire by end-July 2026, and its renewal by the Congress does not seem likely at the moment. However, the US Treasury announced that the suspended measures could be restored within five months using alternative legal instruments. In early April, new tariffs of 100% were imposed on patented pharmaceutical products, with tariffs of 15% applicable to the same category of products imported from EU

member states. The US government is negotiating with individual companies that may be fully exempt from tariffs if they commit to building production facilities in the USA. Since most European pharmaceutical companies already meet this condition, the effect of that measure to the EU is expected to be negligible.

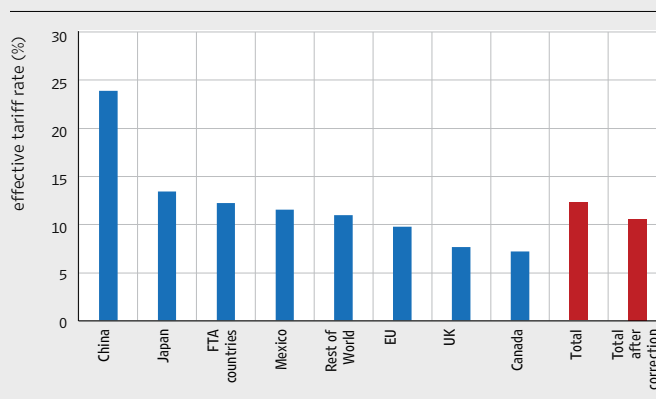
Figure 3 Effective tariff rates on US imports



Note: The overall effective tariff rate is calculated as a weighted average of the tariffs in force in April 2026, based on the existing geographical structure of trade, while the adjusted rate also takes into account expected changes in the shares of individual countries following the implementation of tariff measures.

Source: The Budget Lab at Yale.

Figure 4 Effective tariff rates on US imports from selected countries

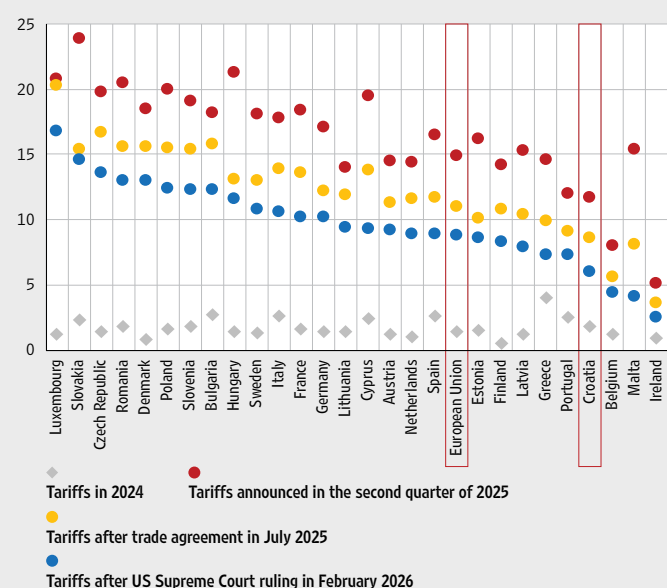


Notes: The overall effective tariff rate is calculated as a weighted average of the tariffs in force in April 2026, based on the existing geographical structure of trade, while the adjusted rate also takes into account expected changes in the shares of individual countries following the implementation of tariff measures. The "FTA countries" category includes the remaining countries with which the United States has concluded a free trade agreement.

Source: The Budget Lab at Yale.

Effective tariff rates on US imports from most EU member states were quite low until April 2025, mostly hovering below 2–3% (Figure 5). The rates were somewhat higher for countries such as Greece, which exports agricultural goods and processed food subject to higher tariffs. In contrast, Scandinavian countries, Germany and Netherlands export more industrial machinery, pharmaceutical products and cars, which, until now, had zero or low tariffs. The increase in effective rates for individual member states after April depends on the structure of their exports to the US. The average effective tariff rate on imports from the European Union is currently hovering around 9%, while the tariff rates of certain member states move within a range from 3% to 17%. The increase in the effective tariff rate is relatively high for countries whose exports of strategic products exempt from tariffs are relatively low and whose exports of products to which higher tariffs now apply (cars and car components and iron, steel, aluminium and copper) are relatively high. As a result, the increase in the effective rate is the highest for Luxembourg, Slovakia and Czechia, which export metal and automotive products, and the lowest for countries such as Ireland, Belgium and Croatia, whose exports of strategic products, most notably pharmaceutical products, are relatively high.

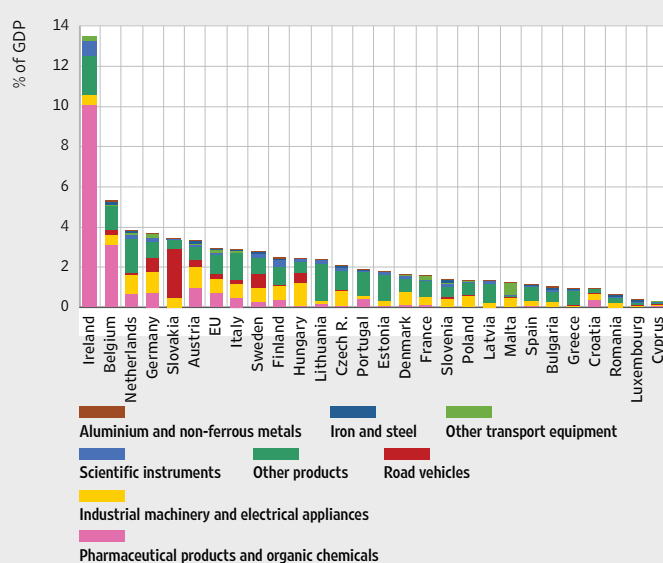
Figure 5 Effective tariff rates on the imports of goods from the European Union to the USA



Note: The structure of exports refers to 2024.

