

# **CROATIAN NATIONAL BANK**

## **FINANCIAL STATEMENTS**

**For the year ended 31 December 2023**

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

## CONTENTS

	Page
Independent Auditors' Report	1
Balance Sheet	4
Profit and Loss Account	6
Notes	7



## 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 2023, 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 2023, and of its financial performance for the year then ended, in accordance with Article 60 of the Act on the Croatian National Bank (Official Gazette 75/2008, 54/2013 and 47/2020), which regulates the application of Guideline (EU) 2016/2249 of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34), with amendments ("the basis of preparation").

### *Basis for Opinion*

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

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

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

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

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



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

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

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

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

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



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

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

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

#### **KPMG Croatia d.o.o. za reviziju**

Ivana Lučića 2a  
10000 Zagreb  
Hrvatska

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

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

Zagreb, 23 February 2024

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

**BALANCE SHEET**

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

Assets	31/12/2023	1/1/2023
<b>1. Gold and gold receivables</b>	<b>841</b>	<b>106,545</b>
<b>2. Claims on non-euro area residents denominated in foreign currency</b>	<b>2,868,200</b>	<b>3,711,987</b>
2.1 Receivables from the International Monetary Fund (IMF)	1,205,572	1,243,122
2.2 Balances with banks and security investments, external loans and other external assets	1,662,628	2,468,865
<b>3. Claims on euro area residents denominated in foreign currency</b>	<b>486,471</b>	<b>576,035</b>
<b>4. Claims on non-euro area residents denominated in euro</b>	<b>852,849</b>	<b>2,764,498</b>
4.1 Balances with banks, security investments and loans	852,849	2,764,498
4.2 Claims arising from the credit facility under ERM II	–	–
<b>5. Lending to euro area credit institutions related to monetary policy operations denominated in euro</b>	<b>55,000</b>	<b>–</b>
5.1 Main refinancing operations	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	–	–
<b>6. Other claims on euro area credit institutions denominated in euro</b>	<b>366,317</b>	<b>6,337,134</b>
<b>7. Securities of euro area residents denominated in euro</b>	<b>12,554,465</b>	<b>17,058,001</b>
7.1 Securities held for monetary policy purposes	–	–
7.2 Other securities	12,554,465	17,058,001
<b>8. General government debt denominated in euro</b>	<b>–</b>	<b>–</b>
<b>9. Intra-Eurosystem claims</b>	<b>29,951,399</b>	<b>13,075,368</b>
9.1 Participating interest in ECB	420,517	71,391
9.2 Claims equivalent to the transfer of foreign reserves	327,152	–
9.3 Claims related to the issuance of ECB debt certificates	–	–
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem	13,347,239	10,501,967
9.5 Other claims within the Eurosystem (net)	15,856,491	2,502,010
<b>10. Items in course of settlement</b>	<b>–</b>	<b>–</b>
<b>11. Other assets</b>	<b>364,204</b>	<b>1,064,714</b>
11.1 Coins of euro area	–	–
11.2 Tangible and intangible fixed assets	110,045	91,459
11.3 Other financial assets	15,675	868,040
11.4 Off-balance-sheet instruments revaluation differences	2,196	–
11.5 Accruals and prepaid expenses	212,161	78,733
11.6 Sundry	24,127	26,482
<b>12. Loss for the year</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>47,499,746</b>	<b>44,694,282</b>

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

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

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

<b>Liabilities</b>	<b>31/12/2023</b>	<b>1/1/2023</b>
<b>1. Banknotes in circulation</b>	<b>12,081,286</b>	<b>14,887,495</b>
<b>2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro</b>	<b>17,638,981</b>	<b>18,662,198</b>
2.1 Current accounts (covering the reserve requirement system)	880,569	18,662,198
2.2 Deposit facility	16,758,412	–
2.3 Fixed-term deposits	–	–
2.4 Fine-tuning reverse operations	–	–
2.5 Deposits related to margin calls	–	–
<b>3. Other liabilities to euro area credit institutions denominated in euro</b>	<b>9,428,593</b>	<b>3,307,609</b>
<b>4. Debt certificates issued</b>	<b>–</b>	<b>–</b>
<b>5. Liabilities to other euro area residents denominated in euro</b>	<b>4,629,859</b>	<b>3,670,800</b>
5.1 General government	3,912,926	2,796,238
5.2 Other liabilities	716,933	874,562
<b>6. Liabilities to non-euro area residents denominated in euro</b>	<b>70,877</b>	<b>119,508</b>
<b>7. Liabilities to euro area residents denominated in foreign currency</b>	<b>259,353</b>	<b>214,065</b>
<b>8. Liabilities to non-euro area residents denominated in foreign currency</b>	<b>–</b>	<b>–</b>
8.1 Deposits, balances and other liabilities	–	–
8.2 Liabilities arising from the credit facility under ERM II	–	–
<b>9. Counterpart of special drawing rights allocated by the IMF</b>	<b>1,204,434</b>	<b>1,240,100</b>
<b>10. Intra-Eurosystem liabilities</b>	<b>–</b>	<b>–</b>
10.1 Liabilities equivalent to the transfer of foreign reserves	–	–
10.2 Liabilities related to the issuance of ECB debt certificates	–	–
10.3 Net liabilities related to the allocation of euro banknotes within the Eurosystem	–	–
10.4 Other liabilities within the Eurosystem (net)	–	–
<b>11. Items in course of settlement</b>	<b>–</b>	<b>45</b>
<b>12. Other liabilities</b>	<b>423,147</b>	<b>474,171</b>
12.1 Off-balance-sheet instruments revaluation differences	9,482	20,059
12.2 Accruals and income collected in advance	45,701	5,701
12.3 Sundry	367,964	448,411
<b>13. Provisions</b>	<b>495,927</b>	<b>499,936</b>
<b>14. Revaluation accounts</b>	<b>783,405</b>	<b>1,147,890</b>
<b>15. Capital and reserves</b>	<b>483,884</b>	<b>470,465</b>
15.1 Capital	331,807	331,807
15.2 Reserves	152,077	138,658
<b>16. Profit for the year</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>47,499,746</b>	<b>44,694,282</b>

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

Croatian National Bank  
Financial Statements for the year ended 31 December 2023

**PROFIT AND LOSS ACCOUNT**

(All amounts are expressed in thousands of euro)

	<b>2023</b>	<b>2022</b>
1.1 Interest income	879,384	285,252
1.2 Interest expense	(876,568)	(154,277)
<b>1. Net interest income/expense</b>	<b>2,816</b>	<b>130,975</b>
2.1 Realised gains/losses arising from financial operations	305,398	75,133
2.2 Write-downs on financial assets and positions	–	(21,959)
2.3 Transfer to/from provisions for financial risks	–	(26,545)
<b>2. Net result of financial operations, write-downs and risk provisions</b>	<b>305,398</b>	<b>26,629</b>
3.1 Fees and commissions income	17,396	9,076
3.2 Fees and commissions expense	(9,975)	(5,475)
<b>3. Net income/expense from fees and commissions</b>	<b>7,421</b>	<b>3,601</b>
<b>4. Income from equity shares and participating interests</b>	<b>849</b>	<b>849</b>
<b>5. Net result of pooling of monetary income</b>	<b>(224,667)</b>	<b>–</b>
<b>6. Other income</b>	<b>6,324</b>	<b>1,413</b>
<b>Total net income</b>	<b>98,141</b>	<b>163,467</b>
<b>7. Staff costs</b>	<b>(35,046)</b>	<b>(32,882)</b>
<b>8. Administrative expenses</b>	<b>(30,071)</b>	<b>(23,977)</b>
<b>9. Depreciation of tangible and intangible fixed assets</b>	<b>(9,763)</b>	<b>(7,273)</b>
<b>10. Costs of production of banknotes and coins</b>	<b>(23,173)</b>	<b>(35,179)</b>
<b>11. Other costs</b>	<b>(88)</b>	<b>(154)</b>
<b>Total operating expenses</b>	<b>(98,141)</b>	<b>(99,465)</b>
<b>12. PROFIT/(LOSS) FOR THE YEAR</b>	<b>–</b>	<b>64,002</b>

The financial statements set out on pages 4 to 70 were approved on 23 February 2024:

Director of the Finance and Accounting Department:  
Mario Varović

Governor:  
Boris Vujčić

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



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

### **1.1 General information**

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

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

Pursuant to Article 5 of the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia (Official Gazette 57/2022 and 88/2022), and in connection with Council Decision (EU) 2022/1211 of 12 July 2022 on the adoption by Croatia of the euro on 1 January 2023 and Council Regulation (EU) 2022/1208 of 12 July 2022 amending Regulation (EC) No 2866/98 as regards the conversion rate to the euro for Croatia (OJ L 187, 14.7.2022), the Government of the Republic of Croatia adopted the Decision on the announcement of the introduction of the euro in the Republic of Croatia (Official Gazette 85/2022). The Decision on the announcement of the introduction of the euro in the Republic of Croatia stipulates that the euro becomes the official currency and legal tender in the Republic of Croatia on 1 January 2023. The Croatian National Bank becomes part of the Eurosystem on 1 January 2023. 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
- D. Sc. Roman Šubić, Vicegovernor
- M. Sc. Ivana Jakir-Bajo, Vicegovernor
- D. Sc. Tomislav Ćorić, Vicegovernor.

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

## **1.2 Accounting policies**

### **1.2.1 Basis of preparation**

The financial statements of the Croatian National Bank for 2023 have been prepared in accordance with Article 60 of the Act on the Croatian National Bank, which regulates the application of Guideline (EU) 2016/2249 of the European Central Bank of 3 November 2016 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2016/34), as amended (hereinafter: ECB Guideline). Article 60 of the Act on the Croatian National Bank states that the Croatian National Bank prepares the financial statements in accordance with the ECB Guideline and reports on transactions that are not regulated by the ECB Guideline applying, providing that there is no contrary decision of the Council of the Croatian National Bank, valuation principles in accordance with the International Financial Reporting Standards as adopted in the European Union that are material for the operations and reports of the Croatian National Bank. In the reporting period there were no decisions of the Council of the Croatian National Bank under Article 60 of the Act on the Croatian National Bank.

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

The financial statements of the Croatian National Bank are presented in euros. The data in the financial statements as at 31 December 2022 are recalculated in euro on 1 January 2023 by applying the fixed conversion rate of kuna to euro: EUR 1 = HRK 7.53450.

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

### **1.2.2 Changes to accounting policies**

Certain comparative information has been reclassified in order to be in accordance with the presentation of the current year. The aforementioned reclassifications are only presentational in nature and have no effect on net result for the year or capital and reserves.

The accounting policies of the Croatian National Bank were changed due to the introduction of the euro as the official currency in the Republic of Croatia and the entry of the Croatian National Bank into the Eurosystem. The most significant changes are the following:

1. In the balance sheet and the profit and loss account the terms “Croatia” and “kuna” are replaced by the terms “euro area” and “euro”.
2. The financial statements of the Croatian National Bank contain all line items prescribed by the ECB Guideline, which was not possible in the period until Croatia introduced the euro as the official currency.
3. After the introduction of the euro as the official currency of the Republic of Croatia, banknotes are reported under the balance sheet item Banknotes in circulation and coins under Other liabilities according to the ECB Guideline. Kuna coins in circulation were reported together with banknotes in circulation within the balance sheet item Banknotes and coins in circulation.

