

BUSINESS REPORT

2020



**HRVATSKA AGENCIJA ZA
OSIGURANJE DEPOZITA**
CROATIAN DEPOSIT
INSURANCE AGENCY



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Contents

Vision	5
Mission	5
Our value	5
Foreword by the Agency CEO	6
Abbreviations	8
Summary	9
DGS Key Indicators 2020	10
1 Croatian Deposit Insurance Agency	12
1.1 Organisational structure	14
1.1.1 The Board	14
1.2 Legal Framework	18
2 Importance of the Deposit Guarantee Scheme	19
2.1 DGS members	22
2.2 Deposit Insurance Fund	23
2.3 Payment of compensation	25
3 Deposit Development and Structure	27
3.1 Total deposits	29
3.2 Covered deposits	30
3.3 Deposits per credit institutions size overview	31
3.4 Development of deposits per sector structure	32
3.4.1 Total deposits per sector structure	32
3.4.2 Eligible deposits per sector structure	33
3.4.3 Covered deposits per sector structure	34
4 Resolution of credit institutions	35
4.1 The first period of resolution	35
4.2 The second period of resolution	37
4.3 The Single Resolution Mechanism	38
5 Collaboration with the Public Institutions	39
6 International Collaboration	40
7 The New Deposit Insurance System Act	41
8 Financial Indicators	44
9 Other	45
9.1 Activity Report of the Information Officer	45
9.2 Activity Report of the Safety at Work Officer	46
9.3 Activity Report of the Data Protection Officer	47
9.4 Activity Report of the Officer for the Protection of Dignity	48
Annex	50
List of tables	51
List of figures	51

Vision

- Promotion of trust in stability of the financial system

Mission

- To protect depositors against the loss of their funds in case of credit institution's failure
- To enable fast payout of covered deposits in case of credit institution's failure
- To contribute to stability and trust into the Croatian financial system
- To provide support to credit institutions in ensuring their long-term stable business

Our value

Responsibility

- We assume our responsibilities that are related to our goals, strategies and initiatives; we carry them out in a transparent manner

Professionalism and Team Work

- Our employees utilise all their knowledge and skills in order to accomplish our mission. The Agency team comprises highly educated professionals, economists, primarily auditors and bank experts as well as lawyers

Communication and Collaboration

- Continuous exchange of information with all participants to the Financial Safety Net, members as well as national and international parties

Excellence

- Achievement of results and continuous measurement and supervision of efficiency for the improvement of our business

Foreword by the Agency CEO



Marija Hrebac, Agency CEO

The past 2020 was a tumultuous year for all of us in both business and private segment of our lives, to say the least. It was full of challenges that we needed to find the right solutions to and open issues that needed answers.

Being aware that the banking stability largely depends on the depositors' trust in the banking system and of the COVID-19 outbreak that directly affected the stability of the global, European as well as the Croatian financial market, we've made the required efforts in the past year to improve the system additionally and to maintain the trust of all stakeholders, as well as to remain consistent with our vision of promotion of trust in stability of the financial system.

In 2020, the Agency employees used their skills and knowledge, acquired through the many years of service spent in the industry, and diligently worked on their daily tasks, but also on the preparation of the new Deposit Insurance System Act that came into force on January 1, 2021, proving that the direction we have chosen is the right one, in accordance with the mission and values of the Agency, and harmonised not only with the Croatia regulations, but also the regulations of the European Union.

The new Deposit Insurance System Act represents a continuation of the reform of the banking system of the Republic of Croatia and European Union; it also strengthens the ability of banks to resist financial shocks and eliminates the risk of taxpayers being responsible for covering the relevant cost. This Act additionally makes the lives of Croatian citizens easier because it offers the deposit insurance and increases the stability of the financial system making it much more resistant to possible financial crises.

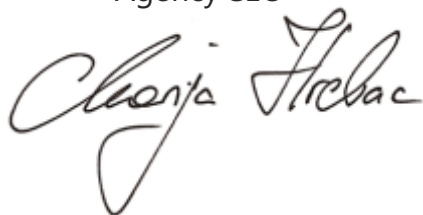
The provisions of the new Act consolidate the Deposit Insurance Act (OG 82/15) and the State Agency for Deposit Insurance and Bank Resolution Act (OG 44/94, 79/98, 19/99, 35/00, 60/04, 12/12 and 15/13) and the new Act served as the basis for the transformation of the institution formerly named State Agency for Deposit Insurance and Bank Resolution into the Croatian Deposit Insurance Agency. We are a specialised, non-profit financial institution whose goal is to protect all covered deposits, preserve trust of citizens and other participants in the stability of the financial system of the Republic of Croatia and to control the market exit of credit institutions which are not able to meet the regulatory requirements, by limiting the spillover of negative effects of the termination of a particular credit institution to other market participants and the market in general.

The quality of work of the Agency in 2020 has been positively affected by the excellent collaboration with the institutions of the Financial Stability Council, that we are a member of together with the Croatian National Bank (CNB), Croatian Financial Services Supervisory Agency (HANFA) and Ministry of Finance, as well as the participation in work of the international deposit insurance associations: International Association of Deposit Insurers (IADI) and European Forum of Deposit Insurers (EFDI). We plan to continue these collaborations in the future.

We are very proud since the activity of the Croatian Deposit Insurance Agency has been recognised as the "best practice" by the European regulatory institutions and deposit insurance systems of the Member States. This is additionally confirmed by the visits of the relevant professionals to the Agency with the purpose of transfer of knowledge and experience. All this enables us to broaden our horizons and to harmonise with the European directives following the lead towards the membership of Croatia in the Euro area that will be a new challenge for all of us, but also a new chapter that we will all jointly write and create.

Believing that we are ready to welcome 2021, as well as all the years to come, let me thank all the employees of the Agency for their joint dedicated efforts and commitment to achieving good-quality results, as well as the Board for their support and trust.

Marija Hrebac
Agency CEO

A handwritten signature in black ink, reading "Marija Hrebac". The signature is written in a cursive style with a large, stylized initial 'M'.

Abbreviations

AGENCY, HAOD	<i>Croatian Deposit Insurance Agency</i>
ARAI	<i>Act on the Right of Access to Information</i>
CNB	<i>Croatian National Bank</i>
COUNCIL	<i>Financial Stability Council</i>
DAB	<i>State Agency for Deposit Insurance and Bank Resolution</i>
DGS	<i>Deposit Guarantee Scheme</i>
DIA	<i>Deposit Insurance Act</i>
DIF	<i>Deposit Insurance Fund</i>
DISA	<i>Deposit Insurance System Act</i>
GDPR	<i>General Data Protection Regulation</i>
HANFA	<i>Croatian Financial Services Supervisory Agency</i>
MF	<i>Ministry of Finance of the Republic of Croatia</i>
OHSA	<i>Occupational Health and Safety Act</i>
SRB	<i>Single Resolution Board</i>
SRF	<i>Single Resolution Fund</i>
SRM	<i>Single Resolution Mechanism</i>
THB	<i>Temporary High Balance</i>
ULRA	<i>Units of Local and Regional Administration</i>

Summary

In 2020, the banking sector deposits recorded a positive growth rate as in the previous years. The credit institution deposits increased even during the crisis and were by 8.2% higher year-on-year (Figure 1). After the COVID-19 outbreak, the financial markets experienced instability and significant withdrawal of funds from investment funds. It is assumed that a part of these funds has been reallocated in credit institution deposits. Furthermore, the deposit increase is probably the consequence of the COVID-19 pandemic, with depositors being cautious and reducing their spending, thus increasing the funds on credit institution accounts.

The total deposits of all credit institutions members of the Deposit Guarantee Scheme amounted to HRK 367.3 billion, as at December 31, 2020, which is an increase by HRK 27.9 billion i.e. 8.2% compared to the 2019 year end.

At the end of 2020, the covered deposits amounted to HRK 213.8 billion or 58.2% of the total deposits in member credit institutions. The covered deposits grew by 6.2% or by HRK 12.5 billion compared to HRK 201.3 billion at the 2019 year end.

During the five-year period (2016 – 2020) the covered deposits increased by 17,4%, from HRK 182.1 billion to HRK 213.8 billion. At the end of 2020, there were 99.8% of the covered depositors compared to the total number of depositors, whereas their covered deposits amounted to 58.2% of the total deposits.

During this five-year period, a bankruptcy proceeding was instituted against only two credit institutions (one was Banka splitsko-dalmatinska d.d., that was more important within the banking system, and the other was Tesla štedna banka d.d., that was marginal in this context). This fact confirms the stability of the banking market in the Republic of Croatia, which is a consequence of consolidation i.e. merging of credit institutions into a stable unit. To illustrate this, 93% of the total deposits in the Republic of Croatia are held by 8 strongest groups (see image 7 below).

The Deposit Insurance Fund (DIF) recorded growth. In 2020, the Agency collected HRK 558.2 million of current premiums from credit institutions. It was 4.6% or HRK 24.6 million more compared to HRK 533.6 million at the 2019 year end. The increase in the premium income is the result of a natural growth of the covered deposits, which serves as a basis for the insurance premium calculation.

In the Republic of Croatia, there were 23 credit institutions, 20 banks and 3 building societies, at the end of December 2020. Additionally, there was one branch-office of a foreign credit institution (BKS Bank AG that operates in the Republic of Croatia as a branch-office of a foreign bank). The number of credit institutions remained unchanged compared to the 2019 year end.

In 2020, the Agency focused their efforts to the creation of the new Deposit Guarantee Scheme Act. **The new Act came into force on January 1, 2021.** It is described in detail in Chapter 7.

DGS Key Indicators 2020

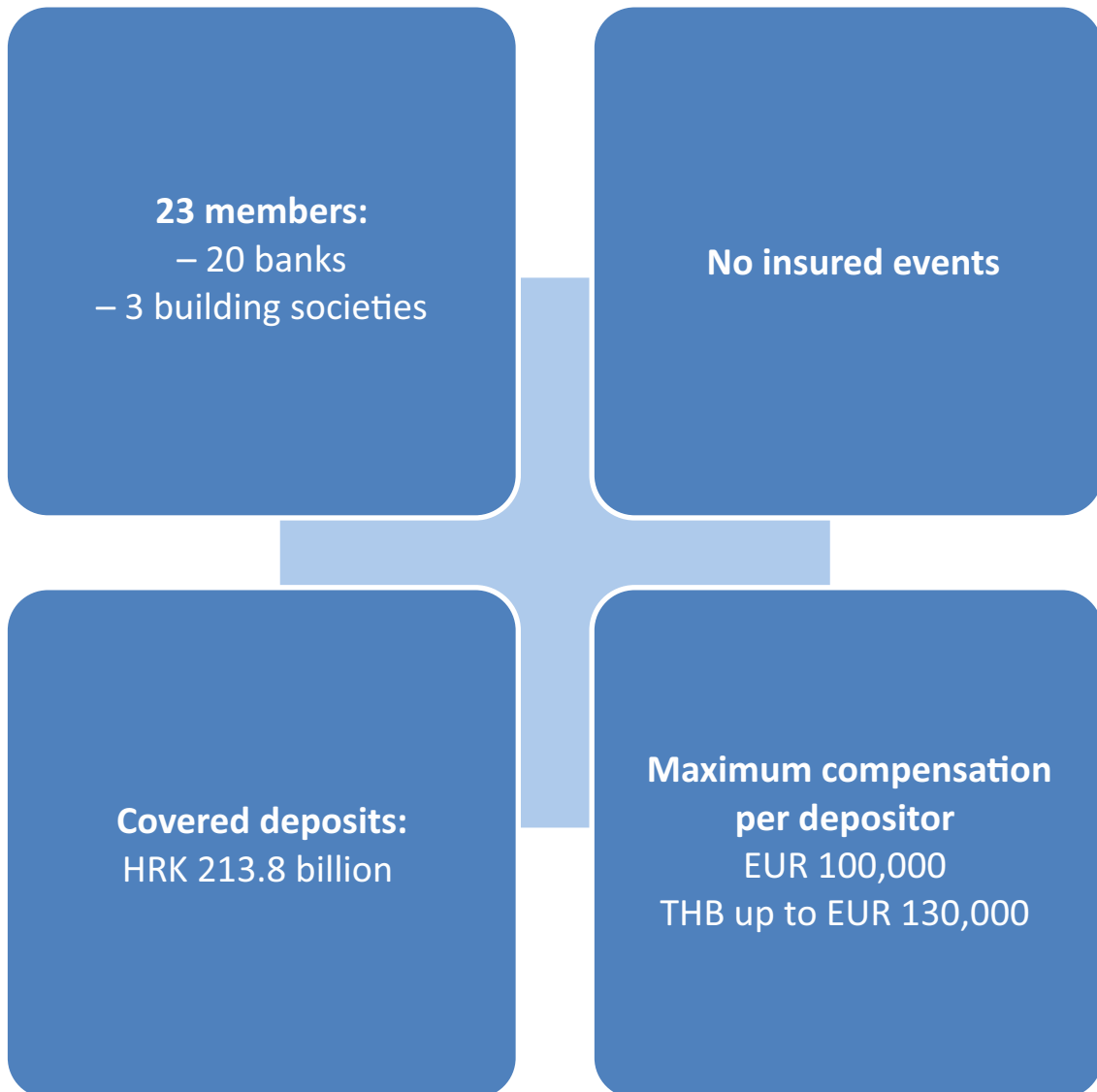
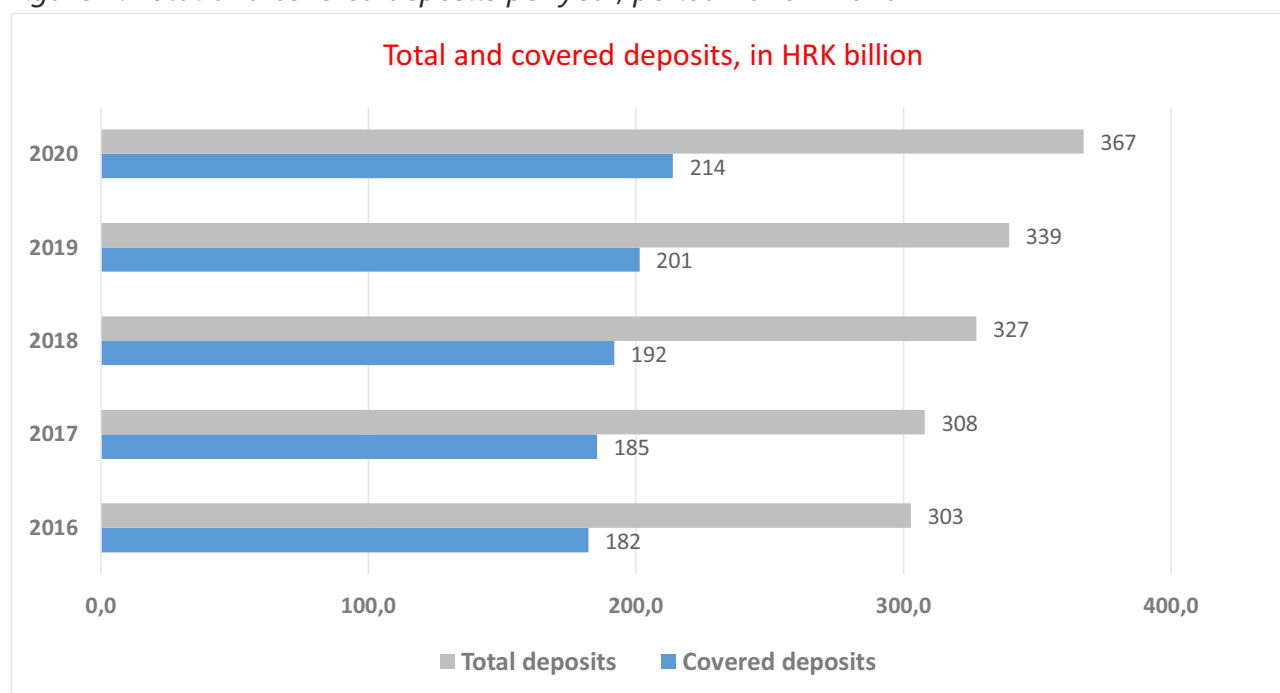


