
2021 Annual Report



HRVATSKA AGENCIJA ZA OSIGURANJE DEPOZITA
CROATIAN DEPOSIT INSURANCE AGENCY

2021 Annual Report

ON THE DEPOSIT INSURANCE SYSTEM AND ACTIVITIES OF THE CROATIAN DEPOSIT INSURANCE AGENCY

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Foreword

The past 2021 was marked by numerous changes, which for us in the world of deposit insurance and the financial market overall, were most importantly the enactment of the Deposit Insurance System Act on the first day of the year.

Under its new name, the Croatian Deposit Insurance Agency (CDIA), on the wings of the new law and its creation in which it was actively involved utilising its best knowledge and skills, continued to partake in the reforms of the banking system in the Republic of Croatia and the European Union. This fact further strengthened the ability of credit institutions to bear the financial shocks and eliminated the risk of taxpayers bearing such costs. As we have often pointed out, nothing less important is that the new law eases the life of Croatian citizens because it offers the safety of deposits and increases the stability of the financial system, which is much more resilient to any financial crises.

The new Act fully integrates provisions of the Deposit Insurance Act (OG no. 82/15) and the Act on the State Agency for Deposit Insurance and Bank Resolution (OG no. 44/94, 79/98, 19/99, 35/00, 60/04, 12/12, 15/13; DAB), which have led to the transformation of the DAB. Today, we can proudly say that the Agency is a specialised, non-profit, modern and effective financial institution with main aim to protect the deposits of all insured depositors, preserving the trust of citizens and other stakeholders regarding the stability of the Croatian financial system. As well as establishing a controlled exit of institution from the credit institution market that is unable to fulfil regulatory requirements while limiting the negative effects spill over on other stakeholders and the total market overall.

Additionally, under the new Act, the deposit insurance premiums cease to be collected when the target level is reached. Accordingly, in 2021, the CDIA did not charge a deposit insurance premium, given that available financial means of the Deposit Insurance Fund reached the target level of 2.5% of covered deposits of all credit institutions.

With the available financial means of the Deposit Insurance Fund at the level of 2.5% of all covered deposits, the CDIA could provide simultaneous coverage for all covered deposits in six (almost seven) of the smallest credit institutions from a total of 23 institutions, i.e., it has the ability to payout compensation for covered deposits for the credit institution eighth by the size of covered deposits.



Marija Hrebac, CEO

The legal-stipulated deadline for preparing the compensation payouts, currently amounting to ten working days at most from the the date of the insured event occurrence, i.e., the failure of the credit institution, will as early as from 1 January 2024 amount to seven working days. Importantly, in the past nine years, CDIA has adhered to an even shorter deadline than the legally stipulated, positioning us in the world of deposit insurance as a secure and reliable institution in which citizens and legal entities can rightly trust.

Conscious of the importance of continually adopting new competencies and exchanging experiences, we have continued in the last year to actively participate in the activities of international organisations acting as deposit insurers, such as the International Association of Deposit Insurers (IADI) and the European Forum of Deposit Insurers (EFDI). We are proud of our actions and contribution at this level in achieving further recognition of the CDIA within the international framework and the stability of the financial system, strengthening the role and promoting European and international cooperation in deposit insurance and also exchanging positive experiences in the area of deposit insurance, which fully adheres to the activities undertaken by the CDIA.

Also, in 2021, we actively participated in the work of the Financial Stability Council. It is an inter-institutional body that designs the macroprudential policy for Croatia and actively supports the stability of the financial system. Its representatives include representatives of the Croatian National Bank, Croatian Financial Services Supervisory Agency, the Ministry of Finance and the Croatian Deposit Insurance Agency.

The coming year 2022, will pose many challenges for all of us. These challenges will be marked by the current economic and geopolitical situation and, not less notably, by preparations for introducing the euro currency in Croatia. The euro will become the legal currency of payment on the first day of 2023, at which point Croatia joins “the Euroclub”, and in which there are already 19 European Union Member States.

In addition to providing a pleasant reading of our annual report, I would like to take this opportunity to extend my appreciation to all employees at the CDIA for their professionalism, determination and dedicated work in achieving top quality results as well as the Supervisory Board for the trust they have shown.

Marija Hrebac, CEO



ABBREVIATIONS

AFM

Available financial means

ARAI

Act on the Right of Access to Information

CDIA

Croatian Deposit Insurance Agency

CI(s)

Credit institution(s)

CNB

Croatian National Bank

CWCIA

Compulsory Winding-Up of Credit Institutions Act

DIF

Deposit Insurance Fund

DIS

Deposit Insurance System

DISA

Deposit Insurance System Act

EFDI

European Forum of Deposit Insurers

GDPR

General Data Protection Regulation

IADI

International Association of Deposit Insurers

OG

Official Gazette

OHSA

Occupational Health and Safety Act

Regulation

Regulation (EU) No 806/2014 of the European Parliament and of the Council

SRB

Single Resolution Board

SRF

Single Resolution Fund

SRM

Single Resolution Mechanism

POLICY

Privacy policy

THB

Temporary High Balance



1. Key Changes in 2021

DAB (1994-2020)



HAOD (2021 -)

NEW LEGISLATIVE FRAMEWORK

The year 2021 began with legislative changes. Three legislative acts important for the scope of work and responsibility of the CDIA came into force, i.e., the Deposit Insurance System Act (OG no. 146/20), Compulsory Winding-Up of Credit Institutions Act (OG no. 146/20) and the Act on Resolution of Credit Institutions and Investment Firms (OG no. 146/20). Once the new Deposit Insurance System Act came into force, the State Agency for Deposit Insurance and Bank Resolution (DAB) continued operation under the new name of the Croatian Deposit Insurance Agency (CDIA).