Pursuant to Article 29 of the ECB Guideline, national central banks must revalue all financial assets and liabilities as at the date on which they become members of the Eurosystem. Unrealised gains which arose before or on that date are separated from any unrealised revaluation gains that may arise thereafter, and remain with the national central banks. Accordingly, the Croatian National Bank 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:

1. The pre-entry revaluation account from the revaluation of the euro against the kuna (hereinafter: EUR/HRK pre-entry revaluation account) established from the balance in the EUR/HRK revaluation account as at 1 January 2023 in the total amount of EUR 38,468 thousands arisen from the revaluation of on-balance-sheet and off-balance-sheet items expressed in euros against the kuna.

2. The pre-entry revaluation account from the revaluation of the US dollar against the kuna (hereinafter: USD/HRK pre-entry revaluation account) established from the balance in the USD/HRK revaluation account as at 1 January 2023 in the total amount of EUR 296,252 thousands arisen from the revaluation of on-balance-sheet and off-balance-sheet items expressed in US dollars against the kuna.
3. The pre-entry revaluation account from unrealised gains from the revaluation of financial assets, liabilities and off-balance sheet items arisen before or on the date of the entry of the Croatian National Bank into the Eurosystem (hereinafter: the pre-entry revaluation account for the coverage of losses) established from the balance as at 1 January 2023 in revaluation accounts from the revaluation of financial assets, liabilities and off-balance sheet items (other than those from the revaluation of the euro against the kuna and the revaluation of the US dollar against the kuna) and the revaluation accounts established, pursuant to the Decision of the CNB Council and adopted under the provisions of the Act on the CNB, on transition to reporting in accordance with the ECB Guideline in the total amount of EUR 769,138 thousands.

Croatian National Bank  
Financial Statements for the year ended 31 December 2023

**1.2.2.1 Impact of the entry into the Eurosystem on the balance sheet**

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

Assets	31/12/2022	Note*	Impact of the entry into the Eurosystem 1/1/2023	1/1/2023 following the entry into the Eurosystem
<b>1. Gold and gold receivables</b>	<b>106,798</b>	<b>(a)</b>	<b>(253)</b>	<b>106,545</b>
<b>2. Claims on non-euro area residents denominated in foreign currency</b>	<b>30,062,827</b>	–	<b>(26,350,840)</b>	<b>3,711,987</b>
2.1 Receivables from the International Monetary Fund (IMF)	1,244,497	(b)	(1,375)	1,243,122
2.2 Balances with banks and security investments, external loans and other external assets	28,818,330	(c)	(26,349,465)	2,468,865
<b>3. Claims on euro area residents denominated in foreign currency</b>	<b>17,086</b>	<b>(d)</b>	<b>558,949</b>	<b>576,035</b>
<b>4. Claims on non-euro area residents denominated in euro</b>	–	<b>(e)</b>	<b>2,764,498</b>	<b>2,764,498</b>
4.1 Balances with banks, security investments and loans	–	–	2,764,498	2,764,498
4.2 Claims arising from the credit facility under ERM II	–	–	–	–
<b>5. Lending to euro area credit institutions related to monetary policy operations denominated in euro</b>	<b>375,207</b>	<b>(f)</b>	<b>(375,207)</b>	–
5.1 Main refinancing operations	–	–	–	–
5.2 Longer-term refinancing operations	375,207	–	(375,207)	–
5.3 Fine-tuning reverse operations	–	–	–	–
5.4 Structural reverse operations	–	–	–	–
5.5 Marginal lending facility	–	–	–	–
5.6 Credits related to margin calls	–	–	–	–
<b>6. Other claims on euro area credit institutions denominated in euro</b>	–	<b>(g)</b>	<b>6,337,134</b>	<b>6,337,134</b>
<b>7. Securities of euro area residents denominated in euro</b>	<b>2,150,942</b>	<b>(h)</b>	<b>14,907,059</b>	<b>17,058,001</b>
7.1 Securities held for monetary policy purposes	2,150,942	–	(2,150,942)	–
7.2 Other securities	–	–	17,058,001	17,058,001
<b>8. General government debt denominated in euro</b>	–	–	–	–
<b>9. Intra-Eurosystem claims</b>	–	–	<b>13,075,368</b>	<b>13,075,368</b>
9.1 Participating interest in ECB	–	(i)	71,391	71,391
9.2 Claims equivalent to the transfer of foreign reserves	–	–	–	–
9.3 Claims related to the issuance of ECB debt certificates	–	–	–	–
9.4 Net claims related to the allocation of euro banknotes within the Eurosystem	–	(j)	10,501,967	10,501,967
9.5 Other claims within the Eurosystem (net)	–	(k)	2,502,010	2,502,010
<b>10. Items in course of settlement</b>	–	–	–	–
<b>11. Other assets</b>	<b>198,808</b>	<b>(l)</b>	<b>865,906</b>	<b>1,064,714</b>
11.1 Coins of euro area	–	–	–	–
11.2 Tangible and intangible fixed assets	91,459	–	–	91,459
11.3 Other financial assets	17,132	–	850,908	868,040
11.4 Off-balance-sheet instruments revaluation differences	–	–	–	–
11.5 Accruals and prepaid expenses	78,733	–	–	78,733
11.6 Sundry	11,484	–	14,998	26,482
<b>12. Loss for the year</b>	–	–	–	–
<b>Total</b>	<b>32,911,668</b>	–	<b>11,782,614</b>	<b>44,694,282</b>

\* The notes in which the differences in the balance sheet as at 31 December 2022 and 1 January 2023 are explained, asset items are marked with an A and liability items with an L.

(a) Item A 1 Gold and gold receivables decreased from 31 December 2022 due to the revaluation of gold according to the ECB exchange rate on 1 January 2023.

(b) Item A 2.1 Receivables from the International Monetary Fund (IMF) decreased from 31 December 2022 due to the revaluation of special drawing rights (XDR) according to the ECB exchange rate on 1 January 2023.

(c) Item A 2.2 Balances with banks and security investments, external loans and other external assets decreased by the amount of EUR 26,349,465 thousands from 31 December 2022 due to the reclassification of securities,

current accounts, deposits, reverse repo agreements with regard to the currency (euro) and belonging to the euro area, to the following items: A 3 Claims on euro area residents denominated in foreign currency, the amount of EUR 576,035 thousands, A 4 Claims on non-euro area residents denominated in euro, EUR 2,764,498 thousands, A 6 Other claims on credit institutions from Croatia denominated in euro, EUR 4,662,489 thousands, A 7 Securities of euro area residents denominated in euro, EUR 14,907,059 thousands, A 9 Intra-Eurosystem claims, EUR 2,570,724 thousands and A 11 Other assets, EUR 868,556 thousands. The remaining amount refers to the derecognition of euro banknotes and coins from cash on hand to off-balance sheet accounts in the total amount of EUR 104 thousands, by which item L 1 Euro banknotes in circulation decreased in the amount of EUR 102 thousands and item L 12 Other liabilities decreased in the amount of EUR 2 thousands.

(d) The amount of EUR 576,035 thousands was reclassified from item A 2 Balances with banks and security investments, external loans and other external assets to item A 3 Claims on euro area residents denominated in foreign currency, and the amount of EUR 17,086 thousands was reclassified from item A 3 Claims on euro area residents denominated in foreign currency to item A 6 Other claims on euro area credit institutions denominated in euro, so that the total impact of the entry into the Eurosystem on this item stood at EUR 558,949 thousands.

(e) The total amount of the increase in item A 4 Claims on non-euro area residents denominated in euro is the result of the reclassification from item A 2.2 Balances with banks and security investments, external loans and other external assets in the amount of EUR 2,764,498 thousands.

(f) The amount in item A 5 Lending to euro area credit institutions related to monetary policy operations denominated in euro decreased in the amount of EUR 375,207 thousands (lending related to monetary policy before the entry into the Eurosystem) and was transferred to item A 6 Other claims on euro area credit institutions denominated in euro.

(g) Item A 6 Other claims on euro area credit institutions denominated in euro increased by the amount of EUR 6,337,134 thousands. It consists of the amounts reclassified from item A 2.2 Balances with banks and security investments, external loans and other external assets in the amount of EUR 4,662,489 thousands, EUR 17,086 thousands from item A 3 Claims on euro area residents denominated in foreign currency, EUR 375,207 thousands from item A 5 Lending to euro area credit institutions related to monetary policy operations denominated in euro and the booking of the amount of EUR 1,282,352 thousands of claims on banks for frontloaded euro cash (counterpart of euro banknotes in circulation and euro coins in circulation).

(h) The amount in item A 7 Securities of euro area residents denominated in euro increased by EUR 14,907,059 thousands that were reclassified from item A 2.2 Balances with banks and security investments, external loans and other external assets. Sub-items under item A 7 were also reclassified, so that the amount of EUR 2,150,942 thousands was reclassified from sub-item A 7.1 to sub-item A 7.2.

(i) On 1 January 2023, the amount of EUR 71,391 thousands was recorded under item A 9.1 Participating interest in ECB, i.e. EUR 2,648 thousands reclassified from item A 11 Other assets, followed by the remaining paid-up capital to the ECB in the amount of EUR 68,714 thousands and EUR 29 thousands from revaluation according to the exchange rate on 1 January 2023.

(j) On 1 January 2023, a net claim in the amount of EUR 10,501,967 thousands, related to the allocation of euro banknotes within the Eurosystem, was recorded under item A 9.4 Net claims related to the allocation of euro banknotes within the Eurosystem (counterpart L 1 Banknotes in circulation).

(k) On 1 January 2023, item A 9.5 Other claims within the Eurosystem (net) increased due to the reclassification from item A 2.2 Balances with banks and security investments, external loans and other external assets in the amount of EUR 2,570,724 thousands, and decreased due to the booking of the liability for the payment of capital to the ECB in the amount of EUR 68,714 thousands.