Table 1: Key data per year, period 2016 – 2020

	2016	2017	2018	2019	2020
(in HRK billion, except the amount of the compensation)					
NUMBER OF THE MEMBER BANKS	31	30	25	23	23
COMPENSATION	EUR 100,000	EUR 100,000	EUR 100,000	EUR 100,000	EUR 100,000
TOTAL COVERED DEPOSITS	182.2	185.4	191.9	201.3	213.8
NO. OF BANKRUPTCIES	2	–	–	–	–

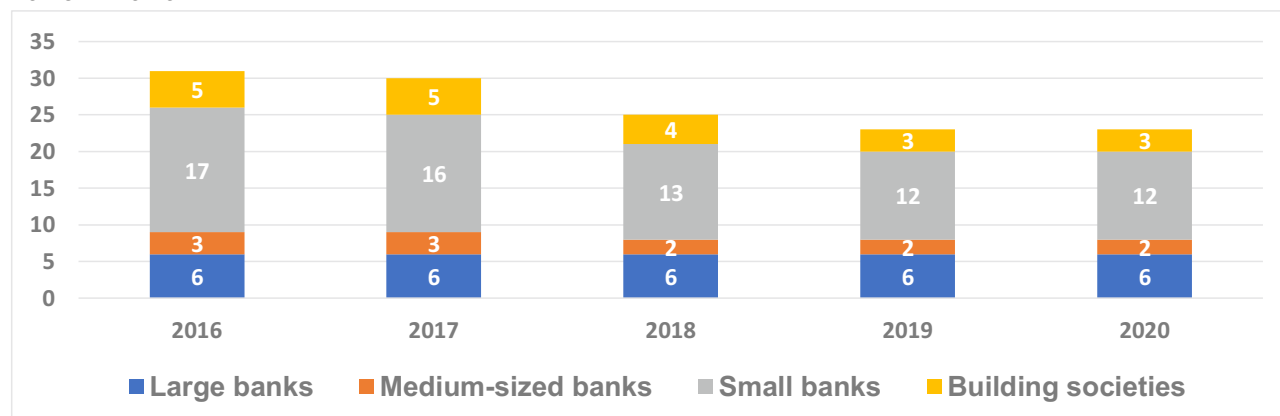
Source: Agency

Figure 1: Total and covered deposits per year, period 2016 – 2020



Source: Agency

Figure 2: No. of credit institutions per groups per market share in the total bank assets, period 2016 – 2020



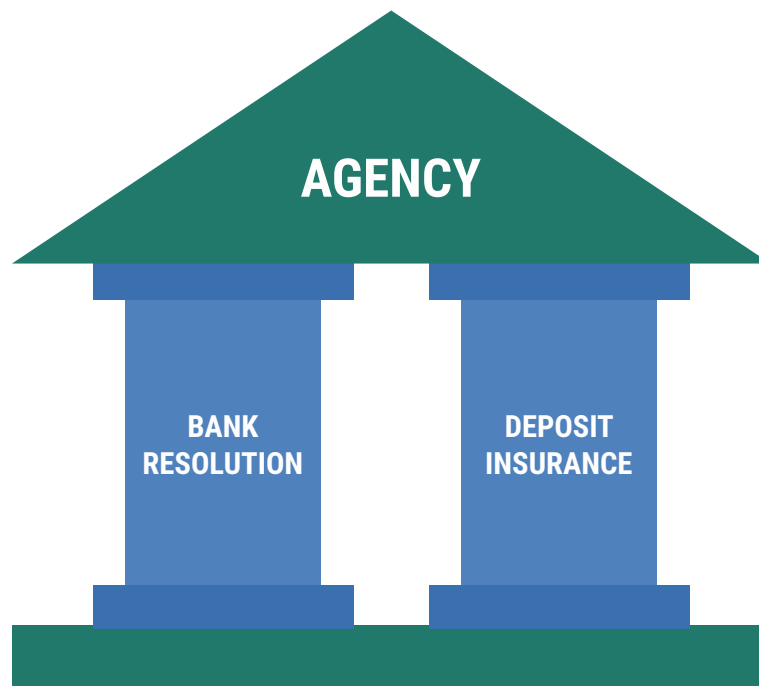
Source: CNB

1 Croatian Deposit Insurance Agency

The Croatian Deposit Insurance Agency (the Agency) was founded as the State Agency for Deposit Insurance and Bank Resolution (DAB) on May 24, 1994, pursuant to the State Agency for Deposit Insurance and Bank Resolution Act (Official Gazette No. 44/94, 79/98, 19/99, 35/00 and 60/04). The Agency was founded as a specialised financial institution that insures bank deposits and implements bank resolution procedures. The Agency was founded as a separate legal person by the Government of the Republic of Croatia who also guarantees for the Agency's liabilities.

It must be pointed out, that the first years after the founding of the Agency were marked by banking crisis and breakdowns. Therefore, although formally responsible for insurance of deposits, the Agency almost exclusively dealt with the resolution of banks. The lack of capital at the moment when Croatia gained independence was so big that the Government had to intervene in order for the banking system to survive.

Figure 3: The two functions of the Agency since its establishment until 2020



- Founded in 1994, first as the State Resolution Authority
- In 1999, it became the deposit insurance authority
- Since 2015, the Agency has again become the national resolution authority

Since it has been founded in 1994, the authorities of the Agency grew pursuant to the law. They became more complex and additionally strengthened the role of the Agency in protection of the depositors' deposits and contributed to preservation of the financial stability.

Ever since it was founded in 1994, the Agency continuously and systematically harmonised their business processes with the best European practices and improved them accordingly. The process of transposing the European regulations on the deposit insurance systems began much earlier than the obligation of transposing them as a part of Croatia's accession to EU. This is explained by the fact that the first regulatory acts were created in accordance with the then valid European regulations, i.e. Directives of the then European Community. The Ordinance on the Insurance of Savings Deposits (OG 65/97), which was the first document regulating the deposit insurance system, was adopted pursuant to the Directive 94/19/EC of the European Parliament and of the Council of May 30, 1994, on deposit-guarantee schemes. This Ordinance also served as a basis for the foundation of the Deposit Insurance Fund. **The Agency practice is recognised today as the “best practice”** by the regulatory institutions and deposit insurance systems of the Member States that pay visits to the Agency in order to enable transfer of knowledge and exchange of experience.

The economic downturn in the period when Croatia fought for its independence caused some serious issues to the banking system. The beginning of the 90ies of the 20th century was marked by the beginning of a long crisis period of the banking system in Croatia. It occurred at the time of rapid opening of banks and building societies, when no HNB approval was required. The crisis of the banking system was mainly caused due to the legacy of the former system, the necessity of privatisation and transformation, the impact of the economic policy that used the banking system as an alternative source of financing to accomplish the Government objectives in the context of the monetary dependence (by the end of 1991), war and inability to use the fiscal policy for collection of the appropriate resources.

Reform of the banking system started after the Republic of Croatia gained independence in 1991 and upon establishing of CNB. The depositors withdrew their deposits from banks, which aggravated the issue since it reduced the financial potential of banks, but also caused depositors' deep mistrust of banks. Out of 26 banks that were active at the time when Croatia became independent, the number of banks almost doubled after two years and reached 43 at the end of 1993. At its beginning, when there was no deposit insurance system, the Agency faced a serious problem of lack of funds required for setting the obligation of deposit payoff and huge pressure of depositors who were not able to access their funds.

The initial DGS funds were provided by the budget of the Republic of Croatia, so that the covered deposits could be paid to the depositors. Besides initiating new bankruptcy proceedings against banks to collect insufficient financial means required for settling the obligation of paying off the insured savings, which additionally increased, the Agency passed a decision and issued guarantee bonds provided by the Government of the Republic of Croatia, Ministry of Finance, in 2000. After that point, the credit institutions continued to pay deposit insurance premiums to DIF.

1.1 Organisational structure

The Agency is governed by the Management Board and the Director. The President and Members of the Board are appointed and dismissed by the Government of the Republic of Croatia. Legal representative of the Agency is Director.

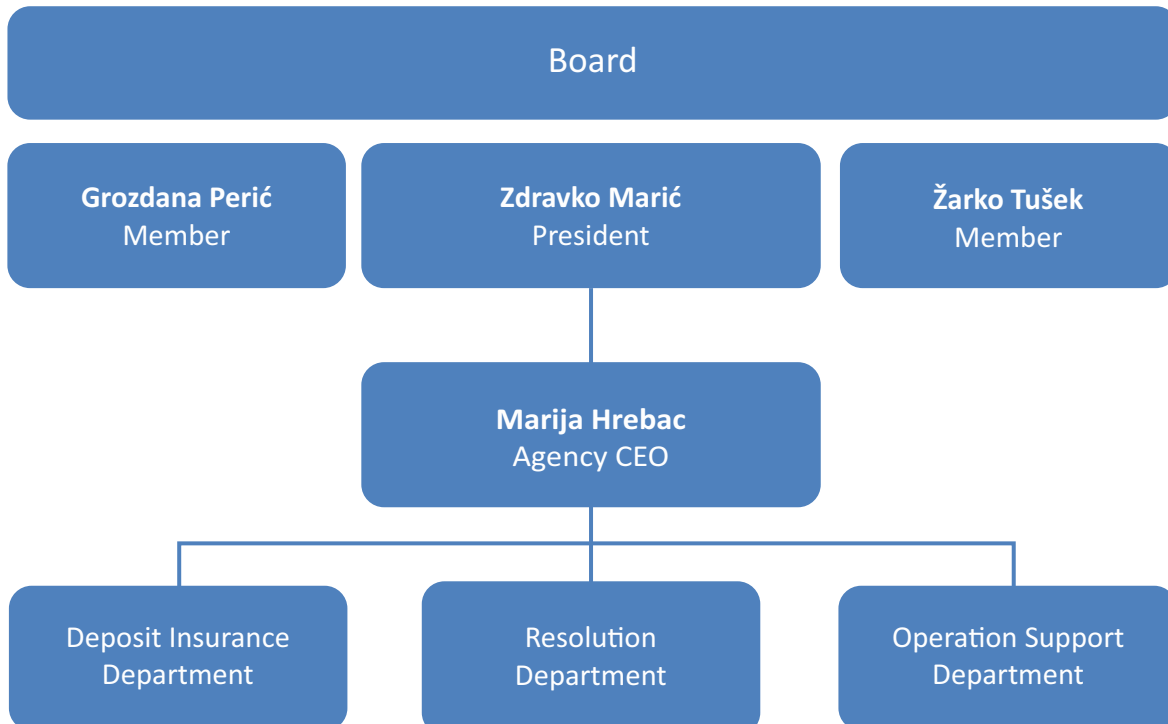
The Board is consisting of the following members:

1. Minister of Finance, automatically appointed as the President of the Board,
2. President of the Croatian Parliament Finance and Central Budget Committee, a Member of the Board,
3. President of the Croatian Parliament Committee on the Economy, a Member of the Board.

The functions and tasks of the Agency's activities shall be carried out within the relevant departments, i.e. the specialist services, as specific organisational entities that integrate related business processes.

Organisational structure is illustrated in figure 4.

Figure 4: Organisational chart on 31 December 2020



1.1.1 The Board

In the period from January 1, 2016 to December 31, 2020, the Board of the Agency comprised the following members:

**Zdravko Marić, Marić, President of the Board**

President Vice-Prime Minister of the Croatian Government
and Minister of Finance

Born in Slavonski Brod, Croatia on 3 February 1977, Zdravko Marić is married and has son and daughter.

EDUCATION

- 2008 - Doctoral dissertation "The impact of direct foreign investments on the productivity of Croatian enterprises", Faculty of Economics and Business Zagreb
- 2007 - Executive Education Program "Public Financial Management", Harvard University, J. Kennedy School of Government
- 2004 - Postgraduate Study in Operational Research, Faculty of Economics and Business Zagreb, Master's thesis "Analysis of capital flows in transition countries through investment impact"
- 2000 - Graduate study, Faculty of Economics and Business Zagreb, major in Finance

WORK EXPERIENCE

- 19 July 2019 – present Vice-Prime minister of the Croatian Government and minister of finance
- 22 January 2016 - 19 July 2019 Ministry of finance – minister of finance
- 2012 - 2016 - Agrokor d.d. - Executive Director for Strategy and Capital Markets
- 2008 - 2012 Ministry of finance – state secretary
- 2006 - 2008 Ministry of finance - assistant minister responsible for macroeconomic analysis and planning
- 2001 - 2006 The institute of economics, Zagreb - assistant

FOREIGN LANGUAGES

- English
- Italian

PUBLICATIONS

Author of significant number of research and technical scientific papers

**Grozdana Perić, Member of the Board**

President of the Finance and Central Budget Committee

Born on 14 October 1961 in Zadar. Graduated from the Faculty of Economics and Business, University of Zagreb – Master of Economics.

PARLIAMENTARY FUNCTIONS:

- President Finance and Central Budget Committee (from 17 October 2016)
- Member Committee on Regional Development and European Union Funds (from 28 October 2016)
- Member Gender Equality Committee (from 2 October 2019)
- Member Interparliamentary Co-operation Committee (from 28 October 2016)
- Member Delegation to the Parliamentary Assembly of the Mediterranean (from 28 October 2016)
- Chairperson Commission on Fiscal Policy (from 17 October 2016)
- Member Supervisory Board of the Croatian Bank for Reconstruction and Development from among the ranks of Members of Parliament (from 9 December 2016)

PREVIOUS PARLIAMENTARY FUNCTIONS:

- Deputy Chairperson Committee of Inquiry into the responsibility for the results of the management and disposal of financial and other resources of the Immunology Institute (from 17 March 2017 to 19 September 2017)



Darinko Kosor, Member of the Board until 22.07.2020.
President of the Committee on the Economy

Born on 14 March 1965 in Zagreb. Completed Zagreb Secondary school center of Economics.

PARLIAMENTARY FUNCTIONS:

- President of the Committee on the Economy (from 28 October 2016)
- Member Committee on Information, Computerisation and the Media (from 23 January 2016)
- Member Judiciary Committee (from 23 January 2016)



Žarko Tušek, Member of the Board
President of the Committee on the Economy

Born on 10 September 1981 in Zabok. Graduated from Zagreb University College Effectus (Professional Bachelor of Economics).

PARLIAMENTARY FUNCTIONS:

- Chairperson Credentials and Privileges Commission (from 14 October 2016)
- Member Committee on the Economy (from 14 June 2018)
- Member Petitions and Appeals Committee (from 28 October 2016)
- Member Committee on Information, Computerisation and the Media (from 19 June 2017)

1.2 Legal Framework

The legal framework for carrying out the tasks under the authority of the Agency comprises the regulations listed in the table 2.