Sources: Eurostat, Federal Register, WITS and CNB calculations.

Figure 6 Exports of goods of EU member states to the USA by type of goods



Note: Data refer to 2024.

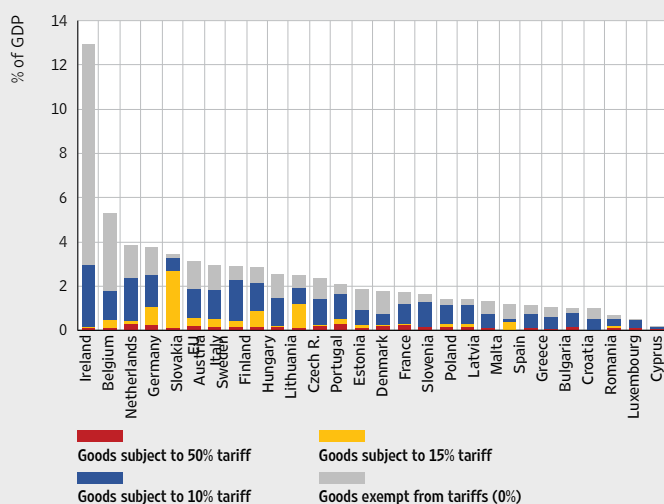
Source: Eurostat.

Assessing the effects of tariff changes is not straightforward, as their full impact typically materialises only over time. Their effects thus far have been assessed as relatively weak and limited, particularly in the context of overall global economic developments. Generally, tariffs impact the global economy through two main channels: direct and indirect. Directly, tariffs increase the prices of imported products on the US market and undermine their price competitiveness, which is already reflected in the decrease in exports to the USA from some countries, notably China. Indirectly, weaker global demand and elevated uncertainty have a dampening effect on investment and personal consumption, even in economies that do not depend directly on the US market. The effect of tariffs on inflation is different in the US market and in the rest of the world. On the one hand, increased costs of importing to the USA are gradually spilling over to consumer prices. On the other hand, weaker global demand, the potential depreciation of the US dollar and the redirection of trade flows from the US could have a disinflationary impact on the rest of the world. Although global trade was expected to contract sharply in 2025, the actual outcomes were significantly more favourable, with global trade recording growth. However, such developments greatly reflect temporary factors, such as frontloading ahead of the application of tariffs and the strong demand for products related to the development of AI infrastructure. Hence, it is estimated that the full negative effects of tariffs will be more evident in the upcoming years.

As for the European economy, the direct effects of tariff increases have thus far been limited due to the relatively small exposure to the US market. Specifically, even though the USA is one of the major trading partners of the European Union, total exports to the USA account for 3% of EU GDP (Figure 6), and, if exemptions of strategic goods are taken into account, tariffs apply to exports worth only 2% of GDP (Figure 7). The European share on the US market did not

change much in 2025. The concerns related to the significant redirection of Chinese exports from the US to the European market still have not materialised: the decrease in Chinese exports to the US has been greatly offset by the rise in exports to developing countries, while redirection to the EU has thus far been modest and limited to a narrow set of products. However, increased uncertainty and weaker foreign demand have exacerbated the vulnerability of individual firms, particularly those whose exports greatly depend on the US market (Figure 8).

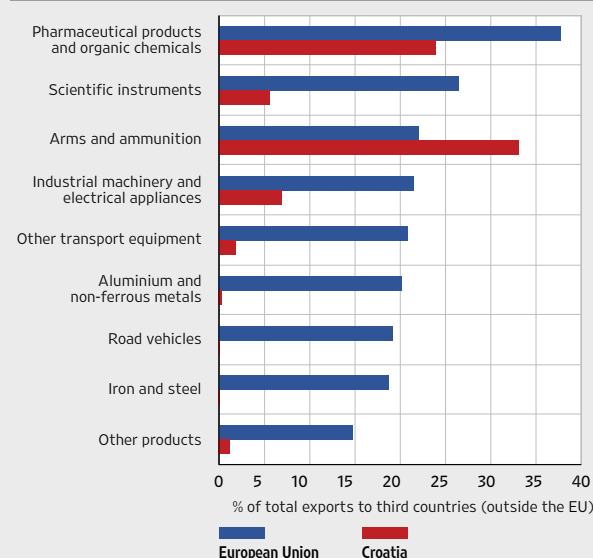
Figure 7 Exports of goods of EU member states to the USA by tariff burden



Notes: A tariff rate of 50% is applied to iron, steel, aluminium and copper and products containing significant shares of these metals. A rate of 15% is applied to the import of furniture and cars, trucks and their components. Products currently exempt from tariffs include pharmaceutical and chemical products, semi-conductors, energy, rare minerals and aircraft parts. All other products are subject to a 10% tariff.

Sources: Eurostat, Federal Register and CNB calculations.