*(l) Item A 11 Other assets increased by EUR 865,906 thousands because EUR 2,648 thousands of paid-up ECB capital were reclassified to item A 9.1 Participating interest in ECB. The amount of EUR 868,556 thousands was reclassified from item A 2.2 Balances with banks and security investments, external loans and other external assets, and the amount of EUR 2 thousands relates to the negative effects of revaluation according to the ECB's exchange rate on 1 January 2023.*



Croatian National Bank  
Financial Statements for the year ended 31 December 2023

(All amounts are expressed in thousands of euro)

Liabilities	31/12/2022	Note	Impact of the entry into the Eurosystem 1/1/2023	1/1/2023 following the entry into the Eurosystem
<b>1. Banknotes in circulation</b>	3,453,162	(m)	11,434,333	14,887,495
<b>2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro</b>	16,327,272	(n)	2,334,926	18,662,198
2.1 Current accounts (covering the reserve requirement system)	16,327,272	–	2,334,926	18,662,198
2.2 Deposit facility	–	–	–	–
2.3 Fixed-term deposits	–	–	–	–
2.4 Fine-tuning reverse operations	–	–	–	–
2.5 Deposits related to margin calls	–	–	–	–
<b>3. Other liabilities to euro area credit institutions denominated in euro</b>	1,473,799	(o)	1,833,810	3,307,609
<b>4. Debt certificates issued</b>	–	–	–	–
<b>5. Liabilities to other euro area residents denominated in euro</b>	1,243,100	(p)	2,427,700	3,670,800
5.1 General government	1,222,094	–	1,574,144	2,796,238
5.2 Other liabilities	21,006	–	853,556	874,562
<b>6. Liabilities to non-euro area residents denominated in euro</b>	118,047	(r)	1,461	119,508
<b>7. Liabilities to euro area residents denominated in foreign currency</b>	3,937,778	(s)	(3,723,713)	214,065
<b>8. Liabilities to non-euro area residents denominated in foreign currency</b>	2,871,955	(t)	(2,871,955)	–
8.1 Deposits, balances and other liabilities	2,871,955	–	(2,871,955)	–
8.2 Liabilities arising from the credit facility under ERM II	–	–	–	–
<b>9. Counterpart of special drawing rights allocated by the IMF</b>	1,241,472	(u)	(1,372)	1,240,100
<b>10. Intra-Eurosystem liabilities</b>	–	–	–	–
10.1 Liabilities equivalent to the transfer of foreign reserves	–	–	–	–
10.2 Liabilities related to the issuance of ECB debt certificates	–	–	–	–
10.3 Net liabilities related to the allocation of euro banknotes within the Eurosystem	–	–	–	–
10.4 Other liabilities within the Eurosystem (net)	–	–	–	–
<b>11. Items in course of settlement</b>	–	(v)	45	45
<b>12. Other liabilities</b>	62,564	(z)	411,607	474,171
12.1 Off-balance-sheet instruments revaluation differences	20,059	–	–	20,059
12.2 Accruals and income collected in advance	5,701	–	–	5,701
12.3 Sundry	36,804	–	411,607	448,411
<b>13. Provisions</b>	499,936	–	–	499,936
<b>14. Revaluation accounts</b>	1,148,116	(aa)	(226)	1,147,890
<b>15. Capital and reserves</b>	470,465	–	–	470,465
15.1 Capital	331,807	–	–	331,807
15.2 Reserves	138,658	–	–	138,658
<b>16. Profit for the year</b>	64,002	(ab)	(64,002)	–
<b>Total</b>	32,911,668		11,782,614	44,694,282

(m) Item L 1 Banknotes in circulation increased due to the recording of frontloaded euro banknotes and the adjustment of euro banknotes within the Eurosystem on 1 January 2023 in the amount of EUR 11,641,582 thousands, and decreased due to the derecognition of euro banknotes from cash on hand to off-balance sheet accounts in the amount of EUR 102 thousands and the reclassification of kuna coins in the amount of EUR 207,147 thousands to item L 12 Other liabilities.

(n) Item L 2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro increased by the amount of EUR 2,334,926 thousands, which was reclassified from item L 7 Liabilities to euro area residents denominated in foreign currency, relating to the accounts of TARGET participants before the entry into the Eurosystem.

(o) Item L 3 Other liabilities to euro area credit institutions denominated in euro increased by EUR 1,833,810 thousands due to the reclassification according to the euro area status and booking currency in the amount of EUR 20,100 thousands from item L 7 Liabilities to euro area residents denominated in foreign currency and the amount of EUR 1,813,710 thousands from item L 8 Liabilities to non-euro area residents denominated in foreign currency.

(p) The increase in item L 5 Liabilities to other euro area residents denominated in euro in the amount of EUR 2,427,700 thousands was the result of the reclassification according to the euro area status and booking currency from item L 7 Liabilities to euro area residents denominated in foreign currency in the amount of EUR 1,571,913 thousands, from item L 8 Liabilities to non-euro area residents denominated in foreign currency in the amount of EUR 853,556 thousands and from item L 12 Other liabilities in the amount of EUR 2,231 thousands.

(r) The amount of EUR 1,461 thousands of the difference in item L 6 Liabilities to non-euro area residents denominated in euro relates to the funds of the European Commission and the European Development Fund, which were reclassified from item L 8 Liabilities to non-euro area residents denominated in foreign currency.

(s) Due to the entry into the Eurosystem, item L 7 Liabilities to euro area residents denominated in foreign currency decreased by the amount of EUR 3,723,713 thousands from 31 December 2022. The amount of EUR 2,334,926 thousands was reclassified to item L 2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro, the amount of EUR 1,571,913 thousands was reclassified to item L 5 Liabilities to other euro area residents denominated in euro, the amount of EUR 20,100 thousands was reclassified to item L 3 Other liabilities to euro area credit institutions denominated in euro, and the amount of EUR 203,228 thousands was reclassified from item L 8 Liabilities to non-euro area residents denominated in foreign currency. In addition to the aforementioned reclassifications, the decrease was also under the effect of the exchange rate difference due to the conversion of balance sheet items to the ECB's exchange rate on 1 January 2023 in the amount of EUR 2 thousands.

(t) The difference in the amount of EUR 2,871,955 thousands in item L 8 Liabilities to non-euro area residents denominated in foreign currency is the result of the reclassification to item L 3 Other liabilities to euro area credit institutions denominated in euro in the amount of EUR 1,813,710 thousands, to item L 5 Liabilities to other euro area residents denominated in euro in the amount of EUR 853,556 thousands, to item L 6 Liabilities to non-euro area residents denominated in euro in the amount of EUR 1,461 thousands and to item L 7 Liabilities to euro area residents denominated in foreign currency in the amount of EUR 203,228 thousands.

(u) Item L 9 Counterpart of special drawing rights allocated by the IMF varies by the amount of EUR 1,372 thousands due to the XDR revaluation according to the ECB's exchange rate on 1 January 2023.

(v) The amount of EUR 45 thousands in item L 12 Other liabilities was reclassified to item L 11 Items in course of settlement.

(z) Item L 12 Other liabilities increased by the amount of EUR 411,607 thousands because of the following reclassifications: kuna coins in the amount of EUR 207,147 thousands reclassified from item L 1 Banknotes in circulation, the amount of EUR 64,002 thousands was reclassified from item L 16 Profit for the year, the amount of EUR 2,231 thousands was reclassified to item L 5 Liabilities to other euro area residents denominated in euro, and the amount of EUR 45 thousands was reclassified to item L 11 Items in course of settlement. The amount of EUR 142,736 thousands of frontloaded euro coins was also booked, and euro coins were derecognised from cash on hand to off-balance sheet accounts in the amount of EUR 2 thousands.

(aa) Item L 14 Revaluation accounts increased due to the positive effects of the conversion of balance sheet line items to the ECB's exchange rate on 1 January 2023.

*(ab) The realised profit for 2022 in the amount of EUR 64,002 thousands was reclassified from item L 16 Profit for the year to item L 12 Other liabilities.*

### **1.2.3 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, materiality, consistency and comparability, going concern basis, accruals principle and post-balance sheet events.

### **1.2.4 Basis of measurement**

The financial statements have been prepared under the accrual basis of accounting and using the historical cost convention, except for marketable securities (other than those held to maturity and for monetary policy purposes), gold 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.

### **1.2.5 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.

### **1.2.6 Recognition of assets and liabilities**

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

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

#### **1.2.7 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 in the reporting period were as follows:

Currency	31/12/2023 (1 euro)	1/1/2023 (1 euro)	Change %
USD	1.10500	1.06660	3.60
XDR	0.82257	0.79891	2.96

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

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

Held-to-maturity securities are securities with fixed or determinable payments and a fixed maturity, which the Croatian National Bank intends to hold until maturity. Securities classified as held-to-maturity are treated as

separate holdings and valued at amortised cost (subject to impairment). The same treatment applies to non-marketable securities. Securities classified as held-to-maturity may be sold before their maturity when any of the following occurs:

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

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

Financial asset is any asset that is:

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

Gold is valued at market value.

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

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

Marketable debt securities currently held for monetary policy purposes are valued at amortised cost subject to impairment.

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 2023, mid-market prices on 31 December 2023 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.

### **1.2.9 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.

#### **1.2.10 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.

#### **1.2.11 Banknotes in circulation**

The ECB and the euro area national central banks (NCBs), which together comprise the Eurosystem, issue euro banknotes<sup>1,2</sup>. 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 key.<sup>3</sup>

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".

---

<sup>1</sup> 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](#).

<sup>2</sup> The Croatian National Bank has participated in the Eurosystem since 2023.

<sup>3</sup> "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.

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 remunerated<sup>4</sup> 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 year<sup>5</sup> 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 period<sup>6</sup> 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” in the profit and loss account.

#### **1.2.12 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). They are primarily 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

---

<sup>4</sup> 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](#).

<sup>5</sup> Euro cash changeover year refers to the year in which the euro banknotes are introduced as legal tender in the respective Member State, for the Croatian National Bank, this is 2023.

<sup>6</sup> 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.



balances of the Croatian National Bank vis-à-vis the ECB arising from TARGET, as well as other intra-Eurosystem balances denominated in euro (e.g. interim ECB profit distributions to national central banks, if any, monetary income results), are presented on the balance sheet of the Croatian National Bank as a single net asset or liability position under “Other claims within the Eurosystem (net)” or “Other liabilities within the Eurosystem (net)”. 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 ECB”. In particular, this balance sheet item includes: (i) 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’s equity value<sup>7</sup> 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 (liabilities) related to the allocation of euro banknotes within the Eurosystem” (see “Banknotes in circulation” in the notes on accounting policies).

### **1.2.13 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;

---

<sup>7</sup> 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.

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

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

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

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

Where a long position exists, net inflows of currencies and gold made during the day are added to the previous day's holding, at the average rate or gold price of the inflows of the day for each respective currency and gold,

to produce a new weighted average cost. In the case of net outflows, the calculation of the realised gain or loss is based on the average cost of the respective currency or gold holding for the preceding day, so that the average cost remains unchanged. 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.

#### **1.2.15 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 1.2.2 Changes to accounting policies and Note 3 under 14 Revaluation accounts).

#### **1.2.16 Provisions**

##### *Provisions for future liabilities*

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.

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 recognised in the profit and loss account at the end of the accounting period to which they relate.

##### *Provisions for financial risks*

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

The 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. 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.

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

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

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 forward transaction.

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

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

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

#### **1.2.18 Taxation**

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

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

Tangible and intangible fixed assets are recognised in the balance sheet at cost less accumulated depreciation and impairment losses. The exceptions are land and buildings which are carried at revalued amount, representing their fair value at the revaluation date, decreased by accumulated depreciation for buildings and any impairment losses. Depreciation is provided under the straight-line method. Fair value of land and buildings was determined based on appraisals performed by independent experts and certain significant inputs for valuation were not observable market data.

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

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

Useful life of tangible and intangible fixed assets is shown in the table below:

Asset class	Expected useful life in 2023 (number of years)	Expected useful life in 2022 (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. After the commencement date the right-of-use asset is measured applying a cost model.