Table 2: Overview of the EU and HR legal framework

EU regulations	Official Journal of the EU	RH regulations	Official Gazette	Effective date
		The State Agency for Deposit Insurance and Bank Resolution Act	44/94	June 11, 1994
Directive of the European Parliament and of the Council on deposit-guarantee schemes	94/19/EC of May 30, 1994	Ordinance on the Insurance of Savings Deposits	65/97	June 27, 1997
		Resolution on the Amount of the Insured Savings Deposits	65/97	June 27, 1997
		Resolution on the Amount of the Insured Savings Deposits	88/98	July 1, 1998
		Deposit Insurance Act	177/04	December 23, 2004
		Act on Changes and Amendments to the Deposit Insurance Act	119/08	October 15, 2008
Directive of the European Parliament and of the Council amending Directive 94/19/EC on DGS as regards the coverage level and the payout delay	2009/14/EC of March 11, 2009	Act on Changes and Amendments to the Deposit Insurance Act	153/09	January 1, 2010
		Act on Changes and Amendments to the Deposit Insurance Act	80/13	July 1, 2013
Directive of the European Parliament and of the Council on deposit-guarantee schemes	2014/49/EC of April 6, 2014	Deposit Insurance Act	82/15	July 25, 2015
		Deposit Insurance System Act	146/20	January 1, 2021
Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms	2014/59/EU of May 15, 2014	Act on the Resolution of Credit Institutions and Investment Firms	19/15	February 28, 2015
		Act on Changes and Amendments to the Act on Resolution of Credit Institutions and Investment Firms	16/19	February 23, 2019
		Act on Changes and Amendments to the Act on Resolution of Credit Institutions and Investment Firms	47/20	July 27, 2020
		Act on the Resolution of Credit Institutions and Investment Firms	146/20	January 1, 2021

Source: EU and HR regulations

In December 2020, The Croatian Parliament passed a resolution on promulgating the Deposit Insurance System Act, effective as of January 1, 2021. As of the effective date of this Act, the State Agency for Deposit Insurance and Bank Resolution Act (OG 44/94, 79/98, 19/99, 35/00, 60/04, 12/12 and 15/13) and Deposit Insurance Act (OG 82/15) became void.

2 Importance of the Deposit Guarantee Scheme

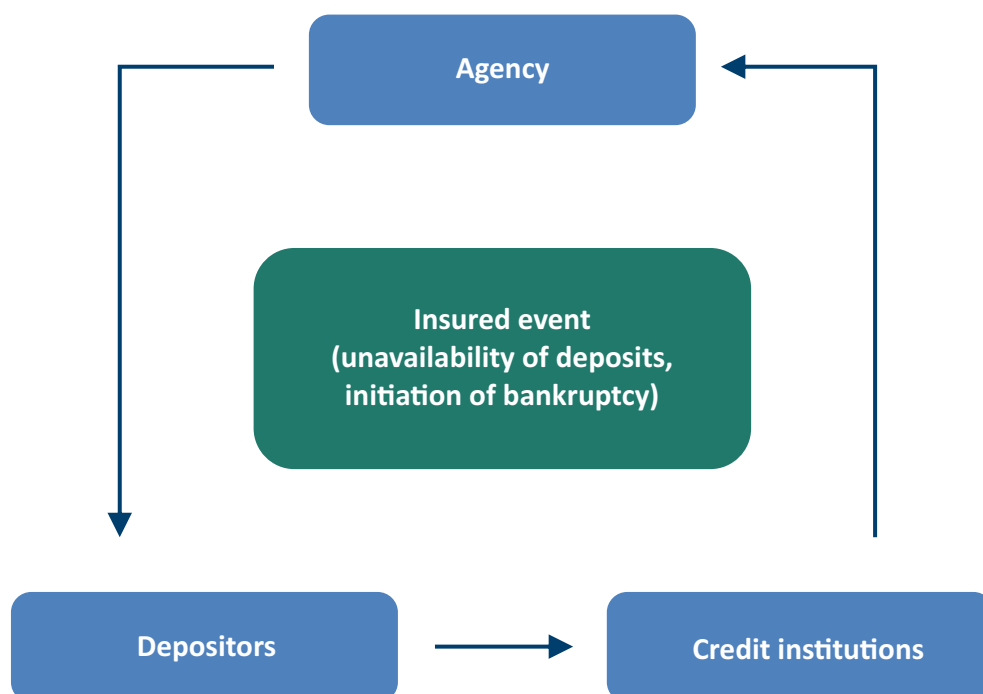
The Deposit Guarantee Scheme (DGS) is a system that enables protection of depositors against the loss of deposit in case of insured events. It also contributes to preserving depositors' trust in the banking system of the Republic of Croatia and stability of the entire financial system.

DGS serves as a measure for protection of depositors and the banking system, and its importance reflects in the fact that the banking stability largely depends on the depositors' trust in the banking system.

The Agency manages DGS in the Republic of Croatia as an authority that has the relevant competence and implements procedures stipulated by DISA. Initially, the payment authorities of the Croatian DGS were limited and the paybox system (classic cash register) was applied in which the risk of specific system members was not assessed. Upon amending DISA, the Agency was granted competence to intervene in a credit institution that faced financial difficulties in order to prevent unavailability of deposits and credit institution's failure.

The DGS in Croatia started to operate with the first bank failures in 1998. At its beginning, DGS faced many difficulties since it was created in a period of banking crises and failure of several banks.

Figure 5: DGS structure

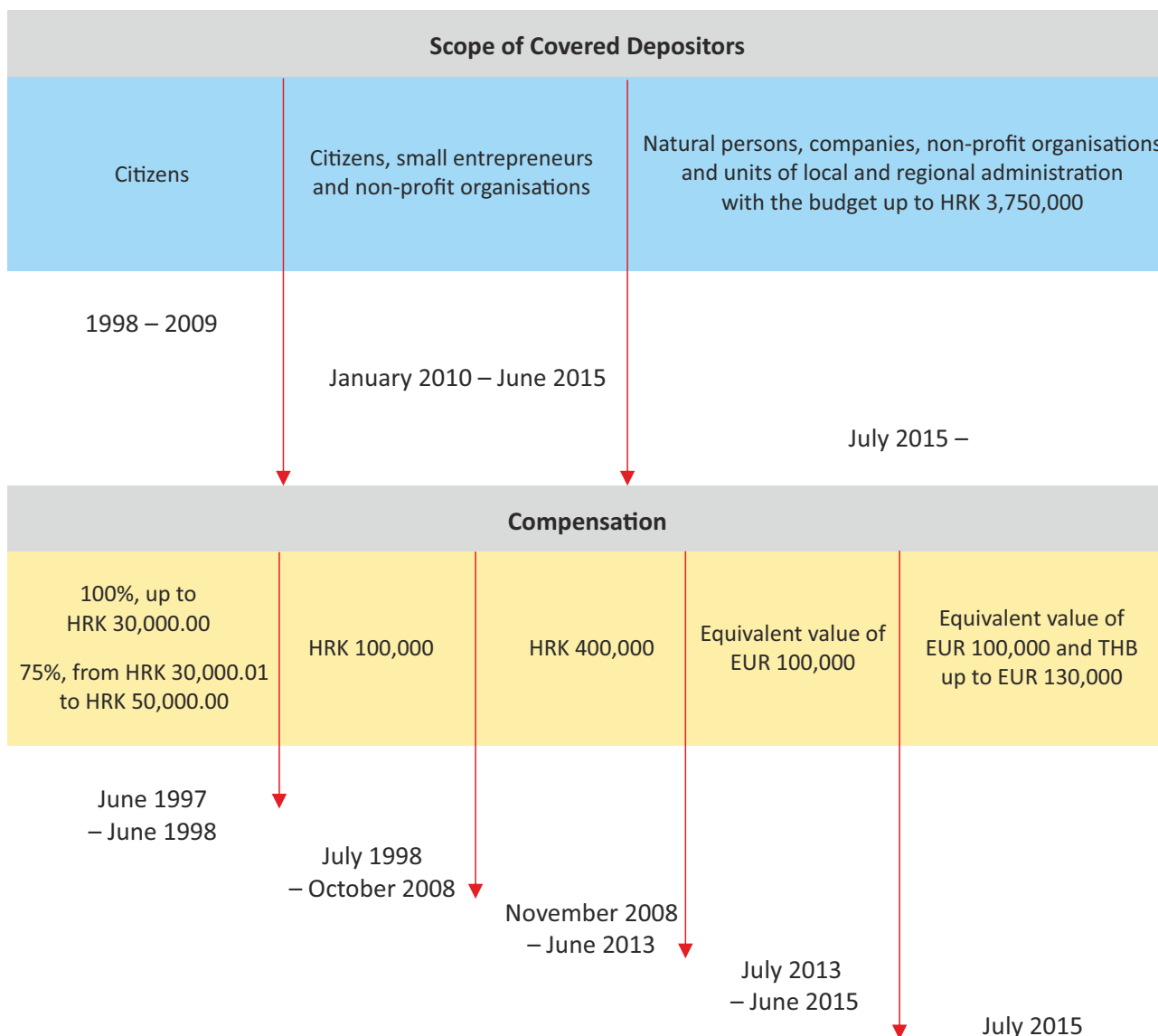


The main features of the DGS design in Croatia include: full independence and autonomy of the Agency in all segments of its competence, mandatory membership for all credit institutions that were granted approval for work by the CNB as well as for the branch-offices of such credit institutions in another Member State, "ex-ante" financing, scope of insurance coverage, limited deposit insurance amount, rules for depositors and all credit institutions concerning the deposit insurance and the target level of Deposit Insurance Fund.

- The "ex-ante" financing refers to the regular collection of the premium with an aim of generating means for the fund that would serve for settling the future liabilities (e.g. payment of compensation) and covering the operational and other costs that incur in relation to the deposit insurance.
- "Differential Premium System" refers to the system of ranking premiums that differentiates premiums depending on the risk profile of a specific credit institution.
- "Target Level of Deposit Insurance Fund" refers to the amount of financial means that a deposit insurance system must continuously have and it is expressed as the percentage of the covered deposits of all its members.

DGS activates in the case of an insured event or bank failure that occurs if CNB issues a decision on unavailability of deposit in a credit institution or if a competent court issues a decision on initiating a bankruptcy proceeding against a credit institution.

Table 3: Scope of the insurance coverage and the amount of compensation, period 1998 – 2020



As presented in table 3, upon amendment of the Act in 2008, the coverage was increased **from the former HRK 100,000 to HRK 400,000**. Since 2010, the scope of coverage was expanded, and besides the citizens' deposits, the deposits of craftsmen, small entrepreneurs, non-resident companies and non-profit organisations were included in DGS. Additionally, **after the Republic of Croatia joined EU (in 2013), the covered deposit amount was adjusted and raised from HRK 400,000 to EUR 100,000**. Since 2015, the scope of coverage was expanded to the deposits of medium-sized and large companies as well as deposits of units of the local and regional administration with the annual budget up to HRK 3.75 million.

2.1 DGS members

The membership is mandatory for all credit institutions authorised by the CNB as well as for the branch-offices of such credit institution in another Member State.

Table 4: The list of DGS members as at December 31, 2020

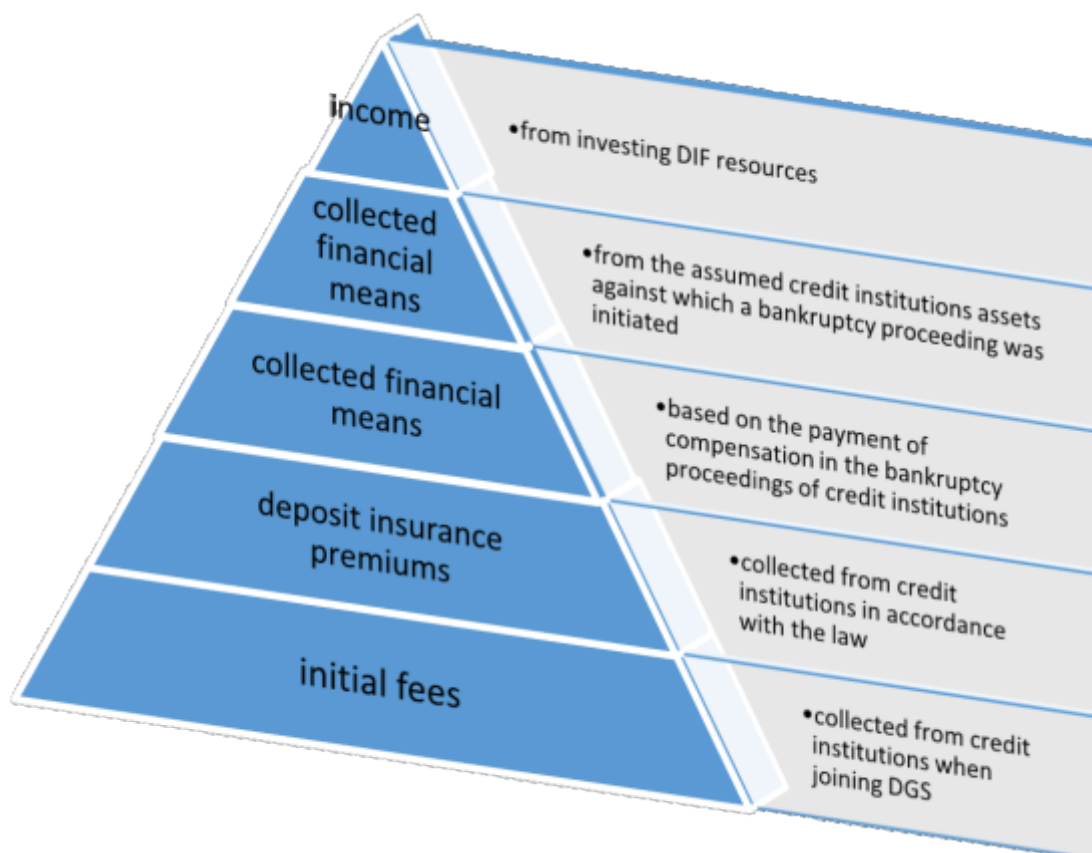
No.	Members	Web address
1	ADDIKO BANK d.d., Zagreb	www.addiko.hr
2	AGRAM BANKA d.d. Zagreb	www.agrambanka.hr
3	BANKA KOVANICA d.d., Varaždin	www.kovanica.hr
4	CROATIA BANKA d.d., Zagreb	www.croatiabanka.hr
5	ERSTE&STEIERMÄRKISCHE BANK d.d., Rijeka	www.erstebank.hr
6	HRVATSKA POŠTANSKA BANKA d.d., Zagreb	www.hpb.hr
7	IMEX BANKA d.d., Split	www.imexbanka.hr
8	ISTARSKA KREDITNA BANKA UMAG d.d.	www.ikb.hr
9	J&T BANKA d.d., Varaždin	www.jtbanka.hr
10	KARLOVAČKA BANKA d.d., Karlovac	www.kaba.hr
11	KENTBANK d.d., Zagreb	www.kentbank.hr
12	OTP BANKA d.d., Split	www.otpbanka.hr
13	PARTNER BANKA d.d., Zagreb	www.paba.hr
14	PODRAVSKA BANKA d.d., Koprivnica	www.poba.hr
15	PRIVREDNA BANKA ZAGREB d.d., Zagreb	www.pbz.hr
16	RAIFFEISENBANK AUSTRIA d.d., Zagreb	www.rba.hr
17	SAMOBORSKA BANKA d.d., Samobor	www.sabank.hr
18	SBERBANK d.d., Zagreb	www.sberbank.hr
19	SLATINSKA BANKA d.d., Slatina	www.slatinska-banka.hr
20	ZAGREBAČKA BANKA d.d., Zagreb	www.zaba.hr
21	PBZ STAMBENA ŠTEDIONICA d.d., Zagreb	www.pbz-stambena.hr
22	RAIFFEISEN STAMBENA ŠTEDIONICA d.d., Zagreb	www.raiffeisenstambena.hr
23	WÜSTENROT STAMBENA ŠTEDIONICA d.d., Zagreb	www.wuestenrot.hr

Source: Agency

2.2 Deposit Insurance Fund

The Deposit Insurance Fund (DIF) is established by the DGS in Croatia at the end of 1997 by payments of the “initial premiums”, paid by the banks and building societies.