Figure 8 US share in total exports outside the EU



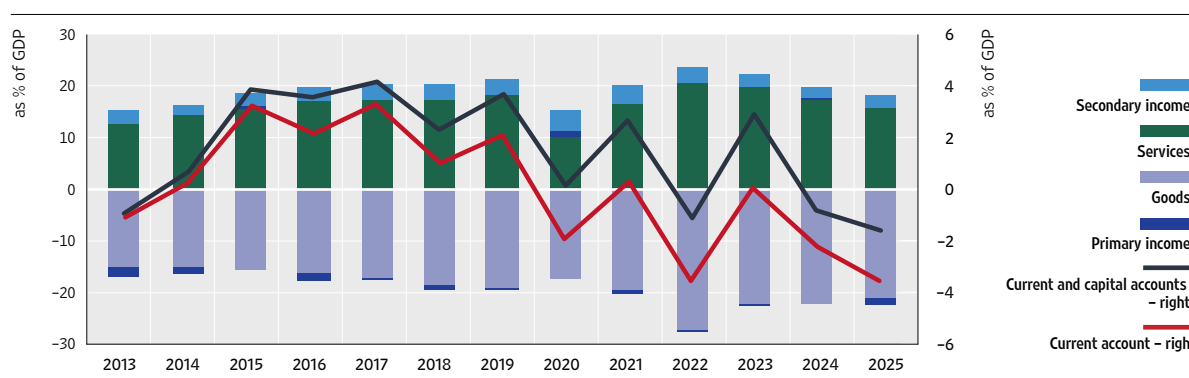
Note: Data refer to 2024.

Source: Eurostat.

2.4 Economic relations with foreign countries

Croatia's current and capital account deficit widened, from -0.8% of GDP in 2024 to -1.6% of GDP in 2025. This was primarily brought about by the deterioration of the positive trade in services balance, which largely reflects a modest annual growth of tourism revenues (1.8%), with a noticeable increase in the tourist consumption of residents abroad (17.3%). The primary income balance also deteriorated markedly, mostly due to the rise in the profits of foreign-owned enterprises and the decrease in central bank income from investing foreign assets, which is linked to a decline in interest rates in the euro area. The deterioration in the primary income balance in 2025 was also driven by a considerable rise in expenditure for employee compensations, linked to a growing number of foreign workers temporarily employed in Croatia, while income from Croatian residents employed abroad rose moderately. On the other hand, the worsening of the overall current account balance was cushioned by a less negative goods trade balance, expressed as a percentage of GDP, owing to relatively strong export performance (an increase by 7.0%), combined with a somewhat slower import growth (4.7%). In addition, the secondary income balance also improved, which can be largely attributed to rising current inflows of EU funds and, to a lesser extent, to an increase in worker and personal remittances from abroad. As regards the use of EU funds, following the decline in disbursements in the previous year, it recovered in 2025 ahead of the expiry of the period for the use of funds under the Recovery and Resilience Facility (end-2026), so that net inflows of EU funds went up from 2.2% of GDP in 2024 to 2.7% of GDP, which, apart from having a positive impact on the secondary income balance, also brought about the improvement of the capital account balance.

Figure 2.4.1 Current and capital accounts of the balance of payments



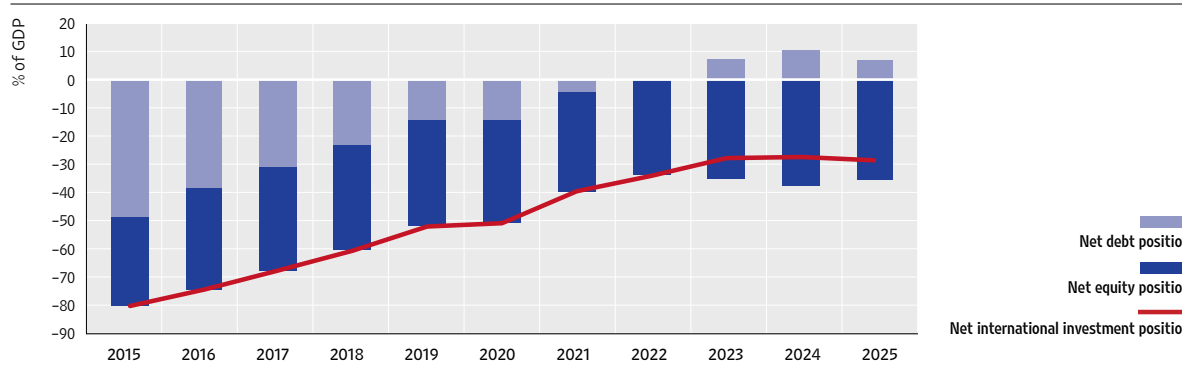
Sources: CNB and CBS.