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

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

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

### *Impairment of non-financial assets*

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

for use, the recoverable amount is estimated on every reporting date.

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

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

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

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

In preparing the financial statements for 2023, the management made judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expense. The estimates are based on the management's best estimate of current events and operations, and actual results may differ from these estimates. The estimates are used to assess the useful life of tangible and intangible fixed assets, the amount of provisions for future liabilities and the exposure of the Croatian National Bank to financial risks for the purpose of establishing provisions for financial risks.

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

The allocation of profit and the coverage of losses of the Croatian National Bank are performed in accordance with Article 57 of the Act on the Croatian National Bank. The profit of the Croatian National Bank reported in the financial year is allocated to general reserves and to the State Budget in accordance with the decision of the Council of the Croatian National Bank in such a manner that 20% of the profit is allocated to general reserves and 80% of the profit constitutes revenue to the State Budget. By way of exception, if the amount of

general reserves on the last day of the financial year is lower than the lower bound of general reserves established pursuant to Article 55, paragraph (2) of the Act on the Croatian National Bank, the Council of the Croatian National Bank adopts a decision stipulating that the required amount of profit is allocated to general reserves until their lower bound is reached, while the remaining profit is allocated in such a manner that 20% of the profit is allocated to general reserves and 80% of the profit constitutes revenue to the State Budget.

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

If the total capital of the Croatian National Bank decreased by the loss from the previous years is over a longer period lower than the capital of the Croatian National Bank, the required amount up to the amount of the capital is covered from the State Budget in the following medium-term period. Within the meaning of this provision, the total capital of the Croatian National Bank is constituted of the capital, general reserves, revaluation accounts and provisions for financial risks.



**NOTE 2 – Items of assets**

**1 Gold and gold receivables**

	31/12/2023	1/1/2023	Change	
			Absolute	%
Quantity in gold ounces	450.25	62,450.25	(62,000.00)	(99.28)
<i>Price</i>				
EUR/gold ounce	1,867.828	1,706.075	161.753	9.48
<b>Carrying amount in thousands of euro</b>	<b>841</b>	<b>106,545</b>	<b>(105,704)</b>	<b>(99.21)</b>

Article 48.1 in conjunction with Article 30.1 of the Statute of the ESCB and of the ECB prescribes that the national central bank of a Member State whose derogation has been abrogated must transfer foreign reserve assets to the ECB. On 30 December 2022, the ECB adopted Decision (EU) 2023/135 on the paying-up of capital, transfer of foreign reserve assets, and contributions by Hrvatska narodna banka to the European Central Bank's reserves and provisions (ECB/2022/51).

The foreign reserve assets expressed in euro at the exchange rate applicable on 30 December 2022 that were transferred to the ECB amounted to EUR 639,850 thousands, with the structure of the transfer defined as follows: 15% in gold and 85% in US dollars. Accordingly, 15% of the amount of EUR 639,850 thousands was transferred in gold, which at the exchange rate applicable on 30 December 2022 amounted to EUR 95,978 thousands, i.e., 56,256.29 ounces of gold, and 85% was transferred in US dollars, which at the stated exchange rate amounted to EUR 543,872 thousands, i.e., USD 580,094 thousands. For this purpose, the Croatian National Bank purchased gold in 2022, and the remaining amount of the purchased gold, after the transfer to the ECB, was sold in January 2023 (EUR 9,998 thousands).

## 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)

	31/12/2023	1/1/2023	Change	
			Absolute	%
<i>Euro-denominated balances with the IMF:</i>				
Membership quota	872,143	897,970	(25,827)	(2.88)
Euro-denominated bills of exchange	(869,360)	(895,261)	25,901	(2.89)
IMF account no. 1	(2,272)	(2,247)	(25)	1.11
<i>Reserve position with the IMF</i>	511	462	49	10.61
IMF account no. 2	(31)	(14)	(17)	121.43
<i>Total</i>	480	448	32	7.14
<i>Balances with the IMF denominated in special drawing rights</i>				
Foreign currency current account with the IMF	1,204,461	1,242,024	(37,563)	(3.02)
PRG-HIPC fund deposit	631	650	(19)	(2.92)
<i>Total</i>	1,205,092	1,242,674	(37,582)	(3.02)
<b>Total</b>	<b>1,205,572</b>	<b>1,243,122</b>	<b>(37,550)</b>	<b>(3.02)</b>

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

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

The membership quota, bills of exchange and International Monetary Fund accounts number 1 and 2 are measured at cost, denominated in 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.

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

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Securities	1,348,200	1,597,057	(248,857)	(15.58)
Balances with banks, external loans and other external assets	314,428	871,808	(557,380)	(63.93)
<b>Total</b>	<b>1,662,628</b>	<b>2,468,865</b>	<b>(806,237)</b>	<b>(32.66)</b>

### 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)*

	31/12/2023	1/1/2023	Change	
			Absolute	%
Marketable debt securities other than held-to-maturity	627,683	585,868	41,815	7.14
Marketable held-to-maturity debt securities	720,517	1,011,189	(290,672)	(28.75)
<b>Total</b>	<b>1,348,200</b>	<b>1,597,057</b>	<b>(248,857)</b>	<b>(15.58)</b>

#### Investments in securities by currency

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
USD	1,210,636	1,341,073	(130,437)	(9.73)
Other currencies	137,564	255,984	(118,420)	(46.26)
<b>Total</b>	<b>1,348,200</b>	<b>1,597,057</b>	<b>(248,857)</b>	<b>(15.58)</b>

Investments in securities decreased because funds, at maturity, were redirected to covered foreign exchange swaps.

Croatian National Bank  
Financial Statements for the year ended 31 December 2023

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

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Cash and current accounts	2,536	6,282	(3,746)	(59.63)
Deposits with other banks	18,099	18,751	(652)	(3.48)
Reverse repo agreements	112,579	659,947	(547,368)	(82.94)
Assets under management with international financial institutions	181,214	186,828	(5,614)	(3.00)
<b>Total</b>	<b>314,428</b>	<b>871,808</b>	<b>(557,380)</b>	<b>(63.93)</b>

At the beginning of the year, funds obtained by foreign currency reverse repo agreements in US dollars were directed to current accounts, and funds in current accounts decreased at the time of transfer of foreign reserve assets to the ECB in the amount of EUR 543,872 thousands (USD 580,094 thousands).

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

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
USD	312,175	867,186	(555,011)	(64.00)
Other currencies	2,253	4,622	(2,369)	(51.25)
<b>Total</b>	<b>314,428</b>	<b>871,808</b>	<b>(557,380)</b>	<b>(63.93)</b>

## 3 Claims on euro area residents denominated in foreign currency

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Marketable held-to-maturity securities	232,424	372,803	(140,379)	(37.66)
Balances with banks, loans and other assets	254,047	203,232	50,815	25.00
<b>Total</b>	<b>486,471</b>	<b>576,035</b>	<b>(89,564)</b>	<b>(15.55)</b>

Investments in securities decreased because funds, at maturity, were redirected to covered foreign exchange swaps. All investments in this item are in US dollars.

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

**4 Claims on non-euro area residents denominated in euro**

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Marketable held-to-maturity debt securities	852,849	844,498	8,351	0.99
Balances with banks, loans and other assets	–	1,920,000	(1,920,000)	(100.00)
<b>Total</b>	<b>852,849</b>	<b>2,764,498</b>	<b>(1,911,649)</b>	<b>(69.15)</b>

Balances with banks, loans and other assets decreased in 2023 because funds that were invested in deposits with the BIS were transferred to the Croatian National Bank accounts.

**5 Lending to euro area credit institutions related to monetary policy operations denominated in euro**

The total Eurosystem holding of monetary policy assets amounts to EUR 410,289,869 thousands (total amount reported under asset item 5 in the Eurosystem's consolidated balance sheet), of which the Croatian National Bank holds EUR 55,000 thousands.

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 applicable 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.

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Main refinancing operations	55,000	–	55,000	–
Longer-term financing operations	–	–	–	–
Fine-tuning reverse operations	–	–	–	–
Structural reverse operations	–	–	–	–
Marginal lending facility	–	–	–	–
Credits related to margin calls	–	–	–	–
<b>Total</b>	<b>55,000</b>	<b>–</b>	<b>55,000</b>	<b>–</b>

### **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 financing 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 have a three-year maturity. For all TLTROs-III, starting 12 months after the settlement of each operation, participants have the option on a quarterly basis of terminating or reducing the amount of TLTRO III concerned before maturity. Borrowing rates in these operations can 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 may 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<sup>8</sup>.

The actual interest rates can only be known at the maturity or early repayment of each operation and before that a reliable estimate is 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.

Furthermore, of the four additional pandemic emergency longer-term refinancing operations (PELTROs) allotted in 2021 on a quarterly basis, each with a tenor of approximately one year, the last operation matured in the course of 2023. These operations provided a liquidity backstop to the euro area banking system and contributed to preserving the smooth functioning of the money market during the extended pandemic period. The PELTROs were conducted as fixed rate tender procedures with full allotment. The interest rate was 25

---

<sup>8</sup> 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.

basis points below the average rate applied in the Eurosystem's main refinancing operations over the life of the respective PELTRO.

### 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)*

	31/12/2023	1/1/2023	Change	
			Absolute	%
Current accounts and deposits	2	142	(140)	(98.59)
Reverse repo agreements	-	4,662,348	(4,662,348)	(100.00)
Monetary operations before the entry into the Eurosystem	366,315	375,207	(8,892)	(2.37)
Claims related to euro cash frontloading	-	1,299,437	(1,299,437)	(100.00)
<b>Total</b>	<b>366,317</b>	<b>6,337,134</b>	<b>(5,970,817)</b>	<b>(94.22)</b>

Investments in reverse repo agreements decreased in 2023 due to the diversion of funds to the Croatian National Bank accounts.

On the date of the entry into the Eurosystem, the Croatian National Bank recorded a claim on banks for the frontloaded euro cash, which was settled from financial collateral in accordance with the linear debiting model, in three equal instalments, on the settlement date of the first, fourth and fifth Eurosystem main refinancing operations (Note 3, under 3 Other liabilities to euro area credit institutions denominated in euro).

## 7 Securities of euro area residents denominated in euro

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Other securities	12,554,465	17,058,001	(4,503,536)	(26.40)
<b>Total</b>	<b>12,554,465</b>	<b>17,058,001</b>	<b>(4,503,536)</b>	<b>(26.40)</b>

### 7.1 Securities held for monetary policy purposes

	Start date	End date	Decision	Universe of eligible securities <sup>9</sup>
<b>Completed / Terminated programmes</b>				
<b>CBPP1</b>	July 2009	June 2010	ECB/2009/16	Covered bonds of euro area residents
<b>CBPP2</b>	November 2011	October 2012	ECB/2011/17	Covered bonds of euro area residents
<b>SMP</b>	May 2010	September 2012	ECB/2010/5	Public and private debt securities issued in the euro area <sup>10</sup>
<b>Asset purchase programme (APP)<sup>11</sup></b>				
<b>CBPP3</b>	October 2014	active	ECB/2020/8, as amended	Covered bonds of euro area residents
<b>ABSPP</b>	November 2014	active	ECB/2014/45, as amended	Senior and guaranteed mezzanine tranches of asset-backed securities of euro area residents
<b>PSPP</b>	March 2015	active	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
<b>CSPP</b>	June 2016	active	ECB/2016/16, as amended	Bonds and commercial paper issued by non-bank corporations established in the euro area

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

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

<sup>11</sup> The reinvestments under the APP were discontinued as of 1 July 2023.