Figure 6: DGS sources of financing



The deposit insurance premiums are the main source of financing. The credit institutions are obliged to pay such deposit insurance premiums in accordance with the Act.

In the Croatian DGS, the deposit insurance premiums are differentiated with regard to the risk of the credit institution. The Agency calculates the deposit insurance premiums in accordance with the Directive, DIA, and EBA/GL/2015/10 Guidelines on methods for calculating contributions to deposit guarantee scheme and Methodology for calculating the risk weight for a credit institution in order to calculate the deposit insurance premiums. It is a product of the premium basis, premium rate and level of risk of each individual credit institutions – the risk weighted premium starting from the calculation of the premium for the second quarter of 2016.

The EU Directive on DGS stipulates to the Member States to collect DIF of at least 0.8% of the covered deposits until 2024. The target level of the available financial means enables payoff to the depositors of a “failed credit institution” within 7 days as of the failure, which the EU Directive sets out as an obligation to all Member States only from 2024.

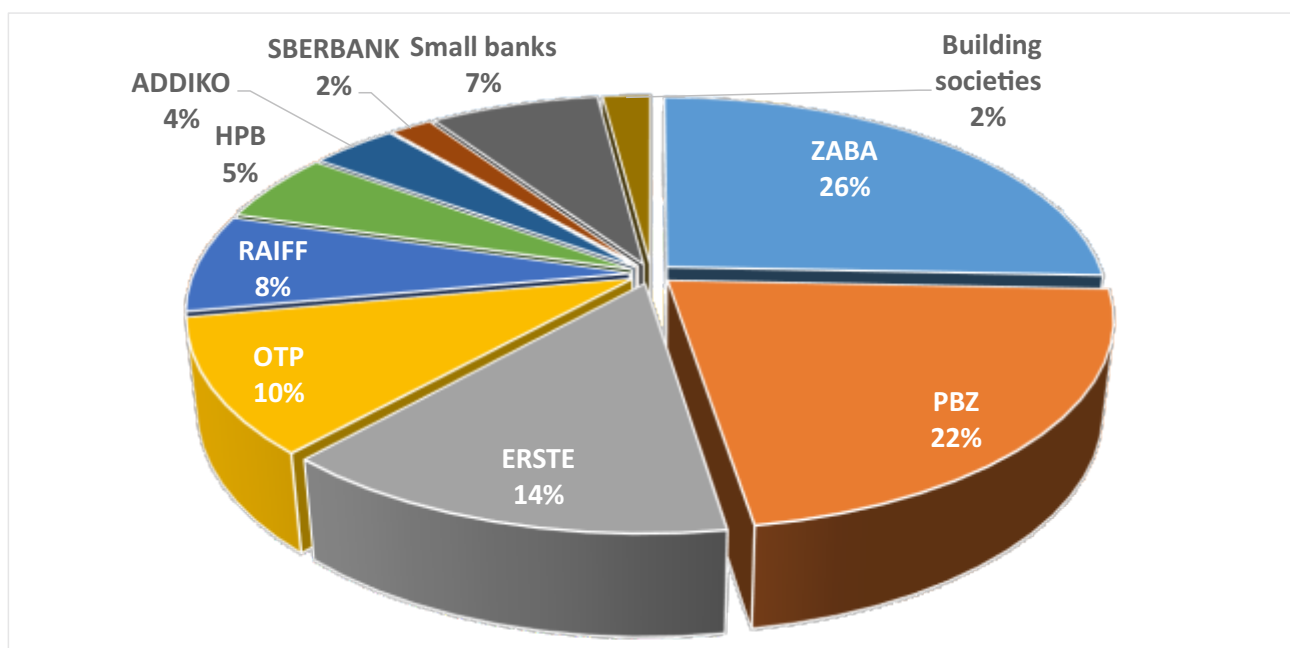
The target level of the Croatian DIF amounts to 2.5% of the covered deposit amount.

Currently, DIF reached the target level that enables us a very efficient system of protection of the depositors' deposits, i.e. it enables that the depositors may access their funds within a short period in case of bank failure.

In 2020, the calculated deposit insurance premium for the covered deposits amounted to HRK 558.2 million, i.e. it equalled 0.32% of the premium rate of the covered deposits and risk level of the individual credit institution in accordance with DIA.

Out of the 23 credit institutions, the covered deposits of eight large banks made up 90.6% or HRK 193.7 billion of the total covered deposits. The share of the small banks (12) amounted to 7.3% or HRK 15.7 billion, and the share of the three building societies amounted to 2.1% or HRK 4.4 billion.

Figure 7: The share of credit institutions in covered deposits as at December 31, 2020



Source: Agency

In order to protect the financial means, the Agency keeps all DIF funds on a special account opened with the CNB. The available DIF financial means are invested exclusively in the low-risk assets in a sufficiently diversified way. The goal of this is to limit the investment risk, which means the investment exclusively into the Ministry of Finance treasury bills and Republic Croatia's Bonds. In 2020, the Agency generated income amounting to HRK 3.812.074 by investing the available financial means of the Fund into the Ministry of Finance treasury bills and HRK 2.976.985 investing in Republic Croatia's Bonds.

It must be emphasised that as of January 1, 2021, **all Agency liabilities, i.e. cost of DGS will be borne exclusively by the credit institutions, DGS members in Croatia, unlike before when these costs were borne also by the taxpayers and government budget.**

2.3 Payment of compensation

In case of an insured event or credit institution's failure, as set out by DIA, i.e. when CNB passes a decision on unavailability of deposit or when the competent court issues a decision on initiating a bankruptcy proceeding against a credit institution, the deposit guarantee scheme will activate and the Agency will assume the obligation of paying the compensation to relevant depositors.

The preparation for the efficient and timely compensation of the depositors of the credit institution where the insured event occurred starts as of the date of occurrence of the insured event or credit institution failure. The Agency informs the depositors about the occurrence of the insured event in credit institution by publishing the relevant information on the Agency's website and in daily newspapers. Additionally, the Agency informs them that the funds for payment of compensation are available in the agent bank as well as of the method and time schedule of compensation.

The statutory period of the preparation of compensation is 10 days as of the day of the insured event or bank failure. The period will be additionally shortened as of January 1, 2024 and it will then last 7 workdays. It must be emphasised that our Agency met that obligation within the period that was shorter than the statutory period, in the past eight years.

The same period for payment of compensation also refers to the possible cases of payoff of the financial means of our depositors in the branch-offices of foreign banks. In case of deposits with branch-offices whose deposits are covered with a fund of the country in which the parent bank is registered, the local fund will take over the obligation to contact with the depositors, administer the payment request and the payment, although the payment of covered deposits is the obligation of the fund of the home country where the bank is registered. In the past 23 years, we had 30 cases of compensation payment with over 217 thousand depositors compensated and almost HRK 5.4 billion covered deposits paid (Table 5).

Table 5: Payout of covered deposits to depositors since the establishment of the Agency

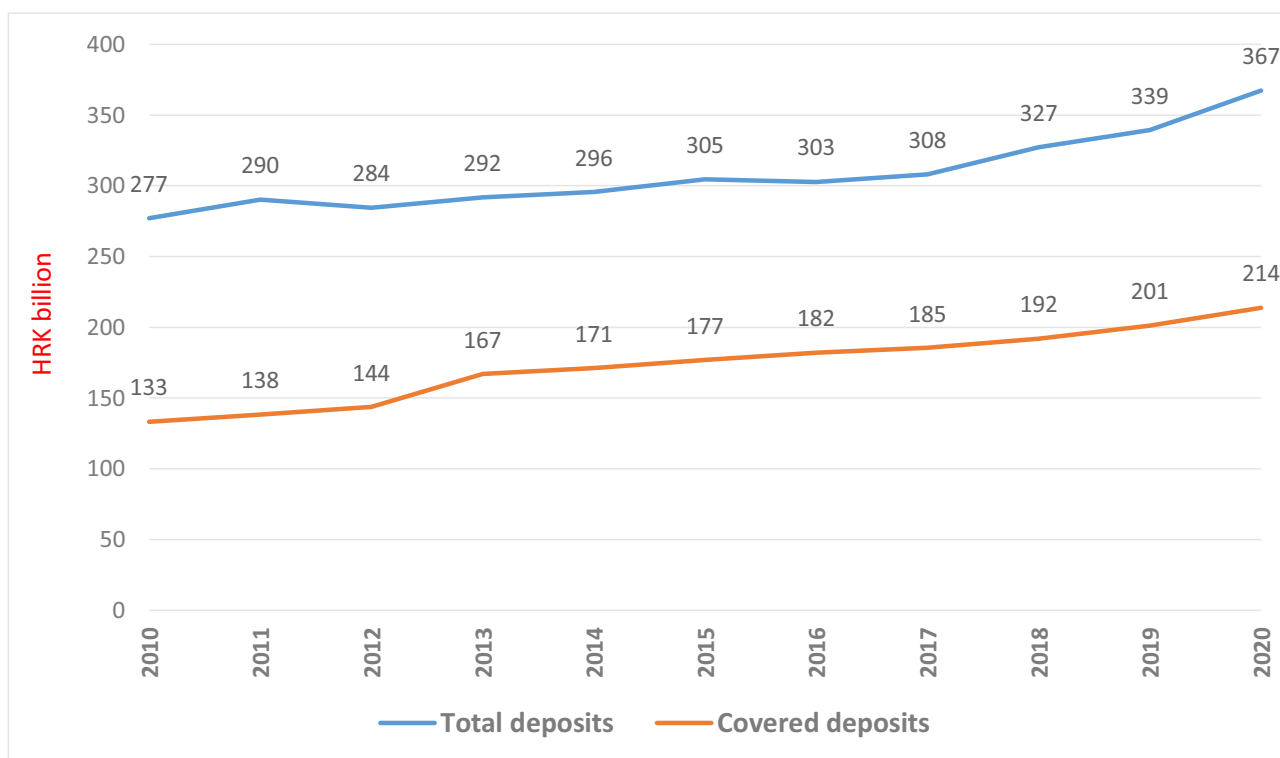
No.	Credit institution	Bankruptcy year	Compensation in HRK	No. of compensated depositors
1.	Vukovarska banka d.d. Vukovar	1998	26,628,202	13,101
2.	Građanska štedionica d.o.o. Zagreb	1998	30,224,221	946
3.	Ilirija banka d.d. Zagreb	1999	36,173,432	1,780
4.	Komercijalna banka d.d. Zagreb	1999	65,259,931	8,958
5.	Glumina banka d.d. Zagreb	1999	1,353,000,000	24,002
6.	Županijska banka d.d. Županja	1999	599,833,146	42,688
7.	Gradska banka d.d. Osijek	1999	919,202,812	35,875
8.	Neretvansko gospodarska banka d.d. Ploče	1999	27,674,269	5,635
9.	Invest štedionica d.o.o. Zagreb	1999	13,845,545	201
10.	Promdei banka d.d. Zagreb	1999	8,439,770	207
11.	Hrvatska gospodarska banka d.d. Zagreb	2000	225,711,133	25,255
12.	Agroobrtnička banka d.d. Zagreb	2000	125,270,719	14,613
13.	Trgovačko-turistička banka d.d. Split	2000	21,738,890	1,419
14.	Adria štedionica d.o.o. Zagreb	2000	1,865,769	31
15.	Dugi pogled štedionica d.o.o. Zagreb	2001	8,327,636	99
16.	Grošbanak štedionica d.o.o. Zagreb	2001	12,752,583	320
17.	Štedionica za razvoj i obnovu d.o.o. Zagreb	2001	87,806,595	4,624
18.	Razvojna banka Dalmacija d.o.o. Split	2001	3,301,761	97
19.	Gold štedionica d.o.o. Split	2001	12,275,736	343
20.	Mediteran štedionica d.o.o. Split	2001	20,449,916	421
21.	Alpe Jadran banka d.d. Split	2002	28,238,789	1,846
22.	Kaptol banka d.d. Zagreb	2002	15,072,976	411
23.	Slavonska štedionica d.d. Zagreb	2002	19,037,597	304
24.	Gospodarska štedionica d.d. Vrbovec	2003	10,039,607	166
25.	Međimurska štedionica d.d. Čakovec	2004	160,509,459	4,366
26.	Credo banka d.d. Split	2012	471,330,855	12,958
27.	Centar banka d.d. Zagreb	2013	525,190,379	7,126
28.	Nava banka d.d. Zagreb	2014	157,310,615	1,197
29.	Banka splitsko-dalmatinska d.d. Split	2016	379,497,567	8,212
30.	Tesla štedna banka d.d. Zagreb	2018	7,540	2
	TOTAL		5,366,017,450	217,203

Source: Agency

3 Deposit Development and Structure

The figure below presents the development of the total and covered deposits in the period from the beginning of 2010 until the end of 2020.

Figure 8: Development of total and covered deposits per year, period 2010 – 2020



Source: Agency

The covered deposits in the credit institutions sustained continuous slight growth within the observed period. The substantial growth of the covered deposits occurred in 2013 (a raise from HRK 144 billion to HRK 167 billion) as a direct consequence of the amendment of the DIA. After the Republic of Croatia joined EU (in 2013), the covered deposit amount was adjusted and raised from HRK 400,000 to EUR 100,000.

The figure 9 below shows the ratio of covered to uncovered deposits in credit institutions. It is evident that at the end of 2020, the covered deposits or the deposits that did not exceed EUR 100,000 per depositor made up 58.2% of the total deposits, whereas the uncovered deposits made up 41.8% of the total deposits.

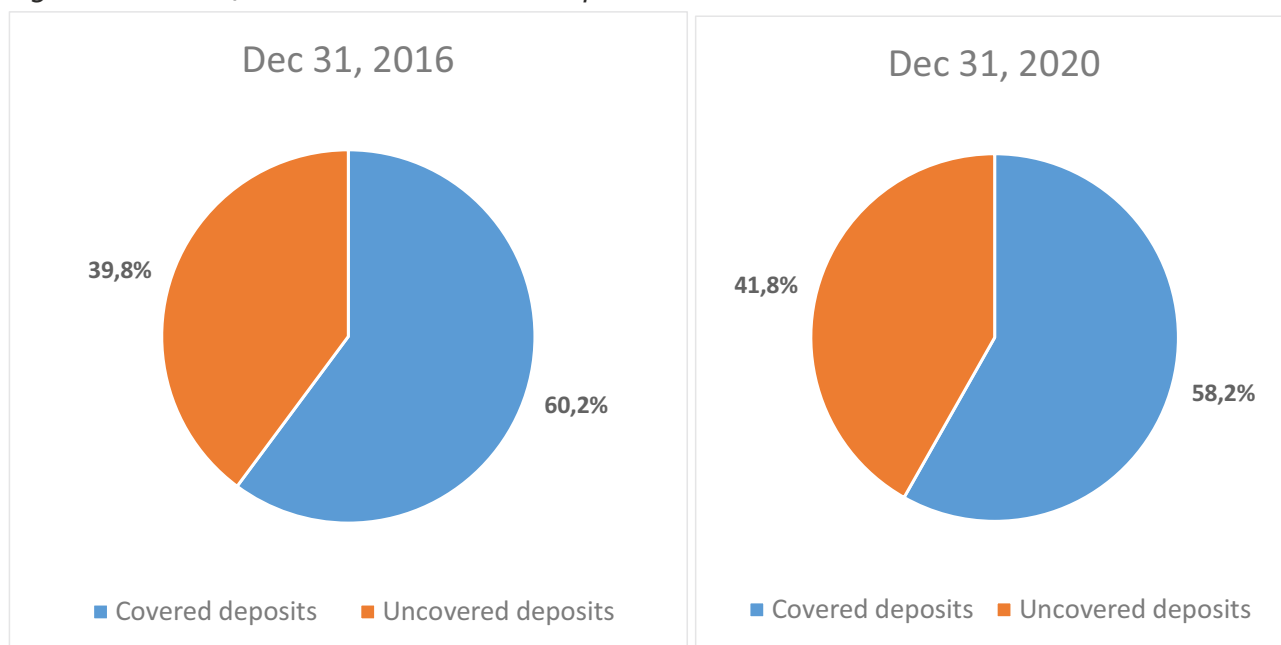
Deposits of natural persons have the highest share in the total covered deposits with HRK 191.1 billion or 89.4%. They are followed by the deposits of legal persons with HRK 20.6 billion or 9.6% and then deposits of non-profit organisations with HRK 2.0 billion or 1%.