In line with the widening of deficit in the current and capital accounts of the balance of payments, the financial account in 2025 saw considerably larger capital inflows than the year before, amounting to EUR 2.6bn or 2.8% of GDP. The total net debt position of domestic sectors deteriorated by EUR 1.1bn, reversing a long-standing trend of improvement. Broken down by sectors, the net position of the central bank worsened by EUR 2.4bn, mostly due to the reduction of previously accumulated claims on the Eurosystem (TARGET). Although the TARGET balance is recorded in the balance sheet of the central bank, it reflects the total cross-border financial flows of all domestic sectors, which are realised through the banking system and recorded within the

Eurosystem. At the same time, the deterioration in the TARGET balance was partly alleviated by the growth in the CNB's claims related to cash, which have been structurally increasing, as a significant part of the inflows from tourism is realised in cash. Net external debt of the central government increased by EUR 0.2bn, while other domestic sectors continued to deleverage, although this trend slowed down noticeably from the year before. In 2025, net capital inflow from equity investments totalled EUR 0.9bn (around 1% of GDP), which is only a half of the amount recorded the previous year. While retained earnings accounted for the bulk of total equity investments, direct equity investment remained very modest, dominated by property investment, which continued its several-year downward trend, followed by investments in business consulting and insurance activities and metal industry.

The gross external debt position stood at EUR 62.2bn or 67.1% of GDP at the end of 2025, having gone up by EUR 5.2bn or 0.7 percentage points from the end of 2024. After several years of deleveraging, this meant a growth in the relative external debt. Net external debt position, which takes into account changes in the foreign assets of domestic sectors, also decreased by 2.6 percentage points and stood at -6.9% of GDP at end-2025. Net equity position remained relatively stable and totalled -35.4% of GDP at end-2025.

Figure 2.4.2 International investment position



Sources: CNB and CBS.

2.5 Banking system

Bank lending and deposit rates to corporates and households in Croatia decreased in 2025, influenced by the lowering of key ECB interest rates. The dynamics of their adjustment varied across individual loan and deposit categories. Interest rates largely stabilised in the second half of the year, with slight fluctuations around the levels seen in mid-year.

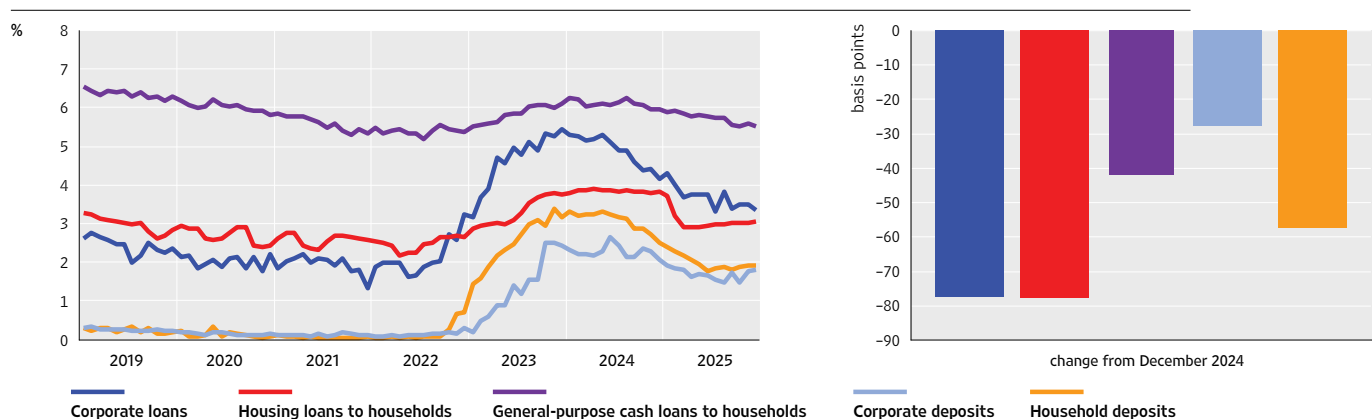
The average interest rate on newly granted loans to non-financial corporations stood at 3.4% in December 2025. The decrease in variable lending rates on loans to corporates reflects the fall in EURIBOR, while fixed interest rates also trended down. The average interest rate on newly granted general-purpose cash loans to households declined to 5.5% in 2025, while the average interest rate on housing loans went down to 3.0%.

Having peaked in June 2024 at 4.6%, the interest rate on existing corporate loans dropped gradually and stood at 3.7% in December 2025. This decrease is largely related to the large share of loans

with a variable interest rate linked to EURIBOR, which declined in parallel with the lowering of key ECB interest rates. Over the same period, interest rates on existing housing and general-purpose cash loans to households fell to 3.0% and 5.8%, respectively. This decrease was primarily attributable to a further decline in the six-month national reference rate, which has been on a steady downward path following its peak in December 2024. The dominant reference parameter in existing variable interest rate loans is still the national reference rate (NRR). However, the share of loans linked to NRR continued to decline in 2025, in parallel with the rise in the share of loans granted at a fixed interest rate.