*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

Pandemic emergency purchase programme (PEPP)				
PEPP	March 2020	active	ECB/2020/17, as amended	All asset categories eligible under the APP

Until the end of February 2023<sup>12</sup> the Eurosystem continued reinvesting, in full, the principal payments from maturing securities purchased under the asset purchase programme (APP)<sup>13</sup>. Subsequently, the APP portfolio declined at a measured and predictable pace. Until the end of June 2023, the decline amounted to EUR 15 billion per month on average, as the Eurosystem did not reinvest all of the principal payments from maturing securities. In June 2023 the Governing Council decided to discontinue the reinvestments under the APP as of July 2023.<sup>14</sup> Thereafter, the APP portfolio was declining due to maturities.

As concerns the PEPP<sup>15</sup>, the Eurosystem continued reinvesting, in full, the principal payments of maturing securities purchased throughout the year. The Governing Council intends to continue to reinvest, in full, the principal payments of securities purchased under the PEPP maturing during the first half of 2024. It also intends to reduce the PEPP portfolio by EUR 7.5 billion per month on average over the second half of 2024 and to discontinue reinvestments under the PEPP at the end of the same year. The Governing Council<sup>16</sup> will further, for the purpose of reducing risks to the monetary policy transmission mechanism related to the pandemic, flexibly reinvest the matured amounts in the PEPP portfolio.

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.

At the end of 2023, the total Eurosystem NCBs' holdings of securities held for monetary policy purposes amounted to EUR 4,268,996,153 thousands. 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.

<sup>12</sup> See the press release of [15 December 2022](#) of the Governing Council's decisions.

<sup>13</sup> Further details on the APP can be found on the [ECB's website](#).

<sup>14</sup> See the press release of [15 June 2023](#) of the Governing Council's decisions.

<sup>15</sup> Further details on the PEPP can be found on the [ECB's website](#).

<sup>16</sup> See the press release of [14 December 2023](#) of the Governing Council's decisions.

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

In accordance with the decision of the Governing Council taken under Article 32.4 of the Statute of the ESCB, losses from Corporate Sector Purchase Programme (CSPP) and the Pandemic Emergency Purchase Programme (PEPP-CORP), if they were to materialise, are shared in full by the Eurosystem NCBs, in proportion to the prevailing ECB capital key shares. As a result of an impairment test conducted on securities under this programme, the Governing Council has deemed it appropriate to establish a buffer against credit risks in monetary policy operations during 2023 (see Note 3, under 13 Provisions).

## 7.2 Other securities

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Securities not held to maturity	–	4,033,464	(4,033,464)	(100.00)
Held-to-maturity securities	10,594,369	10,873,595	(279,226)	(2.57)
Republic of Croatia bonds	1,960,096	2,150,942	(190,846)	(8.87)
<b>Total</b>	<b>12,554,465</b>	<b>17,058,001</b>	<b>(4,503,536)</b>	<b>(26.40)</b>

In the course of 2023, investments in securities not held to maturity were diverted to Croatian National Bank accounts.

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 2023, the Croatian National Bank sold EUR 98,000 thousands (nominal value) of securities from its held-to-maturity portfolio, due to adjustments related to a limited framework.

## 9 Intra-Eurosystem claims

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Participating interest in ECB	420,517	71,391	349,126	489.03
Claims equivalent to the transfer of foreign reserves	327,152	-	327,152	-
Net claims related to the allocation of euro banknotes within the Eurosystem	13,347,239	10,501,967	2,845,272	27.09
Other claims within the Eurosystem (net)	15,856,491	2,502,010	13,354,481	533.75
<b>Total</b>	<b>29,951,399</b>	<b>13,075,368</b>	<b>16,876,031</b>	<b>129.07</b>

## 9.1 Participating interest in the ECB

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. 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 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.

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

Pursuant to Article 48.1 of the Statute of the ESCB and of the ECB the national central bank of a Member State whose derogation has been abrogated must pay up its subscribed share of the capital of the ECB to the same extent as the national central banks of other Member States whose currency is the euro. The ECB's liability item 15 "Capital and reserves" increased by EUR 68,714 thousands to EUR 8,948,335 thousands due to the paying up of the remainder of the Croatian National Bank's share in the subscribed capital of the ECB.

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

NCB	Capital subscription key %	Paid-up capital (in thousands of euro)
Nationale Bank van België/ Banque Nationale de Belgique	2.9630	320,745
Deutsche Bundesbank	21.4394	2,320,817
Eesti Pank	0.2291	24,800
Central Bank of Ireland	1.3772	149,082
Bank of Greece	2.0117	217,767
Banco de España	9.6981	1,049,820
Banque de France	16.6108	1,798,120
Hrvatska narodna banka	0.6595	71,391
Banca d'Italia	13.8165	1,495,637
Central Bank of Cyprus	0.1750	18,944
Latvijas Banka	0.3169	34,304
Lietuvos bankas	0.4707	50,953
Banque centrale du Luxembourg	0.2679	29,000
Central Bank of Malta	0.0853	9,234
De Nederlandsche Bank	4.7662	515,941
Oesterreichische Nationalbank	2.3804	257,679
Banco de Portugal	1.9035	206,054
Banka Slovenije	0.3916	42,391
Národná banka Slovenska	0.9314	100,824
Suomen Pankki – Finlands Bank	1.4939	161,715
<b>Subtotal for euro area NCBs</b>	<b>81.9881</b>	<b>8,875,218</b>

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

NCB	Capital subscription key %	Paid-up capital (in thousands of euro)
Българска народна банка (Bulgarian National Bank)	0.9832	3,991
Česká národní banka	1.8794	7,629
Danmarks Nationalbank	1.7591	7,141
Magyar Nemzeti Bank	1.5488	6,287
Narodowy Bank Polski	6.0335	24,492
Banca Națională a României	2.8289	11,484
Sveriges Riksbank	2.9790	12,093
<b>Subtotal for non-euro area NCBs</b>	<b>18.0119</b>	<b>73,117</b>
<b>TOTAL</b>	<b>100.00</b>	<b>8,948,335</b>

## 9.2. Claims equivalent to the transfer of foreign reserves

The amount of EUR 327,152 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. 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)<sup>17</sup>, adjusted to reflect a zero return on the gold component.

## 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 1 January 2023, was due to the decrease in the amount of euro banknotes, which the Croatian National Bank released into circulation in 2023 (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.

<sup>17</sup> Further details on the ECB's interest rates can be found [here](#).

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

## 9.5 Other claims within the Eurosystem (net)

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Due to/from ECB in respect of TARGET	16,080,813	2,570,724	13,510,089	525.54
Due to/from ECB in respect of monetary income	(224,322)	-	(224,322)	-
Other claims/(liabilities) within the Eurosystem (net)	-	(68,714)	68,714	(100)
<b>Total</b>	<b>15,856,491</b>	<b>2,502,010</b>	<b>13,354,481</b>	<b>533.75</b>

The balance of EUR 15,856,491 thousands as at 31 December 2023 represents the sum of three components: (1) the position of the Croatian National Bank vis-à-vis the ECB in respect of the transfers issued and received through TARGET by the ESCB national central banks, including the ECB; (2) the position vis-à-vis the ECB in respect of the pooling and allocation of monetary income within the Eurosystem pending settlement; and (3) the Croatian National Bank's position vis-à-vis the ECB in respect of any amounts receivable or refundable.

Regarding the first component, the year-end net transfers via TARGET, the Croatian National Bank had a credit balance of EUR 16,080,813 thousands as at 31 December 2023. The remuneration of this position is calculated daily at the latest available (marginal) interest rate used by the Eurosystem in its tenders for main refinancing operations.

Regarding the second component, i.e. 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 224,322 thousands at year-end (Note 6, under 5 Net result of pooling of monetary income).

## 11 Other assets

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Tangible and intangible fixed assets	110,045	91,459	18,586	20.32
Other financial assets	15,675	868,040	(852,365)	(98.19)
Off-balance-sheet instruments revaluation differences	2,196	-	2,196	-
Accruals and prepaid expenses	212,161	78,733	133,428	169.47
Sundry	24,127	26,482	(2,355)	(8.89)
<b>Total</b>	<b>364,204</b>	<b>1,064,714</b>	<b>(700,510)</b>	<b>(65.79)</b>

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

**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	Software and licences	Assets under development – intangible assets	TOTAL INTANGIBLE ASSETS	TOTAL property, plant, equipment and intang. assets
<b>Balance as at 1 January 2023</b>	64,138	7,152	34,393	7,257	1,182	4,041	118,143	9,462	2,918	12,380	130,523
Cost or revaluation	(2,925)	(1,475)	(21,106)	(5,766)	(1,159)	–	(52,431)	(6,633)	–	(6,633)	(39,064)
<b>Net book value</b>	<b>61,213</b>	<b>5,677</b>	<b>13,287</b>	<b>1,471</b>	<b>23</b>	<b>4,041</b>	<b>85,712</b>	<b>2,829</b>	<b>2,918</b>	<b>5,747</b>	<b>91,459</b>
<b>For the year ended 31 December 2023</b>											
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 6 under 7)	(982)	(2,090)	(5,212)	(728)	(15)	–	(9,027)	(736)	–	(736)	(9,763)
<b>Closing net book amount</b>	<b>72,010</b>	<b>7,279</b>	<b>17,198</b>	<b>3,387</b>	<b>35</b>	<b>5,125</b>	<b>105,034</b>	<b>2,990</b>	<b>2,021</b>	<b>5,011</b>	<b>110,045</b>
<b>Balance as at 31 December 2023</b>											
Cost or revaluation	72,010	10,844	45,067	9,380	1,209	5,125	141,635	10,359	2,021	12,380	154,015
Accumulated value	–	(3,565)	(25,869)	(5,993)	(1,174)	–	(36,601)	(7,369)	–	(7,369)	(43,970)
<b>Net book value</b>	<b>72,010</b>	<b>7,279</b>	<b>17,198</b>	<b>3,387</b>	<b>35</b>	<b>5,125</b>	<b>105,034</b>	<b>2,990</b>	<b>2,021</b>	<b>5,011</b>	<b>110,045</b>

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

### 11.3 Other financial assets

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
BIS shares	5,563	5,563	–	–
SWIFT shares	10	10	–	–
Investment in the Croatian Mint	10,102	8,911	1,191	13.37
Reverse repo deposits with other banking institutions	–	853,556	(853,556)	(100.00)
<b>Total</b>	<b>15,675</b>	<b>868,040</b>	<b>(852,365)</b>	<b>(98.19)</b>

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 2023 the Croatian National Bank received a dividend in the amount of EUR 849 thousands (2022: EUR 849 thousands).