Deposits of financial institutions and deposits of units of the government units (except the deposits of the local and regional administration units whose annual budget for the preceding year did not exceed HRK 3.75 million) do not have the right to compensation and are not covered. The uncovered deposits also include a portion of the depositors' deposits that are subject to insurance but exceed EUR 100,000.

As at December 31, 2020, the uncovered deposits amounted to HRK 153.5 billion, which makes about 42% of total deposits.

Deposits of legal persons with HRK 65.3 billion or 42.5% have the highest share in the structure of the uncovered deposits. They are followed by deposits of natural persons subject to insurance, but whose total amount exceeds EUR 100,000, with HRK 37.4 billion or 24.4% and deposits of financial institutions that amount to HRK 29.5 billion or 19.2%. Deposits of the government units amount to HRK 18.2 billion or 11.9% and deposits of the non-profit organisations amount to HRK 3.1 billion or 2%.

Figure 9: Ratio of covered to uncovered deposits



Source: Agency

3.1 Total deposits

As at December 31, 2020, the total deposits in credit institutions amounted to HRK 367.3 billion, i.e. they increased by 21.3% compared to the end of 2016 when they amounted to HRK

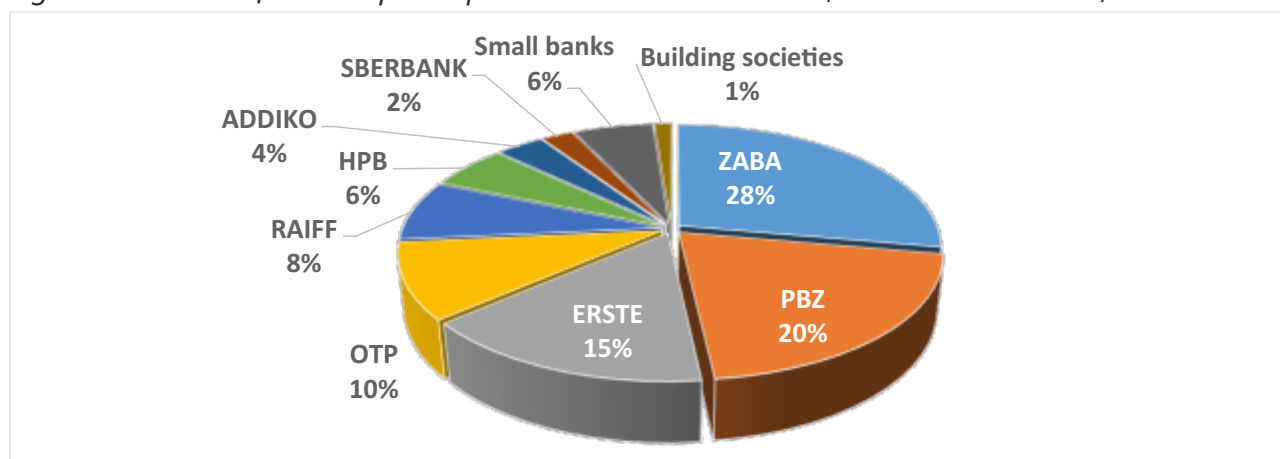
Table 6: Development of total deposits (per year) – in HRK billion

	2020	2016	2020 vs. 2016	
Data for all credit institutions	In HRK	In HRK	Change	Change in %
Total deposits	367.3	302.8	64.5	21.3%

Source: Agency

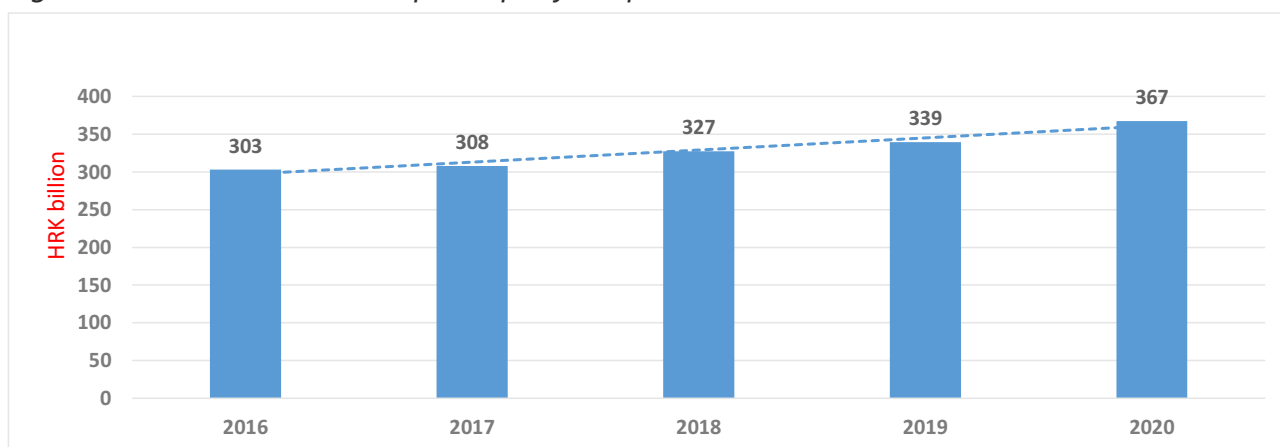
As at December 31, 2020, out of 23 credit institutions, **deposits of the eight large banks** made up **93%** of the total deposits or HRK 341.4 billion. **Small banks (12)** had a share of **6%** in the total deposits or HRK 21.4 billion, and the **three building societies had a share of 1%** or HRK 4.5 billion.

Figure 10: Share of total deposits per credit institutions in %, as at December 31, 2020



Source: Agency

Figure 11. Increase in total deposits per year, period 2016 – 2020



Source: Agency

3.2 Covered deposits

As at December 31, 2020, the covered deposits in credit institutions amounted to **HRK 213.8 billion**, i.e. **they increased by 17.3%** compared to the end of 2016 when they amounted to **HRK 182.2 billion**.

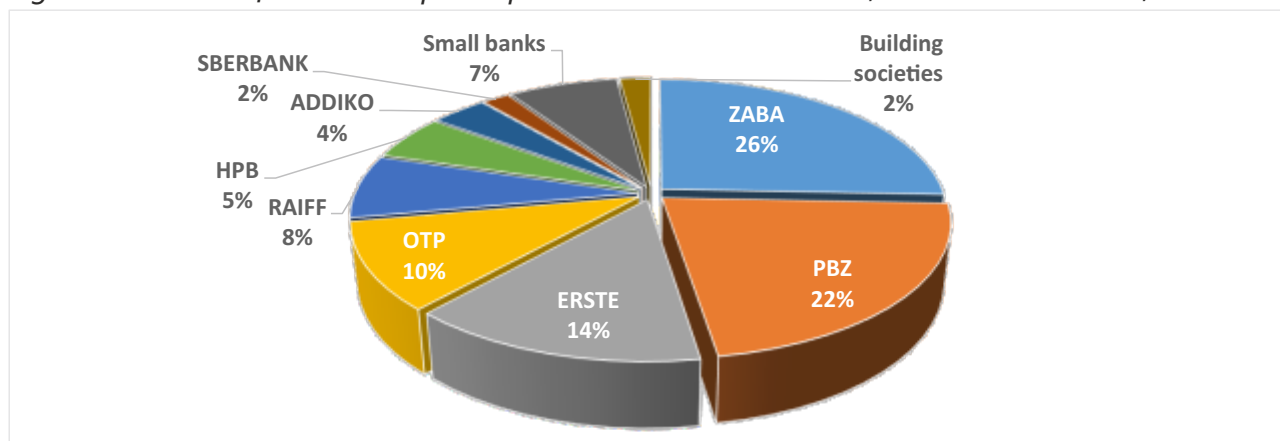
Table 7: Development of covered deposits (per year) – in HRK billion

	2020	2016	2020 vs. 2016	
Data for all credit institutions	In HRK	In HRK	Change	Change in %
Covered deposits	213.8	182.2	31.6	17.3%

Source: Agency

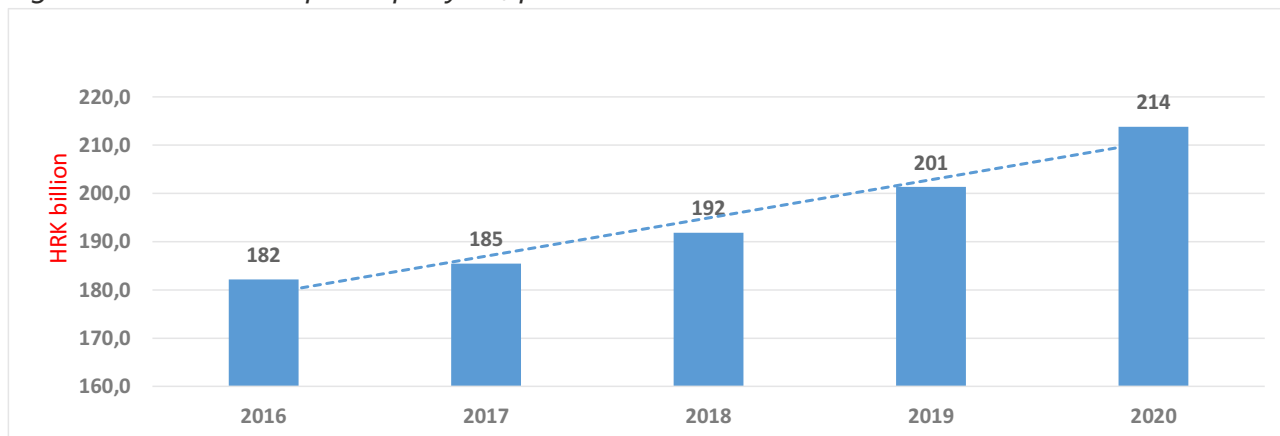
As at December 31, 2020, out of 23 credit institutions, the covered deposits of **eight large banks made up 90.6%** or HRK 193.7 billion of the total covered deposits. The share of the **small banks (12) amounted to 7.3%** or HRK 15.7 billion, and the share of the **three building societies** amounted to 2.1% or HRK 4.4 billion.

Figure 12: Share of covered deposits per credit institutions in %, as at December 31, 2020



Source: Agency

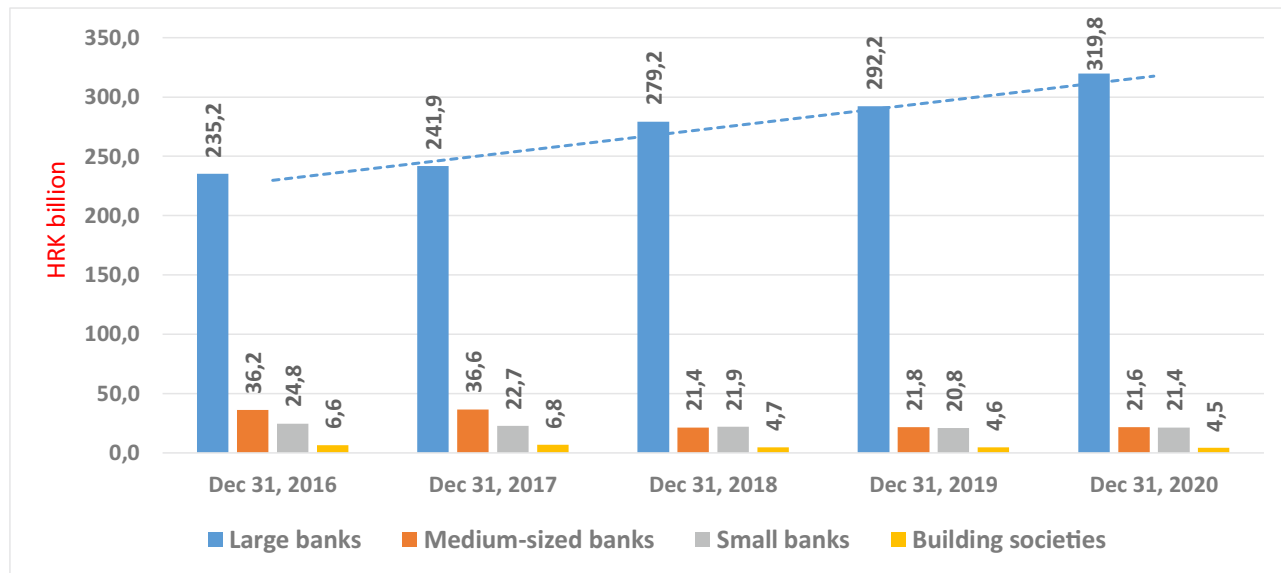
Figure 13: Covered deposits per year, period 2016 – 2020



Source: Agency

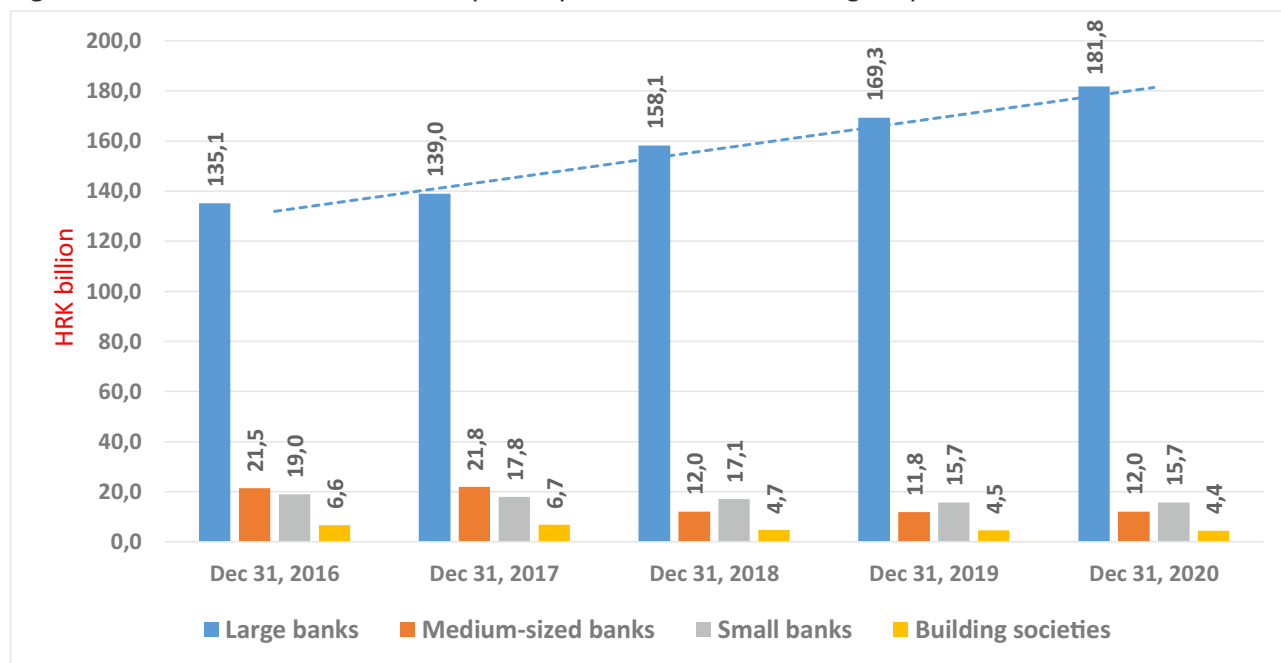
3.3 Deposits per credit institutions size overview