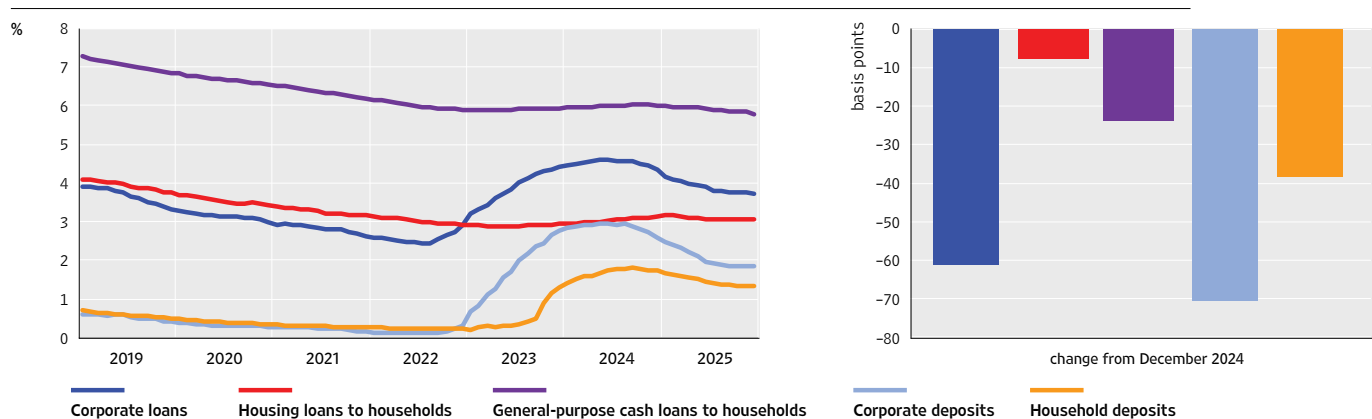
The interest rates on corporate and household time deposits also fell. In December 2025, the average interest rate on pure new time deposits of corporates and households stood at 1.9% and 1.8%, respectively, while interest rates on the existing total deposits of corporates and households were 0.5% and 0.3%, respectively.

Figure 2.5.1 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 2.5.2 Interest rates on existing loans and time deposits of corporates and households

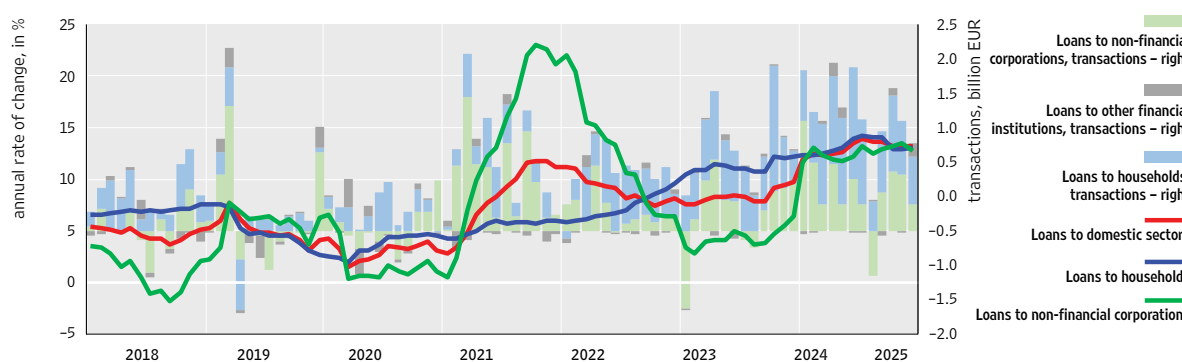


Source: CNB.

The growth of household and corporate loans sped up in 2025. Corporate loans rose by EUR 2.0bn (transaction-based), while their growth in 2024 stood at EUR 0.9bn. Working capital loans to corporations engaged in trade and manufacturing and investment loans to corporations engaged in accommodation and food service activities, real estate activities and construction increased the most. Lending to micro and small enterprises made the largest contribution to the acceleration in the growth of corporate loans, accounting for around 40% of loan growth in 2025, especially investment loans in real estate activities and construction. Observed on an annual basis, the rate of growth in corporate loans doubled in 2025 and stood at 12.8% (transaction-based).

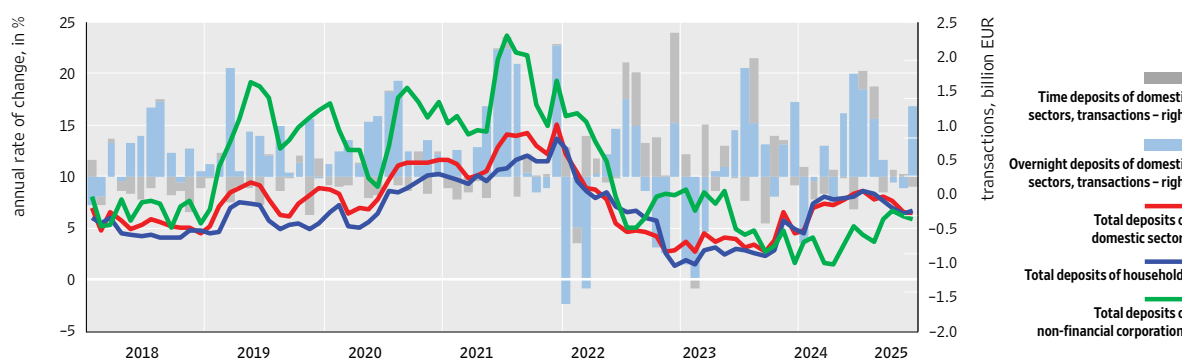
The growth of household loans also accelerated and stood at EUR 3.2bn or 13.1%, up from 12.1% the year before. Around 60% of this growth was accounted for by housing loans (EUR 1.8bn), which particularly accelerated in the first half of the year, during the period of promotional interest rates offered by banks and accelerated lending before 1 July, in the run-up to the implementation of the CNB's new macroprudential measures. On an annual basis, the growth in housing loans accelerated from 9.1% 2024 to 15.5% in 2025. On the other hand, the growth of general-purpose cash loans slowed down in 2025, to 11.3% (from 15.9% in 2024). After pronounced growth in the first half of the year, their growth particularly decelerated in the second half of the year as a result of the CNB's measures, that is, stricter limits on lending criteria than those applicable to housing loans.