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)*

<b>Net asset value as at 1/1/2023</b>	<b>8,911</b>
Revaluation in 2023	1,191
<b>Net asset value as at 31/12/2023</b>	<b>10,102</b>

In 2023, investments in reverse repo deposits with other banking institutions were diverted to the Croatian National Bank account.

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

#### 11.4 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)*

	31/12/2023	1/1/2023	Change	
			Absolute	%
Foreign exchange swaps (FX SWAP) in JPY	2,196	–	2,196	–
<b>Total</b>	<b>2,196</b>	<b>–</b>	<b>2,196</b>	<b>–</b>

#### 11.5 Accruals and prepaid expenses

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Deposits with other banks	89	495	(406)	(82.02)
Foreign currency denominated securities not held to maturity	1,561	1,111	450	40.50
Euro denominated securities not held to maturity	–	2,286	(2,286)	(100.00)
Foreign currency denominated securities held to maturity	5,523	7,451	(1,928)	(25.88)
Euro denominated securities held to maturity	36,401	37,712	(1,311)	(3.48)
Securities held for monetary policy purposes before the entry into the Eurosystem	14,974	15,229	(255)	(1.67)
Lending to credit institutions from RC related to monetary policy operations	28	–	28	–
Lending to credit institutions from RC related to monetary policy operations before the entry into the Eurosystem	3,411	2,921	490	16.78
Foreign currency reverse repo agreements	561	7,134	(6,573)	(92.14)
Foreign exchange swaps (FX SWAP)	4,761	1,896	2,865	151.11
Remuneration for intra-Eurosystem claims	141,151	–	141,151	–
Prepaid expenditure	3,699	2,341	1,358	58.01
Other	2	157	(155)	(98.73)
<b>Total</b>	<b>212,161</b>	<b>78,733</b>	<b>133,428</b>	<b>169.47</b>

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 55,038 thousands arising from TARGET, EUR 75,417 thousands based on the adjustment of euro banknotes within the Eurosystem (see Note 1.2.11 Banknotes in circulation) and EUR 10,696 thousands for foreign reserve assets transferred to the ECB.



*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

## 11.6 Sundry

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Numismatics	1,341	1,429	(88)	(6.16)
Receivables	1,342	976	366	37.50
Advances given	19,790	22,394	(2,604)	(11.63)
Other tangible assets	1,285	1,310	(25)	(1.91)
Other	369	373	(4)	(1.07)
<b>Total</b>	<b>24,127</b>	<b>26,482</b>	<b>(2,355)</b>	<b>(8.89)</b>

The largest amount within Advances given was accounted for by advances given for the production of euro coins in the amount of EUR 19,719 thousands (1 January 2023: EUR 7,285 thousands). As at 1 January 2023 advances given also included collateral given for the frontloading of euro coins in the amount of EUR 15,000 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 and kuna banknotes in circulation.

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Total value of euro banknotes put into circulation by the Croatian National Bank	(1,749,759)	1,139,513	(2,889,272)	(253.55)
Liability resulting from the ECB's share of euro banknotes in circulation	(1,008,523)	(1,012,349)	3,826	(0.38)
Claim according to the Croatian National Bank's weighting in the ECB capital key	14,355,762	11,514,316	2,841,446	24.68
<b>Total euro banknotes in circulation</b>	<b>11,597,480</b>	<b>11,641,480</b>	<b>(44,000)</b>	<b>(0.38)</b>
Kuna banknotes in circulation	483,806	3,246,015	(2,762,209)	(85.10)
<b>Total banknotes in circulation</b>	<b>12,081,286</b>	<b>14,887,495</b>	<b>(2,806,209)</b>	<b>(18.85)</b>

During 2023, the total value of banknotes in circulation within the Eurosystem decreased by 0.38%. According to the allocation key, the Croatian National Bank had euro banknotes in circulation worth EUR 11,597,480 thousands at the end of the year, compared with EUR 11,641,480 thousands at the beginning

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

of 2023. The value of the euro banknotes actually issued by the Croatian National Bank in 2023 decreased. As this was less than the allocated amount, the difference of EUR 13,347,239 thousands (compared to EUR 10,501,967 thousands as at 1 January 2023) is shown under asset item 9.4 “Net claims related to the allocation of euro banknotes within the Eurosystem”.

In addition to euro banknotes in circulation, in the cash changeover year, this position also shows kuna banknotes in circulation. Euro and kuna coins in circulation are reported under sub-item L 12.3 Sundry. 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.

**2 Liabilities to euro area credit institutions related to monetary policy operations denominated in euro**

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Current accounts (covering the minimum reserve system)	880,569	18,662,198	(17,781,629)	(95.28)
Deposit facility	16,758,412	–	16,758,412	–
Fixed-term deposits	–	–	–	–
Fine-tuning reverse operations	–	–	–	–
Deposits related to margin calls	–	–	–	–
<b>Total</b>	<b>17,638,981</b>	<b>18,662,198</b>	<b>(1,023,217)</b>	<b>(5.48)</b>

**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. On 27 July 2023 the Governing Council decided that, starting from 20 September 2023, these balances will be remunerated at zero percent.

## 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)*

	31/12/2023	1/1/2023	Change	
			Absolute	%
Repo deposits of banks	9,423,063	1,813,710	7,609,353	419.55
Bank accounts for EuroNCSInst limits	–	20,100	(20,100)	(100.00)
Cash deposits – collateral for the frontloading of euro cash	–	1,464,311	(1,464,311)	(100.00)
Court-mandated deposits	5,530	9,488	(3,958)	(41.72)
<b>Total</b>	<b>9,428,593</b>	<b>3,307,609</b>	<b>6,120,984</b>	<b>185.06</b>

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.

Pursuant to the Act on the Introduction of the Euro as the Official Currency in the Republic of Croatia credit institutions concluded frontloading agreements in 2022 with the Croatian National Bank, after which the Croatian National Bank started frontloading euro cash to credit institutions. For the purpose of establishing financial collateral on funds, credit institutions were obliged to transfer funds in the kuna to the account of the Croatian National Bank for the amount of the euro to be received in the frontloading as

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

well as for fulfilling the obligations assumed under the agreement. Financial collateral is considered financial collateral in the sense of the regulation governing financial collaterals, which is based on the transfer of these funds to the account of the Croatian National Bank, and these funds may not be subject to enforcement. The amount of funds transferred by a credit institution to the account of the Croatian National Bank for the purpose of establishing financial collateral on those funds as well as the use and return of funds are regulated by the stated agreement between the Croatian National Bank and the credit institution. After the cash changeover date, the total amount of euro cash received by banks during the frontloading period was settled to the Croatian National Bank from financial collateral at face value, in accordance with the linear debiting model, in three equal instalments, on the settlement date of the first, fourth and fifth Eurosystem main refinancing operations.

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)*

	31/12/2023	1/1/2023	Change	
			Absolute	%
General government	3,912,926	2,796,238	1,116,688	39.94
Other liabilities	716,933	874,562	(157,629)	(18.02)
<b>Total</b>	<b>4,629,859</b>	<b>3,670,800</b>	<b>959,059</b>	<b>26.13</b>

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

#### **6 Liabilities to non-euro area residents denominated in euro**

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Liabilities to European Commission	70,867	119,498	(48,631)	(40.70)
Other liabilities	10	10	–	–
<b>Total</b>	<b>70,877</b>	<b>119,508</b>	<b>(48,631)</b>	<b>(40.69)</b>

Liabilities to the European Commission include euro transaction accounts: the EUR transaction account and the European Development Fund Account.

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

## 7 Liabilities to euro area residents denominated in foreign currency

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Liabilities to financial sector counterparties	254,041	203,229	50,812	25.00
General government	5,312	10,836	(5,524)	(50.98)
<b>Total</b>	<b>259,353</b>	<b>214,065</b>	<b>45,288</b>	<b>21.16</b>

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)*

	31/12/2023	1/1/2023	Change	
			Absolute	%
Net cumulative allocations	1,204,434	1,240,100	(35,666)	(2.88)
<b>Total</b>	<b>1,204,434</b>	<b>1,240,100</b>	<b>(35,666)</b>	<b>(2.88)</b>

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

## 12 Other liabilities

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Off-balance-sheet instruments revaluation differences	9,482	20,059	(10,577)	(52.73)
Accruals and income collected in advance	45,701	5,701	40,000	701.63
Sundry	367,964	448,411	(80,447)	(17.94)
<b>Total</b>	<b>423,147</b>	<b>474,171</b>	<b>(51,024)</b>	<b>(10.76)</b>

### 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.

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Foreign exchange swaps (FX SWAP) in USD	9,482	15,012	(5,530)	(36.84)
Foreign exchange swaps (FX SWAP) in JPY	–	5,047	(5,047)	(100.00)
<b>Total</b>	<b>9,482</b>	<b>20,059</b>	<b>(10,577)</b>	<b>(52.73)</b>

## 12.2 Accruals and income collected in advance

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Deposits of RC	13,530	310	13,220	4,264.52
Repo agreements	26,754	2,000	24,754	1,237.70
Overnight deposits of credit institutions	3,724	–	3,724	–
Foreign exchange swaps (FX SWAP)	792	–	792	–
Negative interest on current accounts	–	4	(4)	(100.00)
Other	901	3,387	(2,486)	(73.40)
<b>Total</b>	<b>45,701</b>	<b>5,701</b>	<b>40,000</b>	<b>701.63</b>

## 12.3 Sundry

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Euro coins	146,651	159,820	(13,169)	(8.24)
Kuna coins	148,723	207,146	(58,423)	(28.20)
Amounts due to employees	1,592	2,642	(1,050)	(39.74)
Taxes and contributions	1,316	1,683	(367)	(21.81)
Trade payables	6,703	6,971	(268)	(3.84)
Bank cash accounts of TARGET participants	54,971	–	54,971	–
Other	8,008	70,149	(62,141)	(88.58)
<b>Total</b>	<b>367,964</b>	<b>448,411</b>	<b>(80,447)</b>	<b>(17.94)</b>

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 EUR 7,391 thousands (1 January 2023: EUR 5,728 thousands) and on 1 January 2023 undistributed profit from the previous year amounting to EUR 64,002 thousands.

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

### 13 Provisions

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Provisions for securities held for monetary policy purposes	345	–	345	–
Provisions for financial risks	491,074	491,074	–	–
Provisions for court cases	88	4,849	(4,761)	(98.19)
Provisions for employee benefits	4,420	4,013	407	10.14
<b>Total</b>	<b>495,927</b>	<b>499,936</b>	<b>(4,009)</b>	<b>(0.80)</b>

As a result of an impairment test conducted on corporate sector securities held under the CSPP/PEPP-CORP programme, the Governing Council has deemed it appropriate to establish a buffer totalling EUR 42,918 thousands against credit risks in monetary policy operations during 2023.

In accordance with Article 32.4 of the Statute of the ESCB, this buffer will be funded by all the national central banks of participating Member States (NCBs) in proportion to their subscribed capital key shares in the ECB applicable in 2023.