Figure 14. Share of the total deposits per credit institution groups, 2016 – 2020



Source: Agency

Figure 15: Share of the covered deposits per credit institution groups, 2016 – 2020



Source: Agency

3.4 Development of deposits per sector structure

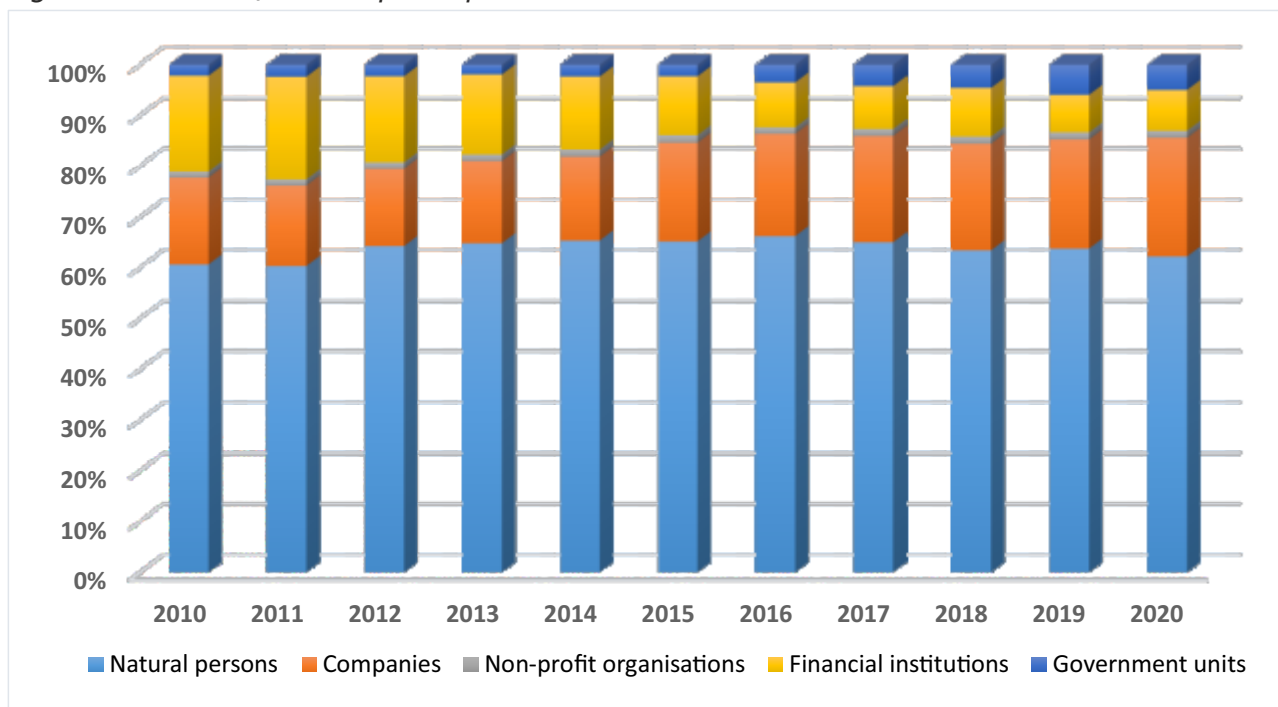
3.4.1 Total deposits per sector structure

Table 8: Total deposits per sector structure, 2010 – 2020 – in HRK billion

	Natural persons	Companies	Non-profit organisations	Financial institutions	Government units
2010	168.1	47.4	3.3	52.3	6.0
2011	175.2	46.0	3.6	58.7	6.9
2012	182.8	43.4	3.6	48.3	6.5
2013	189.2	47.2	3.9	46.0	5.6
2014	193.2	48.9	4.2	42.5	6.9
2015	198.6	59.2	4.6	35.3	7.0
2016	200.5	61.0	3.9	26.7	10.6
2017	200.3	64.5	4.2	26.0	13.0
2018	207.5	68.7	4.7	31.4	14.9
2019	216.4	73.0	4.8	25.1	20.1
2020	228.5	85.9	5.1	29.5	18.3

Source: Agency

Figure 16: Share of total deposits per sector structure, 2010 – 2020



Source: Agency

Out of the total amount of deposits in credit institutions, the share of deposits of natural persons was 62.2%, the share of deposits of legal persons was 23.4%, the share of deposits of non-profit organisations was 1.4%, the share of deposits of financial institutions was 8% and the share of government units was 5% at the end of the observed period.

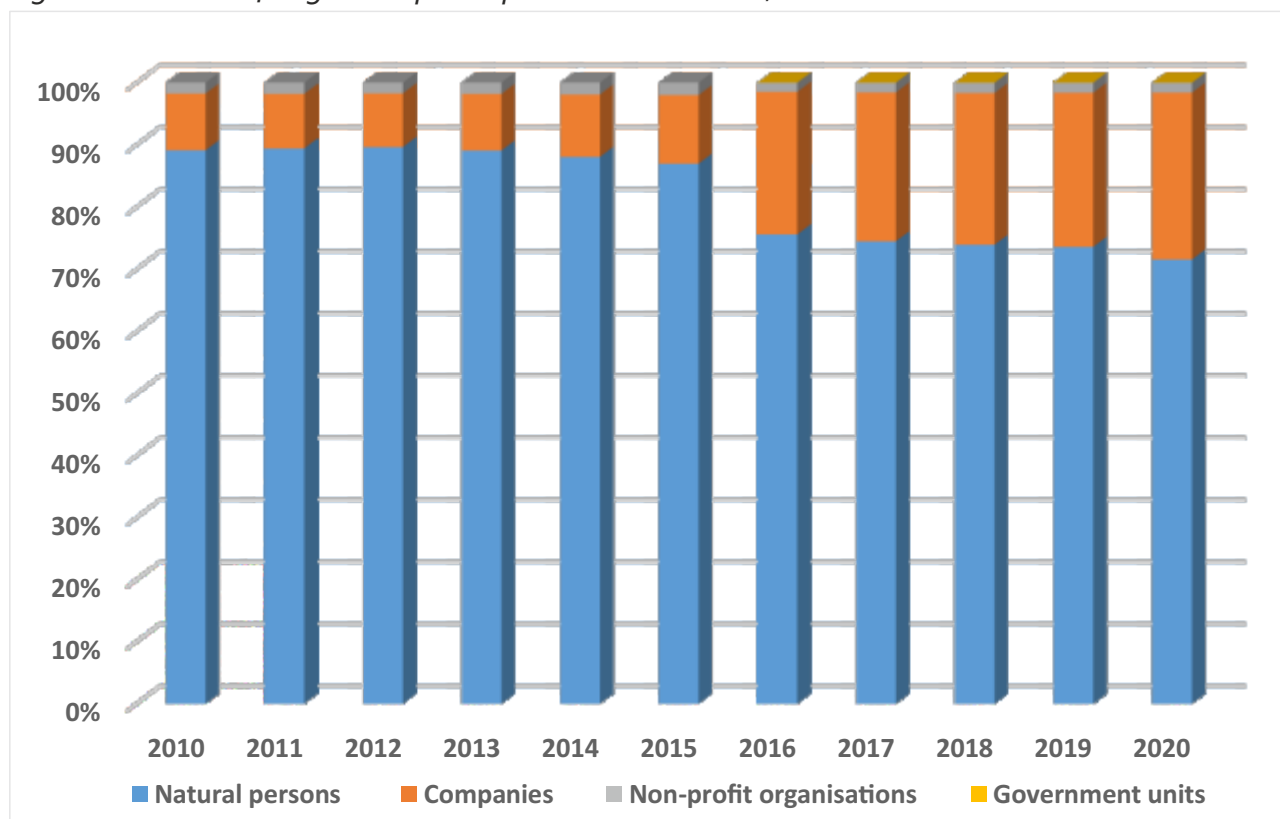
3.4.2 Eligible deposits per sector structure

Table 9: Eligible deposits per sector structure, 2010 – 2020. – in HRK billion

	Natural persons	Companies	Non-profit organisations
2010	167.5	17.2	3.3
2011	174.7	17.2	3.6
2012	182.2	17.6	3.6
2013	188.6	19.3	3.9
2014	192.7	22.0	4.2
2015	198.1	25.1	4.6
2016	200.1	60.7	3.9
2017	199.0	64.0	4.2
2018	207.2	68.4	4.7
2019	216.1	72.8	4.7
2020	228.2	85.6	5.1

Source: Agency

Figure 17: Share of eligible deposits per sector structure, 2010 - 2020



Source: Agency

As at December 31, 2020, the share of eligible deposits in the total deposits amounted to 86.8%. Out of the total amount of eligible deposits, the share of natural persons was 71.5%, the share of legal persons was 26.9% and the deposits of the non-profit organisations was 1.6% at the end of the observed period.

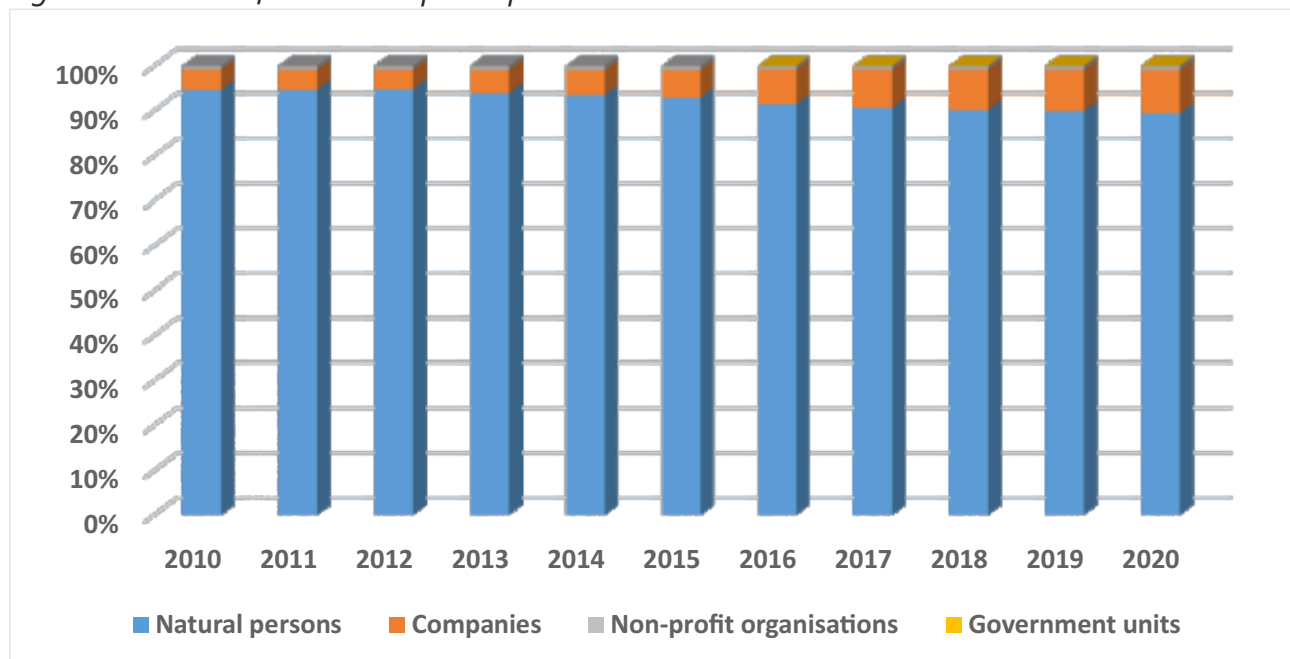
3.4.3 Covered deposits per sector structure

Table 10: Covered deposits per sector structure – in HRK billion

	Natural persons	Companies	Non-profit organisations
2010	126.0	6.1	1.1
2011	130.8	6.2	1.3
2012	136.1	6.2	1.3
2013	156.7	8.7	1.6
2014	160.0	9.6	1.6
2015	164.3	10.9	1.7
2016	166.6	14.1	1.4
2017	168.0	15.8	1.6
2018	172.9	17.2	1.7
2019	181.0	18.5	1.8
2020	191.1	20.6	2.0

Source: Agency

Figure 18: Share of covered deposits per sector structure

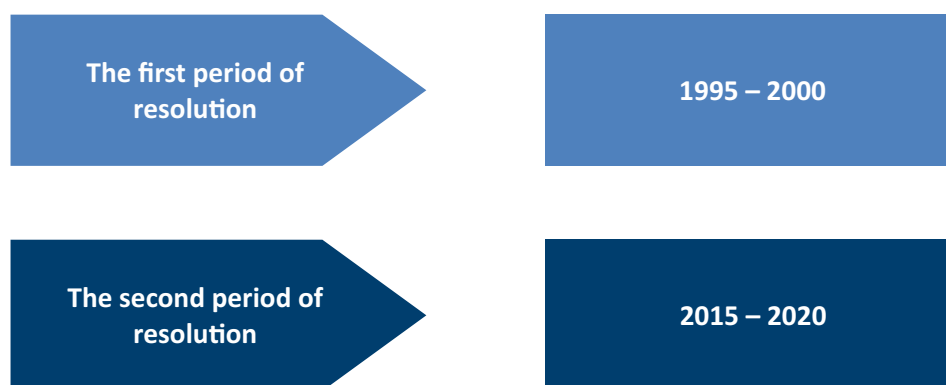


Source: Agency

Out of the total amount of the covered deposits in credit institutions, the share of deposits of natural persons was 89.4%, the share of deposits of legal persons was 9.6% and the share of non-profit organisations was 1%.

4 Resolution of credit institutions

Figure 19: Resolution of credit institutions



4.1 The first period of resolution

The first period of the resolution of credit institutions started at the time when the Republic of Croatia gained independence. The economic downturn caused some serious issues to the banking system in Croatia. The lack of capital at the moment when Croatia gained independence was so big that the Government had to intervene in order for the banking system to survive and **the cost of bank resolution was charged to the government budget**, i.e. taxpayers. Reform of the banking system started in 1991 after the Republic of Croatia became independent. As a part of the reform, the CNB became the central bank with all functions and responsibilities of a central bank.

In accordance with the Resolution and Restructuring of Banks Act (OG 44/94) and the State Agency for Deposit Insurance and Bank Resolution Act (OG 44/94, 79/98, 19/99 and 35/00), and at the proposal of CNB, the Government of the Republic of Croatia passed decisions on the resolution and restructuring of the six banks in the period from October 1995 to May 2000:

- Slavenska banka d.d., Osijek
- Riječka banka d.d., Rijeka
- Splitska banka d.d., Split
- Privredna banka d.d., Zagreb
- Dubrovačka banka d.d., Dubrovnik
- Croatia banka d.d., Zagreb

These banks recorded a high volume of non-performing loans, 90% of which were placements to large state owned companies, which caused insolvency of banks.

The cost of bank resolution was about **HRK 19 billion**. This amount represents the principal only, without the interest, because other resources were also used besides cash. These were mostly securities (bonds) or debt assumption with different interest rates and due dates. **The processes of privatisation were finalised by 2002, except for the privatisation of Croatia banka.**

The Resolution and Restructuring of Banks Act, i.e. the effects generated by the implementation of this Act, is the most significant factor that formed the banking system in the Republic of Croatia. This statement is supported the fact that, **over half of the system went through the process of resolution and restructuring in accordance with the provisions of this Act in terms of the size of assets of the resolved banks in comparison to the total assets of the banking system.**

Characters of the banks' resolution were:

- Uncovered losses were borne by the state budget and taxpayers.
- Part of the non-performing loans were written off on the bank capital.
- Bank portfolios were cleaned up, i.e. part of the non-performing loans were transferred to the Agency.
- The banks were recapitalized: after the write-off of the non-performing, the government recapitalized each bank up to the level of minimum capital adequacy.
- The shareholder structure of the bank was changed: the Agency became the new shareholder, whereas the old shares were cancelled.
- The management of the banks was changed: resolution manager was appointed that reported to the Agency.