Figure 2.5.3 Loans



Source: CNB.

Figure 2.5.4 Deposits



Source: CNB.

Total deposits of domestic sectors (excluding the general government) rose by EUR 3.8bn in 2025, or EUR 1.2bn more than in the year before. The acceleration in deposit growth was primarily brought about by stronger lending to the private sector and the increase in net claims on the central government. In the structure of total deposits, overnight deposits rose by EUR 4.0bn, which mostly reflects the growth in overnight household deposits. On the other hand, time deposits fell by EUR 0.3bn in 2025, largely due to a decreased level of household deposits (EUR 0.6bn), unlike the year before when time deposits in this sector rose by EUR 0.7bn.

3 Financial assets management

Pursuant to the Act on the Croatian National Bank (Article 100), the Croatian National Bank (CNB) 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 in the CNB balance sheet as at the date of the introduction of the euro as the official currency in the Republic of Croatia. 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. Financial assets consist of the foreign currency assets of the Republic of Croatia that have not been transferred to the European Central Bank according to 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 monetary policy.

3.1 Financial assets in 2025

As at 31 December 2025, financial assets totalled EUR 24,842.1m, comprising assets denominated in euro worth EUR 22,337.1m (89.9%) and assets denominated in US dollars and other currencies amounting to EUR 2,505.0m (10.1%). The share of assets denominated in US dollars in the financial assets edged down in 2025 from the year before.

Financial assets rose by EUR 160.0m or 0.6% in 2025, primarily owing to generated earnings.

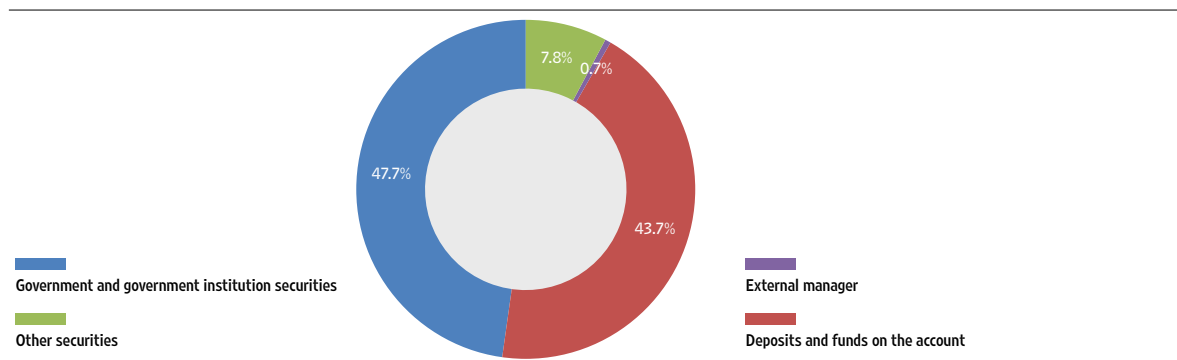
The management of financial assets took place amid highly volatile financial market conditions, and investment decisions taken were aimed at increasing the expected rates of return over the medium term, taking into account the Eurosystem's overall financial asset management framework¹ and its rules, obligations and guidelines that determine the profitability and room for investment.

3.2 Financial assets investment structure

At the end of 2025, 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, other securities and funds entrusted to the management of an external manager (**Figure 3.2.1**). 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 2025.

¹ After joining the euro area, the CNB started implementing the Eurosystem's financial asset management framework, which primarily entailed the execution of the Agreement on Net Financial Assets (ANFA). ANFA sets out the ceiling for net financial assets that a central bank is entitled to manage without interfering with the monetary policy implementation. In addition, the CNB is also obligated to take account of the ECB Guideline on domestic asset and liability management operations (DALM), while the prohibition on monetary financing laid down by Article 123 of the Treaty on the Functioning of the European Union, which is supervised by the ECB, has been in force since Croatia's accession to the EU.

Figure 3.2.1 Investments in the safest instruments accounted for the largest share in the structure of financial assets investment



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

CNB financial assets are invested in instruments with an investment grade rating, investments in individual financial institutions, countries or in individual financial instruments being limited, which diversifies credit risk. At the end of 2025, about 67% of financial assets was invested in the safest investments – instruments by issuers within the two highest credit rating categories, BIS instruments or funds in the account.