As a result, a provision of EUR 345 thousands equivalent to 0.80439% of the total provision was created.

Pursuant to the decision of the Council of the Croatian National Bank, provisions for financial risks as at 31 December 2023 remained unchanged from the amount of provisions for financial risks as at 31 December 2022.

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.

Provisions for court cases decreased by the amount of EUR 4,761 thousands due to the termination of court proceedings in favour of the Croatian National Bank.

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

#### 14 Revaluation accounts

The table below shows revaluation account balances.

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Securities	1,166	–	1,166	–
Foreign currency positions	5	–	5	–
Assets under management with international financial institutions	878	–	878	–
Gold	73	–	73	–
Significant interests	1,191	–	1,191	–
Revaluation reserves for fixed assets	54,898	44,032	10,866	24.68
Pre-entry revaluation accounts	725,194	1,103,858	(378,664)	(34.30)
<b>Total</b>	<b>783,405</b>	<b>1,147,890</b>	<b>(364,485)</b>	<b>(31.75)</b>

Revaluation reserves for fixed assets increased on account of the revaluation of tangible fixed assets (land and buildings) carried out in 2023 and based on appraisals by independent experts.

The table below shows pre-entry revaluation account balances:

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
EUR/HRK pre-entry revaluation account	–	38,468	(38,468)	(100.00)
USD/HRK pre-entry revaluation account	158,161	296,252	(138,091)	(46.61)
Pre-entry revaluation account for the coverage of losses	567,033	769,138	(202,105)	(26.28)
<b>Total</b>	<b>725,194</b>	<b>1,103,858</b>	<b>(378,664)</b>	<b>(34.30)</b>

Unrealised gains from the EUR/HRK pre-entry revaluation account are recognised in the profit and loss account for 2023 after the entry of the Croatian National Bank into the Eurosystem, while unrealised gains from the USD/HRK pre-entry revaluation account are recognised in the profit and loss account at the time of transfer of Croatian National Bank's foreign reserve assets to the European Central Bank and are also recognised at the time of sale of US dollars after the entry of the Croatian National Bank into the Eurosystem and were used to cover year-end unrealised foreign exchange losses arising from USD revaluation. Unrealised gains from the pre-entry revaluation account for the coverage of losses were used for the coverage of unrealised foreign exchange losses, the coverage of losses from the change in the prices



*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

of securities not held to maturity and the negative net result of pooling of monetary income of the Croatian National Bank (see Note 6, under 2 Net result of financial operations, write-downs and risk provisions).

### 15 Capital and reserves

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

	31/12/2023	1/1/2023	Change	
			Absolute	%
Initial capital	331,807	331,807	–	–
General reserves	152,077	138,658	13,419	9.68
<b>Total</b>	<b>483,884</b>	<b>470,465</b>	<b>13,419</b>	<b>2.85</b>

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 (realisation of the revaluation reserve due to depreciation) in the amount of EUR 618 thousands and the allocation of profits for 2022 according to which a share of the profit for 2022 in the amount of EUR 12,801 thousands was allocated to general reserves.

#### NOTE 4 – Post-balance-sheet events

Pursuant to Article 29 of the Statute of the ESCB, the weightings assigned to the national central banks in the key for subscription to the ECB's capital are adjusted every five years and whenever there is a change in the number of NCBs that contribute to the ECB's capital (these are the NCBs of EU Member States). The ninth such adjustment following the establishment of the ECB was made on 1 January 2024, as follows:

NCB	Capital subscription key from 1/1/2024 %	Capital subscription key until 31/12/2023 %
Nationale Bank van België/ Banque Nationale de Belgique	3.0005	2.9630
Deutsche Bundesbank	21.7749	21.4394
Eesti Pank	0.2437	0.2291
Central Bank of Ireland	1.7811	1.3772
Bank of Greece	1.8474	2.0117
Banco de España	9.669	9.6981

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

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

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

Pursuant to Article 30.2 of the Statute of the ESCB, the contributions of the NCBs to the transfer of foreign reserve assets to the ECB are determined in proportion to their share in the ECB’s subscribed capital. Given the decrease in the weighting of the Croatian National Bank in the ECB’s subscribed capital, the claim equivalent to this transfer was also adjusted accordingly. This resulted in a reduction of EUR 13,195 thousands on 1 January 2024, which was paid by the ECB.

After 31 December 2023 there were no other significant events that would have an impact on the financial statements of the Croatian National Bank.

**NOTE 5 – Off-balance-sheet accounts and treasury inventory system**

**Foreign exchange swaps (FX SWAP)**

In 2023, the Croatian National Bank concluded foreign exchange swaps, and the amounts of claims and liabilities arising from these transactions as at 31 December 2023 and 1 January 2023 are shown in tables below.

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

Foreign exchange swaps	31/12/2023			Total
	USD	JPY	EUR	
Claims	715,356	–	–	715,356
Liabilities	–	(137,643)	(585,000)	(722,643)
<b>Total</b>	<b>715,356</b>	<b>(137,643)</b>	<b>(585,000)</b>	<b>(7,287)</b>

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

Foreign exchange swaps	1/1/2023		
	USD	JPY	Total
Claims	236,013	–	236,013
Liabilities	–	(256,072)	(256,072)
<b>Total</b>	<b>236,013</b>	<b>(256,072)</b>	<b>(20,059)</b>

**Collateral**

Total fair value of collateral obtained for monetary policy operations of the Eurosystem as at 31 December 2023 amounted to 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 2023 amounted to EUR 434,801 thousands (1 January 2023: EUR 460,796 thousands).

Total fair value of collateral obtained by foreign currency reverse repo agreements (sovereign bonds and bonds of state institutions rated AAA to A) as at 31 December 2023 amounts to EUR 396,574 thousands (1 January 2023: EUR 5,758,666 thousands).

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

Total fair value of collateral given in foreign currency repo agreements as at 31 December 2023 amounts to EUR 10,489,418 thousands (1 January 2023: EUR 2,816,596 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 (1 January 2023: EUR 22,667 thousands).

### **Contingent liabilities and commitments**

**Legal actions:** As at 31 December 2023, there were several legal actions outstanding against the Croatian National Bank. In the opinion of the management and internal legal advisers of the Croatian National Bank, the Bank may lose certain cases. As a result, provisions for potential losses on such cases were made by the Bank in the amount of EUR 88 thousands (see Note 3, under 13 Provisions).

**Capital commitments:** As at 31 December 2023 the capital commitments of the Croatian National Bank amounted to EUR 4,908 thousands (1 January 2023: EUR 2,473 thousands).

## **NOTE 6 – Notes to the Profit and Loss Account**

### **1 Net interest income/expense**

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

	2023	2022	Change	
			Absolute	%
<b>Foreign currency interest income:</b>				
Foreign currency deposits	4,072	7,773	(3,701)	(47.61)
Foreign currency reverse repo agreements	12,570	22,068	(9,498)	(43.04)
Foreign currency denominated securities not held to maturity	30,986	29,138	1,848	6.34
Foreign currency denominated securities held to maturity	18,455	129,832	(111,377)	(85.79)
Foreign exchange swaps	27,164	4,857	22,307	459.28
Loans to domestic banks	5	–	5	–
Foreign currency repo agreements (negative interest)	–	10,907	(10,907)	(100.00)
Remuneration of TARGET2 HR component	–	185	(185)	(100.00)
Other	–	16,467	(16,467)	(100.00)
<b>Total</b>	<b>93,252</b>	<b>221,227</b>	<b>(127,975)</b>	<b>(57.85)</b>

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

	2023	2022	Change	
			Absolute	%
<b>Domestic currency interest income:</b>				
Monetary policy operations	133	1,294	(1,161)	(89.72)
Intra-Eurosystem claims for:				
TARGET	338,116	–	338,116	–
Allocation of euro banknotes within the Eurosystem	182,227	–	182,227	–
Transfer of foreign reserve assets to the ECB	10,696	–	10,696	–
Securities not held to maturity	3,069	–	3,069	–
Held-to-maturity securities	150,411	–	150,411	–
Reverse repo agreements	39,645	–	39,645	–
Securities held for monetary policy purposes before the entry into the Eurosystem	60,442	62,731	(2,289)	(3.65)
Monetary policy operations before the entry into the Eurosystem	1,031	–	1,031	–
Other	362	–	362	–
<b>Total</b>	<b>786,132</b>	<b>64,025</b>	<b>722,107</b>	<b>1,127.85</b>
<b>Total interest income</b>	<b>879,384</b>	<b>285,252</b>	<b>594,132</b>	<b>208.28</b>
<b>Foreign currency interest expense:</b>				
Ministry of Finance deposits	–	(326)	(326)	(100.00)
Foreign currency repo agreements	(12,215)	(15,813)	(3,598)	(22.75)
Amortised premium on securities not held to maturity	(43)	(33,308)	(33,265)	(99.87)
Amortised premium on held-to-maturity securities	(3,837)	(38,014)	(34,177)	(89.91)
Foreign exchange swaps (FX SWAP)	(5)	(200)	(195)	(97.50)
Foreign exchange forward (FX FORWARD)	–	–	–	–
Current accounts of CNB clients	–	(3,314)	(3,314)	(100.00)
Foreign currency deposits (negative interest)	–	(7,163)	(7,163)	(100.00)
Foreign currency reverse repo agreements (negative interest)	–	(11,400)	(11,400)	(100.00)
Other	–	(32)	(32)	(100.00)
<b>Total</b>	<b>(16,100)</b>	<b>(109,570)</b>	<b>(93,470)</b>	<b>(85.31)</b>
<b>Domestic currency interest expense:</b>				
Ministry of Finance deposits	(102,680)	(153)	102,527	67,011.11
Other government deposits	(10,028)	–	10,028	–
Repo agreements	(165,665)	–	165,665	–
Banks' minimum reserve requirements (MRR)	(11,999)	–	11,999	–
Overnight deposits of banks	(478,926)	–	478,926	–
Amortised premium on securities not held to maturity	(5)	–	5	–
Amortised premium on held-to-maturity securities	(36,103)	–	36,103	–
Foreign exchange swaps (FX SWAP)	(11,497)	–	11,497	–
Foreign exchange forward (FX FORWARD)	–	–	–	–
Current accounts of CNB clients	–	–	–	–
Foreign currency deposits (negative interest)	–	–	–	–
Foreign currency reverse repo agreements (negative interest)	–	–	–	–
Amortisation premium on securities held for monetary policy purposes before the entry into the Eurosystem	(42,687)	(44,447)	(1,760)	(3.96)
Leases	(186)	(107)	79	73.83
Other	(692)	–	692	–
<b>Total</b>	<b>(860,468)</b>	<b>(44,707)</b>	<b>815,761</b>	<b>1,824.68</b>
<b>Total interest expense</b>	<b>(876,568)</b>	<b>(154,277)</b>	<b>722,291</b>	<b>468.18</b>
<b>Total net interest income/(expense)</b>	<b>2,816</b>	<b>130,975</b>	<b>(128,159)</b>	<b>(97.85)</b>

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

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

(All amounts are expressed in thousands of euro)