The Republic of Croatia is one of the countries with the highest fiscal cost of bank resolution. The settlement of bank debts was a huge burden on the government budget. In the mid 2000s, the Resolution and Restructuring of Banks Act was repealed (OG 52/00). Pursuant to this Act, the ongoing resolution processes were to be finished in accordance with the provisions of the then applicable Act.

However, 15 years later, the Act on the Resolution of Credit Institutions and Investment Firms (OG 19/2015) was passed by transposing the Directive 2014/59/EU of the European Parliament and of the Council of May 15, 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms into national law of the Republic of Croatia. The goal of passing the new Act was to maintain the financial stability of the country in case of resolution of a credit institution or investment firm of public interest, to reduce the loss for the society as much as possible, **and especially to avoid the need to use the taxpayers' money for the resolution of these institutions.** Furthermore, the goal was to protect the depositors and to preserve key functions of the institutions facing problems.

4.2 The second period of resolution

In order to prevent the repetition of the 2008 financial crisis that affected entire Europe, EU established new institutional structures in 2015. These structures granted a more secure financial sector for a single market. There were some major changes in bearing the resolution cost. Once the own funds are used, a credit institution is financed by the resolution fund. The resolution of credit institution is not implemented only for the benefit of a credit institution, but also for the benefit of the society in general, because the failure of systemically important institution would have an extremely significant impact on the economy in general. **The costs of resolution are no longer borne by taxpayers, but by the bank itself, i.e. its shareholders, creditors and all other players in the market.**

The Act on the Resolution of Credit Institutions and Investment Firms from 2015 sets out the distribution of competence between the resolution authorities in Croatia as follows:

- CNB as the resolution authority for the credit institution and group of credit institutions,
- HANFA as the resolution authority for the investment firm, group of investment firms and financial institutions under its competence and
- The Agency as the resolution authority for the credit institution, group of credit institutions, investment firm, group of investment firms and the financial institution.

The Ministry of Finance of the Republic of Croatia is the ministry competent for the tasks within the framework of the Act on the Resolution of Credit Institutions and Investment Firms.

A resolution process was initiated over Jadranska banka d.d. on October 9, 2015 after the CNB determined that the bank was failing or likely to fail. During its history, Jadranska banka had been transformed on several occasions. Until 2015, when the resolution process started, the bank had 19 branch-offices, over 56 thousand clients natural persons and 3,600 legal persons. Additionally, the bank was the only financial support in the Šibenik-Knin County.

It must be emphasised that **Croatia was one of the first, if not the first member that was granted the approval for the small bank resolution scheme by the European Commission after the European Directive for the recovery and resolution of banks (Directive 2014/59 EU)** / Program of resolution of small credit institution in Croatia with the total assets less than HRK 1.5 billion. The scheme was implemented for the resolution of Jadranska banka d.d. as the credit institution with the asset less than EUR 1.5 billion. Resolution of small banks and enabling the continuation of their business operations also enables the continuation of business operations of their clients, which has a positive effect on the economy in general.

4.3 The Single Resolution Mechanism

On 1 October 2020, by entering into close cooperation between the European Central Bank and the CNB, the Republic of Croatia became a participating Member State of the Single Resolution Mechanism¹ (hereinafter: SRM), What has brought changes concerning to credit institution resolution policies and procedures. In accordance with Regulation (EU) no. 806/2014 (hereinafter: the Regulation), a centralized resolution authority has been established and entrusted to the Single Resolution Board (hereinafter: SRB) as the central resolution authority in the Banking Union and to the national resolution authorities.

The Regulation prescribes the establishment of the Single Resolution Fund (hereinafter: SRF). The SRF is administered by the SRB in accordance with the purpose and conditions prescribed by the Regulation. Participating Member States remain competent to levy the contributions from the entities located in their respective territories in accordance with Directive 2014/59/EU² and the Regulation. During the initial period (2016- 2023) the contributions is going to be allocated to national compartments of each participating Member States. Those compartments will be subject to a progressive merger so that they will cease to exist at the end of the initial period. At the end of an initial period the SRF shall reach a target level at least 1% of the amount of covered deposits of all credit institutions authorised in all of the participating Member States.

In other words, the SRB is taking over the Agency' s role so far and in accordance with the Regulation, Commission Delegated Regulation (EU) 2015/63³ and Council Implementing Regulation (EU) 2015/81⁴, is calculating contributions, financing and conducting a resolution of the entities falling within the scope of application of the Regulation. Regarding the SRF, the Agency become an administrator, i.e., it is still responsible for collecting contributions from institutions located in the territory of Croatia in accordance with Directive 2014/59 / EU and the Regulation, which includes collecting data from institutions for calculating annual contributions, issuing accounts for annual contributions and the transfer of collected annual contributions to the SRF, all in accordance with the Act on ratification of the Agreement on the transfer and mutualisation of contributions to the Single Resolution Fund⁵ (hereinafter: Agreement).

During the 2020, the Agency collected from institutions the data needed to calculate contributions for the period 2016 to 2020. The SRBs' calculation of the amount of the ex-ante contributions is based on data provided by the institutions in the Republic of Croatia for the above-mentioned period. The Agency transferred the amount calculated by the SRB from the National Resolution Fund into SRF, all in accordance with the Agreement.

On 1 January 2021, the new Act on Resolution of Credit Institutions and Investment Firms entered into force, by which the Agency ceases to be a resolution authority, but continues to manage the National Resolution Fund and cooperate with the SRB related to the SRF.

¹ REGULATION (EU) No 806/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010

² DIRECTIVE 2014/59/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council

³ Commission Delegated Regulation (EU) 2015/63 of 21 October 2014 supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to ex ante contributions to resolution financing arrangements

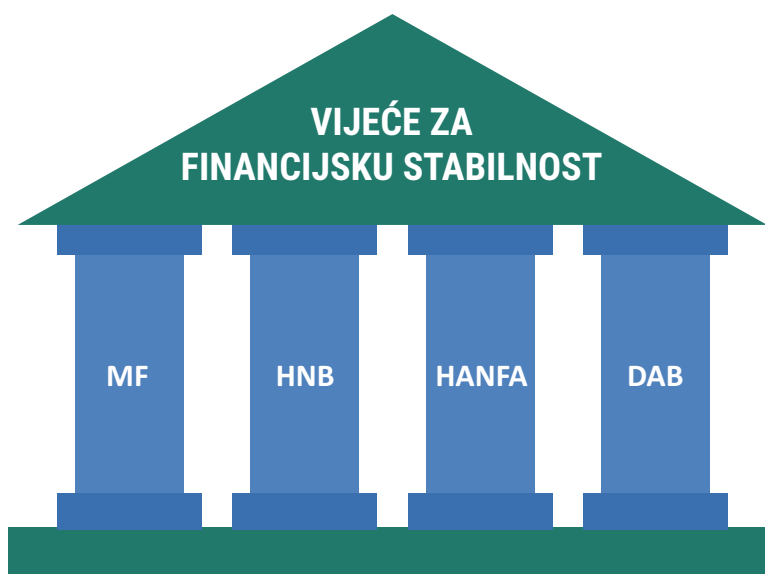
⁴ Council Implementing Regulation (EU) 2015/81 of 19 December 2014 specifying uniform conditions of application of Regulation (EU) No 806/2014 of the European Parliament and of the Council with regard to ex ante contributions to the Single Resolution Fund

⁵ Act on ratification of the Agreement on the transfer and mutualisation of contributions to the Single Resolution Fund (OG 1/2020)

5 Collaboration with the Public Institutions

The Agency is a member of the Financial Stability Council (the Council) and it collaborates with other members on accomplishing goals and tasks of the Council. The Council was established at the beginning of 2014, pursuant to the Financial Stability Council Act (OG 159/13) with an aim of preserving financial stability, better coordination of competencies of different institutions and stronger collaboration in potential crisis situations between the institutions in the Republic of Croatia.

Figure 20: Four pillars of the financial safety net



The most important authority of the Council refers to issuing of warnings and recommendations to competent authorities, other government administration units and legal persons with public authorities that operate in the Republic of Croatia. The warnings refer mostly to paying attention to system risks that may jeopardise the financial stability, whereas the recommendations refer to the need of introducing or amending measures and instruments that are applied in order to protect the financial stability.

In the first years of the Council's activity its most important tasks were implemented. These were: participation in the creation of a macroprudential policy, identification, assessment and review of systemic risks, activities related to meeting of requests contained in warnings and recommendations of the European Systemic Risk Board, enabling collaboration and exchange of information between the competent authorities, work on the alignment of methodology for identification of financial institutions or structures important for the system, participation in activities related to recovery and resolution of credit institutions and non-banking financial institutions as well as participation in designing the deposit insurance system.

6 International Collaboration

To encourage the exchange of the best practices, knowledge and accomplishments with the European countries and globally, the Agency is a member of two international deposit insurance associations: International Association of Deposit Insurers (IADI) and European Forum of Deposit Insurers (EFDI). The goal of both of these associations is to contribute to the stability of the financial system by strengthening the role and promoting the European and international collaboration in the segment of deposit insurance as well as exchange of positive experiences in this segment.

Due to either direct or indirect connection between the financial systems of all countries in the world, the issues that occur in one country may have a substantial impact on some other country. Therefore, the ways in which an individual country solves issues may also help some other country in solving their issues. In order to be up to date and ready for challenges, the Agency participates actively and contributes to the work of the international associations. It is also connected with the representatives of institutions in other countries that play the same or the similar role.



IADI members do research and prepare the guidelines for countries that want either to establish or improve deposit insurance. IADI prepared a document title IADI Core Principles that was adopted by the Basel Committee on Banking Supervision and the Financial Stability Board. It has also been included in the "Summary of the International Standards of Financial Stability".



EFDI is the organisation comprising deposit insurance institutions in the European countries. EFDI provides support to its members in implementing their tasks of protecting depositors in the banking crisis by improving their system through knowledge sharing. EFDI improves the interaction with EU authorities and institutions responsible for maintenance of a safe and sound financial system all over Europe.

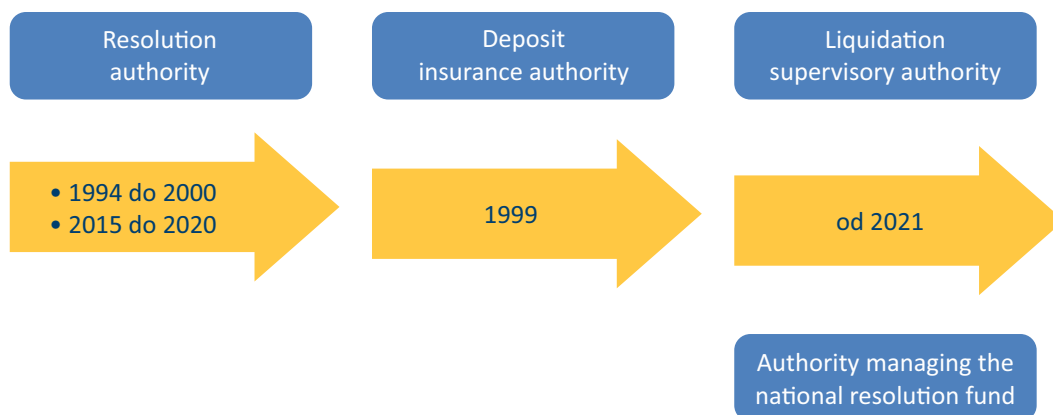
Ms Marija Hrebac, Agency CEO was chosen to the Board of Directors of EFDI in 2015. She was appointed Vice Chair of EFDI and also a member of the Executive Council of IADI and is therefore actively involved in the work of both European and global deposit insurers.

7 The New Deposit Insurance System Act

When we now look back at the establishment and the first years of the Agency we are free to conclude that the Agency faced some serious transition issues, just as the state that just gained independence at that time and was claiming their place in the European family.

As already stated, the legal authorities of the Agency that was founded in 1994 have grown bigger and more complex. They strengthened the role of the Agency in protection of the depositors' deposits as well as resolution and restructuring of banks. At the same time, the Agency harmonised with the European legal framework in order to improve the quality of support provided to credit institutions and raise the depositors' trust. By doing so, the Agency contributed to the overall financial stability in the Republic of Croatia.

Figure 21: Timeline



Today, after more than twenty years since the establishment, we can proudly say that the Agency became a modern and efficient. Just like all other European deposit insurers that gained reputation long time ago, the Agency keeps up the pace with the best of them, contributes to the stability of the financial sector and protects deposits in credit institutions in the Republic of Croatia. As the next logical step, the new Deposit Insurance System Act was prepared that came into force as of January 1, 2021.

The purpose of passing the new Deposit Insurance System Act was to predict and properly manage the situations of credit institution failure that could cause legal insecurity with regard to the protection of depositors. In order to protect the financial stability of the system, the regulatory provisions stipulate activation of the deposit insurance system in case of an insured event or initiation of a compulsory liquidation of a credit institution.

The provisions of the Act consolidate the Deposit Insurance Act (OG 82/15) and the State Agency for Deposit Insurance and Bank Resolution Act (OG 44/94, 79/98, 19/99, 35/00, 60/04, 12/12 and 15/13) and the Act stipulates the transformation of the current State Agency for Deposit Insurance and Bank Resolution into the Croatian Deposit Insurance Agency.

The most important harmonisation of the Act is the one concerning the source of financing of the deposit insurance system – **it will no longer be financed at the expense of the government budget and taxpayers, but only at the expense of credit institutions, members of the Deposit Insurance System.** The entire system is harmonised with the European directives and also follows the lead of Croatia on the way to the euro area.

The role of the Agency has been adjusted in terms of the new distribution of the resolution competencies by which the Agency is no longer one of the resolution authorities. **The Agency remains a participant in the resolution process as an authority that manages the national resolution fund. It will also continue to manage the Deposit Insurance Fund and is granted authority to participate in processes of compulsory liquidation of credit institutions in accordance with the Credit Institutions' Compulsory Liquidation Act.**

The Act also stipulates changes in the organisation and management of the Agency. **The Agency structure changed and instead of the Management Board, the Agency now has the Supervisory Board and Executive Director,** who is appointed to a four-year period. The Members of the Supervisory Board are appointed by the Government of the Republic of Croatia at the proposal of the Minister of Finance. Credit Institutions also have the right to propose a member to the Minister of Finance, and the Supervisory Board appoints the Agency CEO.

Furthermore, in order to insure the more efficient use of financial means from the Deposit Insurance System, the Act stipulates that the Deposit Insurance Fund comprises two parts:

- The Basic Deposit Insurance Fund
- The Additional Deposit Insurance Fund

The purpose of the Basic Deposit Insurance Fund is payment of covered deposits. This Fund must dispose of funds in the amount of 1% of the total covered deposits of all credit institutions in the Republic of Croatia at any time, whereas the **purpose of the Additional Deposit Insurance Fund** is to act as a supplement to the Basic Fund, to provide support in collection of ex-post premiums, to use the funds for the implementation of measures for prevention of risks against insured events and to provide support to financing of the resolution of credit institutions and financing of their compulsory liquidation. The target level of the Additional Deposit Insurance Fund amounts to 1.5% of the total amount of the covered deposits of all credit institutions.