3.3 Financial markets and financial assets management results in 2025

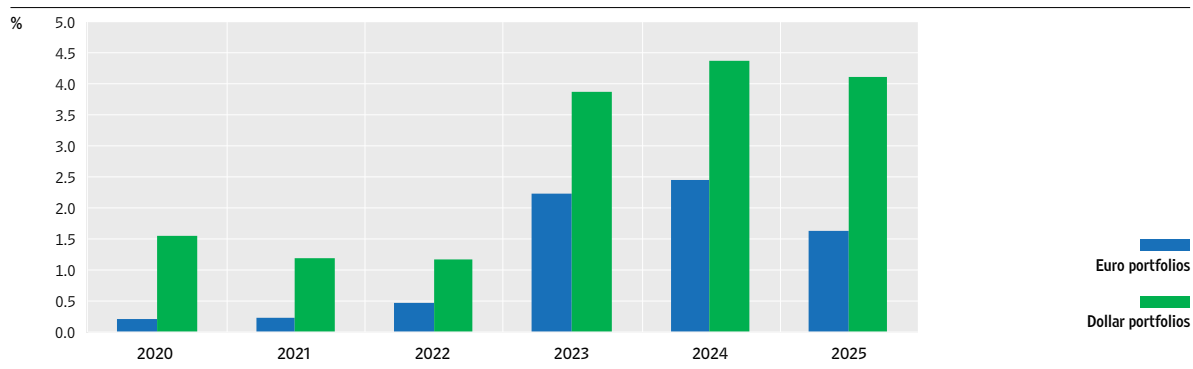
Financial markets in 2025 were marked by profound turmoil due to a number of different economic and geopolitical developments. The continuation of military conflicts around the world, the tightening of US customs policy often accompanied by easing measures, the challenging of the global role of the US dollar and concerns about the future independence of the Fed, the reversal of German fiscal policy towards higher spending and political instability in France are some of the major events that sparked considerable market reaction. Despite the turbulent environment, global economic growth was better than expected, while inflation continued to trend down towards the target levels, especially in Europe. In 2025, the European Central Bank (ECB) lowered its benchmark interest rates on four occasions, by a total of 100 basis points. At end-year, the deposit facility rate (DFR) stood at 2.00%, the main refinancing operations (MRO) rate stood at 2.15% and the marginal lending facility (MLF) rate was 2.40%.

Yields on government securities of euro area member countries with long maturities largely increased in 2025, while those with short maturities went down, increasing the steepness of the European yield curves relative to the year before. For most of the year, the Fed kept the range for its benchmark interest rates unchanged, between 4.25% and 4.50%, reducing it on three occasions from September onwards, by 25 basis points, so that it stood at 3.50% – 3.75% at the end of the year. The entire US yield curve went down almost simultaneously in 2025 from the preceding year. Persistent uncertainty in 2025 led to a record increase in the prices of gold and silver, while the US dollar weakened markedly against the euro, interrupting a several-year trend of appreciation pressures largely in favour of the dollar. Turbulent events during the year did not interfere with stock markets which, despite great volatility, once again reached record-high levels.

Amid high financial market volatility, in 2025 the rate of return on the entire euro portfolio of financial assets was 1.64%, while the rate of return on the US dollar portfolio totalled 4.11% (Figure 3.3.1).

Figure 3.3.1 Financial asset portfolios had adequate rates of return

year-on-year rates of return, in percentage



Source: CNB.

4 Business operations of credit institutions

4.1 System structure

There were 20 **credit institutions**, or 19 banks and one housing savings bank, operating in Croatia in 2025. In addition, there was one branch of an EU credit institution operating in the country, while more than 270 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 structure of the Croatian banking system remained stable. Credit institutions' assets were dominated by banks in the majority ownership of foreign shareholders, accounting for 86.8% of total banking system assets. Asset concentration remained moderate owing to stable market shares of leading banks.

4.2 Performance indicators of credit institutions

Total banking system assets continued their upward trend. In 2025, credit institutions' assets increased by EUR 7.0bn (8.3%) and hit a record high of EUR 91.1bn.

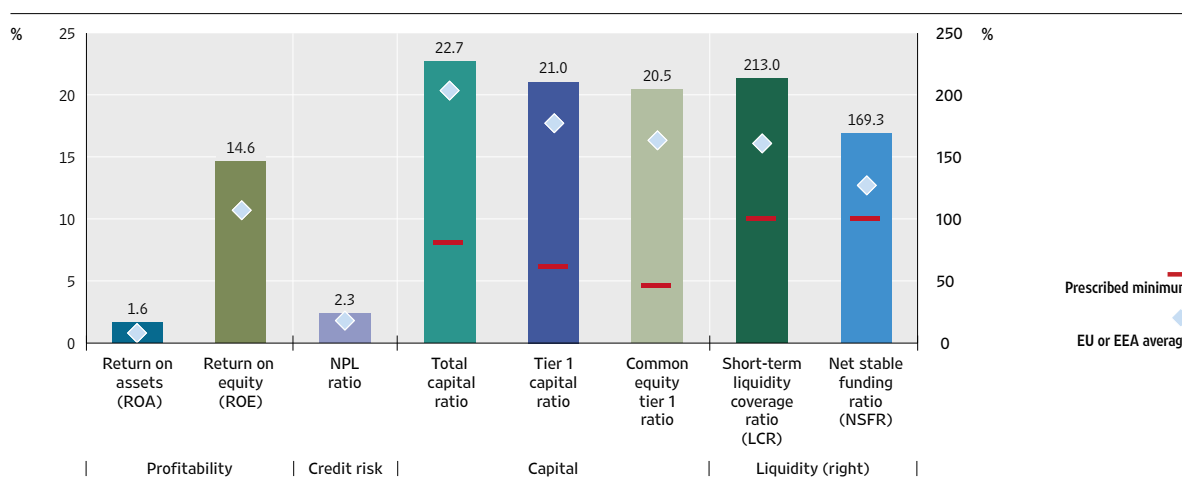
In addition to increasing, credit institutions' assets continued restructuring, with highly liquid assets being redirected to other forms of investment. In particular, the fall in key ECB interest rates is associated with weaker motivation for overnight deposits with the CNB. In a search for higher yields, credit institutions considerably increased investments in debt securities (EUR 5.8bn or 46.5%), mostly in domestic central government securities, as well as EU and other related institutions' securities.