	2023	2022	Change	
			Absolute	%
<b>Realised gains/(losses) arising from financial operations:</b>				
Foreign exchange differences	171	66,321	(66,150)	(99.74)
Securities	2,668	8,812	(6,144)	(69.72)
Assets under management with international financial institutions	8,242	–	8,242	–
Losses from sales of held-to-maturity securities	(2,838)	–	(2,838)	–
<b>Other gains:</b>				
Income from the release of the EUR/HRK and USD/HRK pre-entry revaluation accounts	95,542	–	95,542	–
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	–
<b>Total</b>	<b>305,398</b>	<b>75,133</b>	<b>230,265</b>	<b>306.48</b>
<b>Write-downs on financial assets and positions:</b>				
<i>Foreign exchange:</i>				
Foreign exchange differences	(81,037)	(4)	(81,033)	2,025,825.00
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	81,037	4	81,033	2,025,825.00
<b>Total foreign exchange differences:</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<i>Change in prices:</i>				
Securities	(443)	(65,166)	64,723	(99.32)
Assets under management with international financial institutions	–	(349)	349	(100.00)
Other precious metals	(29)	–	(29)	–
Income from the release of the pre-entry account for the coverage of losses from changes in prices	472	43,556	(43,084)	(98.92)
<b>Total change in prices:</b>	<b>–</b>	<b>(21,959)</b>	<b>21,959</b>	<b>(100.00)</b>
<b>Total</b>	<b>–</b>	<b>(21,959)</b>	<b>21,959</b>	<b>(100.00)</b>
<b>Transfer to/from provisions for financial risks:</b>				
Provisions for financial risks	–	(26,545)	26,545	(100.00)
<b>Total</b>	<b>–</b>	<b>(26,545)</b>	<b>26,545</b>	<b>(100.00)</b>
<b>Total net result of financial operations, write-downs and risk provisions</b>	<b>305,398</b>	<b>26,629</b>	<b>278,769</b>	<b>1,046.86</b>

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.

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

Unrealised gains from the EUR/HRK pre-entry revaluation account amounting to EUR 38,468 thousands are recognised in the profit and loss account for 2023 after the entry of the Croatian National Bank into the Eurosystem, while EUR 57,074 thousands from the USD/HRK pre-entry revaluation account are recognised in the profit and loss account for 2023 at the time of transfer of foreign reserve assets to the ECB. The net negative result of pooling of monetary income was partially covered from the pre-entry revaluation account for the coverage of losses in the amount of EUR 201,613 thousands.

Foreign exchange losses and losses for 2023 were covered completely from the USD/HRK pre-entry revaluation account (EUR 81,017 thousands) and the pre-entry revaluation account for the coverage of losses (EUR 20 thousands), and losses from changes in the prices of securities and other precious metals for 2023 were covered completely from the pre-entry revaluation account for the coverage of losses (EUR 472 thousands).

In 2022 foreign exchange losses were covered completely and losses from changes in the prices of securities were covered partially from revaluation accounts established pursuant to the decision of the CNB Council, adopted under the provisions of the Act on the CNB on transition to reporting in accordance with the ECB Guideline.

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

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

	2023	2022	Change	
			Absolute	%
<b>Fees and commissions income</b>				
Fees for the supervision of credit institutions	14,742	7,737	7,005	90.54
Cash handling for banks	2,569	–	2,569	–
Other	85	1,339	(1,254)	(93.65)
<b>Total</b>	<b>17,396</b>	<b>9,076</b>	<b>8,320</b>	<b>91.67</b>
<b>Fees and commissions expense</b>				
Securities deposit and custody costs	(1,124)	(1,755)	(631)	(35.95)
Obligatory contribution to EBA budget	(683)	(652)	31	4.75
Cash handling – FINA GS	(7,623)	(2,065)	5,558	269.15
Other	(545)	(1,003)	(458)	(45.66)
<b>Total</b>	<b>(9,975)</b>	<b>(5,475)</b>	<b>4,500</b>	<b>82.19</b>
<b>Net fees and commissions income/(expense)</b>	<b>7,421</b>	<b>3,601</b>	<b>3,820</b>	<b>106.08</b>

The Croatian National Bank charges a fee for the supervision of credit institutions pursuant to the Credit Institutions Act. Entities subject to supervision fees are credit institutions with 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 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 a 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.

#### 4 Income from equity shares and participating interests

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

	2023	2022	Change	
			Absolute	%
BIS dividend income	849	849	–	–
<b>Total</b>	<b>849</b>	<b>849</b>	–	–

#### 5 Net result of pooling of monetary income

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

	2023	2022	Change	
			Absolute	%
Net monetary income pooled by the Croatian National Bank	(552,186)	–	(552,186)	–
Net monetary income allocated to the Croatian National Bank	327,864	–	327,864	–
Monetary income reallocation for the year	–	–	–	–
Share of provisions against risks	(345)	–	(345)	–
<b>Total</b>	<b>(224,667)</b>	–	<b>(224,667)</b>	–



This item contains the net result of pooling of monetary income for 2023, amounting to an expense of EUR 224,667 thousands, together with the Croatian National Bank's share of the net result of the provisioning against risks in monetary policy operations of the Eurosystem amounting to an expense of EUR 345 thousands (see Note 3, under 13 Provisions). The net loss reported in this item was covered partially from the pre-entry revaluation account for the coverage of losses (see Note 6, under 2 Net result of financial operations, write-downs and risk 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 NCBs' 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

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

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 552,186 thousands and reallocated to the Croatian National Bank amounting to EUR 327.864 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)*

	<b>Net MI pooled CNB</b>	<b>Net MI Total NCBs</b>	<b>MI redistribution according to the Eurosystem key</b>	<b>Net result of the pooling of MI 2023</b>
Lending to euro area credit institutions	133	26,849,936	215,977	215,844
Securities held for monetary policy purposes subject to risk sharing	–	8,483,281	68,238	68,238
Securities held for monetary policy purposes not subject to risk sharing	–	127,854,247	1,028,440	1,028,440
Intra-Eurosystem claims equivalent to the transfer of foreign reserves to the ECB	10,696	1,334,524	10,735	39

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

	Net MI pooled CNB	Net MI Total NCBs	MI redistribution according to the Eurosystem key	Net result of the pooling of MI 2023
Net claims (liabilities) related to the allocation of euro banknotes	182,227	(4,816,858)	(38,746)	(220,973)
Claims related to TARGET transactions	338,021	14,159,899	113,900	(224,121)
GAP (difference between earmarkable assets and liability base)*	512,034	(2,718,135)	(21,864)	(533,898)
Liabilities to euro area credit institutions	(490,925)	(130,387,326)	(1,048,816)	(557,891)
<b>TOTAL</b>	<b>552,186</b>	<b>40,759,568</b>	<b>327,864</b>	<b>(224,322)</b>

\* For presentational purposes residual income related to claims arising from liquidity providing arrangements to non-Eurosystem central banks and amounting to EUR 4,317 thousands is included in this line item.

## 6 Other income

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

	2023	2022	Change	
			Absolute	%
Sale of numismatics and investment gold	399	307	92	29.97
Other income	5,925	1,106	4,819	435.71
<b>Total</b>	<b>6,324</b>	<b>1,413</b>	<b>4,911</b>	<b>347.56</b>

The item Other income shows income from reversed provisions for court cases in the amount of EUR 4,761 thousands.

## 7 Total operating expenses

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

	2023	2022	Change	
			Absolute	%
Staff costs	(35,046)	(32,882)	2,164	6.58
Administrative expenses	(30,071)	(23,977)	6,094	25.42
Depreciation of tangible and intangible fixed assets	(9,763)	(7,273)	2,490	34.24
Costs of production of banknotes and coins	(23,173)	(35,179)	(12,006)	(34.13)
Other costs	(88)	(154)	(66)	(42.86)
<b>Total</b>	<b>(98,141)</b>	<b>(99,465)</b>	<b>(1,324)</b>	<b>(1.33)</b>

Administrative expenses include the costs of maintenance of office buildings and other fixed assets, overheads, network programmes maintenance costs, office supplies costs, small inventory costs, professional development costs, provisions for court cases and other current costs. Depreciation costs for

*Croatian National Bank*  
*Financial Statements for the year ended 31 December 2023*

the right-of-use assets amounted to EUR 2,090 thousands (2022: EUR 1,208 thousands) and are reported under Depreciation and amortisation costs.

### 7.1 Staff costs

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

	2023	2022	Change	
			Absolute	%
Net salaries	(18,088)	(17,432)	656	3.76
Contributions from and contributions on salaries	(9,583)	(8,701)	882	10.14
Taxes and surtaxes	(3,666)	(3,215)	451	14.03
Other employee related expenses	(3,302)	(3,144)	158	5.03
Provisions for employee benefits	(407)	(390)	17	4.36
<b>Total</b>	<b>(35,046)</b>	<b>(32,882)</b>	<b>2,164</b>	<b>6.58</b>

The average number of employees during 2023 was 745 (2022: 727).

### 12 Profit/(loss) for the year

The Croatian National Bank realised profit for 2023 in the amount of zero euro after covering the losses from pre-entry revaluation accounts (Note 6, under 2 Net result of financial operations, write-downs and risk provisions). The Decision on the financial statements of the Croatian National Bank for 2023 is adopted by the Council of the Croatian National Bank.

In accordance with the decision of the Council of the Croatian National Bank on the financial statements of the Croatian National Bank for 2022, the realised profit in the amount of EUR 64,002 thousands was allocated as follows: 20% of the profit, i.e., the amount of EUR 12,801 thousands, was allocated to general reserves and 80% of the profit, i.e., the amount of EUR 51,201 thousands constitutes revenue to the State Budget.

### 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.

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 the events external to the Bank. Operating risk is managed by strict segregation of duties and responsibilities, formalised methodologies and procedures and by conducting regular internal and external audits.

The revaluation accounts and provisions for financial risks are risk buffers, with the revaluation accounts used as the first level of protection against the risk of a fall in prices and exchange rates, while provisions for financial risks 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, instruments with international financial institutions rated Aaa to A2, and deposits placed with commercial banks rated Aaa to A3 for the purpose of carrying out foreign currency transactions.

## **7.2 – LIQUIDITY RISK**

Liquidity risk is the risk of inability to settle all the liabilities and obligations arising from the operations of the Croatian National Bank as they fall due. Hence, the Croatian National Bank has to ensure, through its strategy, sufficient liquid funds on a daily basis to settle all of its liabilities and commitments. Liquidity risk is controlled by investing 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 2023, 40% of financial assets were liquid and at 31 December 2022 approximately 18.5% 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 fair value or future cash flows of a financial instrument due to changes in market interest rates.

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

### **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 and investments in repo agreements). Although VaR analysis for foreign exchange risk and various stress tests are made, the currency structure is not defined by these measures, but primarily by the currency structure of debt and imports. Accordingly, VaR limits are not set, nor is back-testing implemented.

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

Currency VaR for a period of one year with a confidence level of 95% is EUR 296 million.

### **NOTE 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 only with the trading portfolios, while with the 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.

**NOTE 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.