8 Financial Indicators

The Agency, as a non-profit organisation, manage its accounting in accordance with the regulations adopted pursuant to the Financial Operations and Accounting of Non-Profit Organizations Act (OG 121/14) and prepares basic financial statements: Income and Expenditure Statement, Balance Sheet and Notes to the Financial Statements.

By carrying out its scope of activities, the Agency manages:

- Deposit Insurance Fund
- Resolution Fund (established in 2015).

Below is an overview of extracts from the basic financial statements.

Table 11: Overview of the profit and loss statement for the period 2016 – 2020 '000 HRK

DESCRIPTION	EXECUTION 2016	EXECUTION 2017	EXECUTION 2018	EXECUTION 2019	EXECUTION 2020	INDEX
1	2	3	4	5	6	5=6/2*100
1 TOTAL INCOME	912.996	1,050,636	1,097,718	1,000,847	797.110	87.31
2 TOTAL EXPENSES	992.977	83.851	9.532	8.707	29.690	2.99
PROFIT/LOSS	-79.980	966.784	1,088,186	992.140	767.420	-

Source: Agency

¹ over 50% of operating expenses refer to the cost of resolution of Jadranska banka d.d., Šibenik, 40% refer to the cost of payment to Banka splitsko-dalmatinska d.d. u stečaju, Split, and 3% refers to legal costs

Table 12: Overview of the balance sheet, period 2016 – 2020 '000 HRK

DESCRIPTION	2016	2017	2018	2019	2020	INDEX
1	2	3	4	5	6	5=6/2*100
1 NON-FINANCIAL ASSETS	336,020	3,653 ¹	3,686	3,554	3,481	1.04
2 FINANCIAL ASSETS	8,310,101	6,779,015	7,423,679	8,147,449	8,866,065	106.69
TOTAL, ASSETS	8,646,121	6,782,668	7,427,365	8,151,003	8,869,546	102.58
3 LIABILITIES	608,908	27,378	20,261	16,287	19,012	3.12
4 OWN SOURCES	8,037,213	6,755,290	7,407,104	8,134,716	8,850,534	110.12
TOTAL LIABILITIES AND OWN SOURCES	8,646,121	6,782,668	7,427,365	8,151,003	8,869,546	102.58

Source: Agency

¹ All assets which are in legal title of the Agency and which originate from old resolutions implemented in the period from 1995 to 2000, whose acquisition was financed from the budget of the Republic of Croatia and which was managed by HFP/AUDIO/DUUDI during the above specified period, were transferred to the ownership of the Republic of Croatia after establishing of the Ministry of State Property and the Agency ceased to be the title owner of those assets. Pursuant to the executed transfer of assets, the assets were reversed in the financial records of the Agency.

9 Other

9.1 Activity Report of the Information Officer

The Act on the Right of Access to Information (OG 25/13, 85/15) regulates the right of access to information and the reuse of information in possession of public authorities. It also sets out the principles, restrictions, procedure and method of gaining and facilitating access and reuse of information. The Act on the Right of Access to Information (hereinafter: ARAI) stipulates that the "public authorities" are obliged to enable the exercising of the right to access and repeated use of the information and to meet other regulatory requirements. The Agency is a public authority and it is obliged to appoint an information officer within the context of meeting the statutory obligations related to the right of access to information. The information officer is responsible for the matters related to the provision of access to the information.

The contact data of the information officer and their deputy are published at the Agency's website <https://www.dab.hr/o-nama/pravo-na-pristup-informacijama>. Under the tab "Documents" the website also publishes the reports and other documents in accordance with the requirement of the Article 10, paragraph 1 of ARAI (Annex). Within the scope of their regular activities, the information officer and their deputy update the published data in accordance with the relevant changes or upon expiry of a business year. They also process all received requests for access to information submitted either verbally or in writing, as a part of their regular activities. The written requests are submitted by filling out the relevant request form for access to information published on the Agency website, and the verbal requests are received at 01 / 48 13 222.

No fee is charged for the access to information, but the Agency has the right to request compensation of the material costs that incur by the provision of information as well as the compensation of cost of delivery of the requested information.

During 2020, the Agency received 10 requests for access to information out of which 5 were met, and 2 were rejected in accordance with the provisions of ARAI (Article 15, paragraph 2, item 2 and Article 15, paragraph 2, item 4). Out of the remaining 3 requests, 1 was an assigned request for access to information to another legal person, and the other 2 related to the inquiries that fall under the competence of other persons. Considering the quantity of the received requests for access to information, 2020 was no different from the previous years.

9.2 Activity Report of the Safety at Work Officer

The Occupational Health and Safety Act (OG 71/14, 118/14, 154/14, 94/18 and 96/18) regulates the occupational health and safety system in the Republic of Croatia, in particular the relevant national policy and activities, general principles of prevention and rules of the occupational health and safety, employer's obligations, rights and obligations of employees and occupational health and safety commissioner, activities related to the occupational health and safety, as well as the supervision and liability for administrative offences. In accordance with Article 71 of the Occupational Health and Safety Act, the Agency Appointed at the proposal of the majority of employees, the Health and Safety Commissioner with an aim of providing systematic improvement of the health and safety at work of workers and persons at work, preventing occupational and work-related injuries.

The Occupational Health and Safety Commissioner is obliged to protect the interest of the employees in the segment of the occupational health and safety and supervise the implementation of the relevant rules, measures, procedures and activities. To provide assistance to the Occupational Health and Safety Commissioner and in the segment of provision of the professional tasks related to the occupational health and safety, the Agency and Alfa sigurnost d.o.o. from Zagreb signed an Agreement on Provision of Tasks Related to the Occupational Health and Safety and Fire Prevention, in accordance with Article 20 of the Occupational Health and Safety Act and Article 20 of the Fire Prevention Act. The Agreement no. 034-05-2016 was signed on May 1, 2016.

In 2020, the Occupational Health and Safety Officer worked on provision of the appropriate work conditions in accordance with the legal framework together with the representative of Alfa sigurnost d.o.o. Taking into consideration that all Agency employees worked remotely from March 16, 2020 due to the COVID-19 pandemic, and after March 22, 2020 due to the damage caused to the Agency's premises by the earthquake, the engagement on the provision of the proper work conditions at the business premises was largely reduced. To enable continuous work from home, all employees were provided with the required equipment (computers, keyboards, monitors etc.) that was delivered to their homes. By the finalisation of this report, the Health and Safety Commissioner did not receive any objection related to the work from home using all the required equipment.

The work from home obligation was terminated by the Decision of the Employer's representative on February 15, 2021.

9.3 Activity Report of the Data Protection Officer

The Act on the Implementation of the General Data Protection Regulation (OG 42/18) ensures the implementation of the Regulation (EU) 2016/679 of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation).

The General Data Protection Regulation (hereinafter: **GDPR**) came into force on May 25, 2018 replacing the former Data Protection Directive from 1995 (hereinafter: Directive). The GDPR was adopted as a reaction to the massive expansion of personal data processing after the introduction of the Directive from 1995, and a response to the development of increasingly invasive technologies. The GDPR is based on the Directive, as well as the court practice of the Court of Justice of the European Union developed based on the Directive, but it has a much broader scope than the Directive and as such substantially strengthens the European data protection regime. It brought many changes in terms of the improved harmonisation, stronger rights of data subject, closer cross-border collaboration in implementation of activities between the national data protection authorities (DPA) etc. The introduction of a new principle of "responsibility [reliability]" and the Data Protection Officer (DPO), appointed by the head of the data processing, i.e. The Agency were among the most important changes.

Pursuant to the above specified regulations, the **Data Protection Policy of the Agency** (hereinafter: the Policy) was adopted on May 25, 2018. The Policy regulates the basic rules and principles of personal data protection in accordance with the operational and safety requirements of the Agency, as well as the regulatory framework, the best practices and internationally accepted standards.

The Agency appointed the Data Protection Officer on May 8, 2018 in accordance with the above-specified regulations.

- Provision of information and consultancy services to the controllers/processors in accordance with the Regulation and other provisions related to the personal data protection in EU or a Member State;
- Supervision of compliance with the applicable Agency regulations in terms of the personal data processing;
- Raising the awareness about the importance of personal data protection by providing proper training to the employees involved in personal data processing;
- Provision of advice, when required, related to the assessment of risk effects to the personal data protection;
- Supervision of the Policy implementation and management of the personal data collections.

In 2020 **there were no supervisions initiated** by the personal data protection supervisory authority (Personal Data Protection Agency).

9.4 Activity Report of the Officer for the Protection of Dignity

The Anti-Discrimination Act (OG 85/08, 112/12), regulates the protection against discrimination based on the race, ethnic background, skin colour, sex, language, religion, political or other beliefs, national or social origin, financial status, membership in unions, education, social status, marital or family status, age, health, disability, genetic heritage, gender, expression of or sexual orientation or putting into unfavourable position of any person based on the foregoing, as well as putting a person at disadvantage based on a wrong judgement with regard to presence of a basis for discrimination.

In accordance with the Anti-Discrimination Act, the **Labour Regulations** (hereinafter: the Regulations) and the Code of Ethics of the Agency regulate the procedure of protection of the employees' dignity and prohibition of discrimination, as well as other work-related issues. The Chapter VII of the Regulations **Protection of Dignity of Employees and Protection against Discrimination** are regulated obligations of the Employer in terms of: protection of employees against the direct or indirect discrimination in the segment of work and work conditions, including the selection criteria and the criteria for employment, promotion, career guidance, professional training and retraining, in accordance with special laws, and is based on the race, ethnic background, skin colour, sex, language, religion, political or other beliefs, national or social origin, financial status, membership in unions, education, social status, marital or family status, age, health, disability, genetic heritage, gender, expression or sexual orientation. The discrimination will also be considered putting an employee or a person who applies for a job vacancy at disadvantage based on the aforementioned.

Additionally, Article 5 of the Regulations regulates all forms of discrimination by emphasising that the dignity of all employees must be protected against and forms of harassment or sexual harassment.

A Protection of Dignity Officer of the Agency is appointed in accordance with the Regulations and they are authorised to receive and manage complaints of employees related to the protection of dignity of the employees and the protection against harassment and sexual harassment. Any report of a harassment incident must be dealt with within 8 days as of the date of filing the complaint. Within that period, the reported facts will be reviewed and any required action will be taken to prevent the continuation of the harassment or sexual harassment if claims prove to be true. The sanctions for the discriminatory conduct that is considered a serious breach of the employment relationship in accordance with the Regulations, may result in termination of the employment.

In 2020, the Protection of Dignity Officer did not receive any report, which is also related to the fact that the employees worked from home during almost the entire year, from March 16, to December 31, 2020.

The work from home was terminated by the Decision of the Employer's representative on February 15, 2021.

Following the regulatory changes, i.e. coming into force of the Deposit Insurance System Act as of January 1, 2021, the current Agency regulations regulating the relevant areas are expected to be updated and the new regulations are expected to be adopted when required.

Annex Table in accordance with Article 10 of the Act on the Right of Access to Information

Article 10 of the Act on the Right of Access to Information	web site where the information was published
General acts and decisions that are passed, and that affect the interests of the users	http://www.dab.hr/o-nama/zakonska-regulativa
Drafts of acts, other regulations and general acts that are passed, in accordance with the Article 11 of this Act	http://www.mfin.hr/hr/javna-rasprava
Annual plans, programmes, strategies, instructions, activity reports, financial statements and other relevant documents referring to the scope of work of the public authorities	http://www.mfin.hr/hr/registar-npf
Data on the source of financing, budget and budget execution.	http://www.mfin.hr/hr/neprofitne-organizacije
Information on the granted supports, grants or donations, including the list of beneficiaries and the relevant amount	https://pravosudje.gov.hr/pristup-informacijama-6341/strategije-planovi-i-izvjesca/suzbijanje-korupcije/6725
The information on the internal organisation with the names of the heads of bodies and structural units and their contact information	http://www.dab.hr/o-nama/organizacija
Minutes and conclusions of the public authority meetings and official document adopted on those sessions, as well as the information on the work of the formal operating bodies covering their area of competence	http://www.dab.hr/home
Information regarding the public procurement procedures, documentation required for the bidding and information on the execution	https://eojn.nn.hr/Oglasnik/
Notification on the announced tenders and tender documentation	https://eojn.nn.hr/Oglasnik/
Registers and databases or data on the registers and databases from the area of their competence as well as on the method of access	In accordance with Article 25, paragraph 3 of the Deposit Insurance System Act, the Agency is obliged to keep the information on the status of individual deposits that are covered by the insurance pursuant to the Deposit Insurance Act, as well as any other data, facts and circumstances brought to the Agency's knowledge during the course of their duties and obligations pursuant to the aforementioned Act, in accordance with the act regulating the confidentiality of data and other special regulatory acts. In accordance with Article 111 of the Act on the Resolution of Credit Institutions and Investment Firms as well as Article 77 of the Credit Institution's Compulsory Liquidation Act, the Agency is obliged to keep confidential all the information brought to the Agency's knowledge during the course of duties within that Act.
Notifications regarding the method of exercising the right to access to information and repeated use of the information together with the information officer contact data	http://www.dab.hr/o-nama/pravo-na-pristup-informacijama
Cost of access to information and repeated use of the information in accordance with the criteria referred to in Article 19, paragraph 3 of the Act	http://www.dab.hr/o-nama/pravo-na-pristup-informacijama
The most frequently required information	https://www.dab.hr/sustav-osiguranja-depozita/najcesce-postavljena-pitanja-i-odgovori
Other information (news, press releases, information on other activities)	http://www.dab.hr/novosti https://www.dab.hr/en/news

LIST OF TABLES		page
Table 1:	Key data per year, period 2016 – 2020	11
Table 2:	Overview of the EU and HR legal framework	18
Table 3:	Scope of the insurance coverage and the amount of compensation, period 1998 – 2020	21
Table 4:	The list of DGS members as at December 31, 2020	22
Table 5:	Payout of covered deposits to depositors since the establishment of the Agency	26
Table 6:	Development of total deposits (per year)	29
Table 7:	Development of covered deposits (per year)	30
Table 8:	Total deposits per sector structure, 2010 – 2020	32
Table 9:	Eligible deposits per sector structure, 2010 – 2020	33
Table 10:	Covered deposits per sector structure	34
Table 11:	Overview of the profit and loss statement for the period 2016 – 2020	44
Table 12:	Overview of the balance sheet, period 2016 – 2020	44

LIST OF FIGURES		page
Figure 1:	Total and covered deposits per year, period 2016 – 2020	11
Figure 2:	No. of credit institutions per groups per market share in the total bank assets, period 2016 – 2020	11
Figure 3:	The two functions of the Agency since its establishment until 2020	12
Figure 4:	Organisational chart on 31 December 2020	14
Figure 5:	DGS structure	19
Figure 6:	DGS sources of financing	23
Figure 7:	The share of credit institutions in covered deposits as at December 31, 2020	24
Figure 8:	Development of total and covered deposits per year, period 2010 – 2020	27
Figure 9:	Ratio of covered to uncovered deposits	28
Figure 10:	Share of total deposits per credit institutions in %, as at December 31, 2020	29
Figure 11:	Increase in total deposits per year, period 2016 – 2020	29
Figure 12:	Share of covered deposits per credit institutions in %, as at December 31, 2020	30
Figure 13:	Covered deposits per year, 2016 – 2020	30
Figure 14:	Share of the total deposits per credit institution groups, 2016 – 2020	31
Figure 15:	Share of the covered deposits per credit institution groups, 2016 – 2020	31
Figure 16:	Share of total deposits per sector structure, 2010 – 2020	32
Figure 17:	Share of eligible deposits per sector structure, 2010 – 2020	33
Figure 18:	Share of covered deposits per sector structure	34
Figure 19:	Resolution of credit institutions	35
Figure 20:	Four pillars of the financial safety net	39
Figure 21:	Timeline	41



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