Despite the decrease in monetary assets, their share in total assets is still considerable. These assets, together with other highly liquid assets, ensure the sufficient short-term liquidity of credit institutions. The average value of the liquidity coverage ratio (LCR) stood at 213.0%, more than two times the prescribed minimum (**Figure 4.2.1**). Credit institutions also secured their structural liquidity – the average value of the net stable funding ratio (NSFR) stood at 169.3%, also much above the prescribed minimum. The greatest contribution came from household deposits, providing for the largest share of the available sources of financing of credit institutions.

Loans rose by EUR 4.0bn (7.9%), mostly those to households and non-financial corporations. Key loans to households showed different trends: in contrast to the strong growth in housing loans, the growth of general-purpose cash loans slowed down, especially in the second half of the year, following the entry into force of macroprudential measures set out in the Decision on consumer lending criteria.

Loan quality continued to improve in 2025. Loans in value impairment stage 2² and non-performing loans (NPLs) also trended down, while the mentioned loan growth supported the improvements in indicators of credit quality. The share of stage 2 loans in total loans (7.9%) returned to pre-pandemic levels and is currently better than the EU banking system average.³ The share of NPLs in total loans decreased to 2.3%, but remained large compared with the EU banking system average. However, credit institutions in Croatia have already largely detected and covered losses arising from these NPLs, given that the coverage of these loans by value impairments is very high (65.4%), significantly above the EU average. The quality of loans to non-financial corporations and households improved, with their NPL ratios standing at 3.7% and 3.3%, respectively. However, despite improvements on the level of indicators, the amount of NPLs rose in key loans to households. As a result, but also due to a faster recovery in the quality of loans to non-financial corporations, household loans were the largest source of total NPLs in the banking system, while their share has continued to increase.

Figure 4.2.1 Key banking system indicators, as at 31 December 2025



Note: Data on bank average in the European Union and the European Economic Area refer to the end of September 2025.
Sources: CNB and EBA.

In 2025, credit institutions generated a profit of EUR 1.4bn, down by 6.1% from 2024. Profitability indicators shrunk, but were still at very high levels – the return on assets (ROA) totalled 1.6% and the return on equity (ROE) was 14.6%. The slump in profits is mainly due to a decline in the main source of income, that is, interest income, with income from CNB recording the most pronounced drop as a result of the mentioned decline in overnight deposits with the CNB, but also a fall in the interest rates on these deposits.

The capitalisation of the banking system remained high, while total capital ratio (22.7%) exceeded the EU average. Own funds edged up (2.4%), but the exposure to risks was higher (8.1%) on account of intensified business activities and the entry into force of the revised rules for the calculation

2 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).

3 Data on indicator values for the EU banking system refer to 30 September 2025 and are available [here](#).

of own fund requirements (Regulation (EU) 2024/1623, CRR III). Such developments resulted in a decrease in total capital ratio, although the rate of most credit institutions was still above 20%.

4.3 Business operations of credit unions

The number of credit unions remained the same in 2025, so that at the end of the year, 16 credit unions were in operation in Croatia. Their assets totalled EUR 91.6m, having increased by 2.8% from 2024. Total assets of credit unions are equivalent to 0.1% of the assets of all credit institutions.

Abbreviations and symbols

Abbreviations

ANFA	Agreement on Net Financial Assets
APP	asset purchase programme
BLS	Bank lending survey
bn	billion
CBRD	Croatian Bank for Reconstruction and Development
CBS	Central Bureau of Statistics
CEE	countries of Central and Eastern Europe (Czech Republic, Hungary, Poland and Romania)
CES	Croatian Employment Service
CHF	Swiss franc
CHIF	Croatian Health Insurance Fund
CIR	cost-to-income ratio
CPI	consumer price index
CPII	Croatian Pension Insurance Institute
CNB	Croatian National Bank
DFR	deposit facility rate
EBA	European Banking Authority
ECB	European Central Bank
EEA	European Economic Area
EER	effective exchange rate
EONIA	euro overnight index average
ESG	environment, social, governance
ESM	European Stability Mechanism
EU	European Union
EUR	euro
EURIBOR	euro interbank offered rate
€STR	euro short-term rate
Fed	Federal Reserve System
FRFA	fixed rate full allotment
GDP	gross domestic product
GVA	gross value added
HANFA	Croatian Financial Services Supervisory Agency
HICP	harmonised index of consumer prices
JPY	Japanese yen
LCR	liquidity coverage ratio
m	million
MLF	marginal lending facility
MRO	main refinancing operations
NCA	National Classification of Activities
NPL	non-performing loans

NRR	national reference rate
NSFR	net stable funding ratio
OG	Official Gazette
OMT	outright monetary transactions
PEPP	pandemic emergency purchase programme
RC	Republic of Croatia
ROA	return on assets
ROE	return on equity
Q	quarter
SDR	special drawing rights
SITC	Standard International Trade Classification
TLTRO	targeted longer-term refinancing operations
TPI	transmission protection instrument
US	United States
USD	US dollar

Symbols

–	no entry
....	data not available
0	value is less than 0.5 of the unit of measure being used
Ø	average
a, b, c,...	indicates a note beneath the table and figure
*	corrected data
()	incomplete or insufficiently verified data

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