SCOPE OF RESPONSIBILITY AND NEW ROLE

The core business of the CDIA continues to be deposit insurance. The CDIA manages the deposit insurance system in the Republic of Croatia. Changes to legislation in January 2021 means that it no longer has a role of resolution authority in Croatia, but it does continue managing the national resolution fund and cooperate with the Single Resolution Board (SRB) in relation to the Single Resolution Fund (SRF)

An important novelty is that the CDIA has become a **supervisory winding-up authority** within the procedure for the compulsory winding-up of credit institutions, whereby the most important powers of the supervisory winding-up authority are supervising liquidators and assisting them in managing tasks, monitoring the course of the compulsory winding-up process and settling creditors as well as reviewing the business books and business documentation.

- Managing the Deposit Insurance System in Croatia
- Managing the Deposit Insurance Fund and the Resolution Fund
- Executing powers in proceedings involving compulsory winding-up of credit institutions, in accordance with laws regulating the compulsory winding-up of credit institutions.

BOARD (1994-2020)



SUPERVISORY BOARD
(2021-)

BODIES OF THE CDIA

Upon the enactment of the new Deposit Insurance System Act, the CDIA's supervisory and managing bodies and management at CDIA are the Supervisory Board and the CEO. The Supervisory Board has three members, one of whom is the president. The work of the CDIA continues to be led by the CEO who is appointed by the Supervisory Board.

1.1. New structure of supervisory and management bodies

The new legislative framework means that operational experts replace the previous direct inclusion of a political function (minister of finance, representatives of parliamentary committees).

In 2021, **Stipe Župan** was appointed **president of the CDIA Supervisory Board**. In addition to the president, **Jadranka Grokša Kardum** and **Mario Jurišić** were appointed **members of the Supervisory Board**.

At the fourth session of the CDIA Supervisory Board held on 20 September, the Supervisory Board confirmed the new four-year mandate for the CDIA CEO, **Marija Hrebac**.

In the first year of the newly organised CDIA Supervisory Board, the CDIA Statute was adopted with prior consent from the Croatian Government, regulating in detail the legal position, subject of business, sources of funds, internal structure, manner of work and management, general corporate acts and other matters relating to the work and business of the CDIA as a specialised, non-profit, financial institution. With prior consent from the Ministry of Finance, the Rules of Procedure of the Supervisory Board were also adopted, regulating the manner of work, responsibilities, working manner of decision making process, as well as rights and obligations of the Supervisory Board members.

1.2. Legal framework

The legal framework for undertaking activities under the competence of the CDIA in 2021 is defined by the following laws:

- ▶ Deposit Insurance System Act (OG no. 146/20)
- ▶ Compulsory Winding-Up of Credit Institutions Act (OG no. 146/20)
- ▶ Act on the Resolution of Credit Institutions and Investment Firms (OG no. 146/20)

The decision on declaring the Deposit Insurance System Act (DISA), which came into force on 1 January 2021, replaces the Act on State Agency for Deposit Insurance and Bank Resolution (OG no. 44/94, 79/98, 19/99, 35/00, 60/04, 12/12 and 15/13) and the Deposit Insurance Act (OG no. 82/15).

Based on the new Deposit Insurance System Act, the minister of finance passed three ordinances in 2021:

1. *Ordinance on Obligations of Credit Institutions in Relation to the Deposit Insurance System (OG no. 75/21)* which stipulates in more detail:
 - ▶ The obligation and manner of maintaining data and records on the identity of each individual owner holding a trust account with the aim of identifying the actual owner of the deposit when executing compensation payouts.
 - ▶ The form, content and deadlines for submitting the Report on the Balance of Total Deposits and Covered Deposits for Calculating Deposit Insurance Premiums which the credit institution is obliged to submit to the CDIA.
 - ▶ The scope, form and content of documentation which the credit institution is obliged to place at the disposal of the CDIA for the purpose of calculating compensation claims.
2. *Ordinance on the Obligations of the Croatian Deposit Insurance Agency (OG no. 75/21)* which stipulates in more detail:
 - ▶ The compensation payout procedure for covered deposits

- ▶ The content of applications for coverage of basic living costs which the depositor is obliged to submit to the CDIA in the event that the CDIA is not able to pay out deposits to depositors of credit institutions within a period of five working days.

3. *Ordinance on the Payment of a Portion of the Insurance Premium in the Form of an Irrevocable Payment Obligation and on Undertaking Measures to Mitigate the Risk of occurrence of an Insured Event (OG no. 75/21)* which stipulates in more detail:

- ▶ The procedure for approving payment of part of the deposit insurance premium in the form of an irrevocable payment obligation.
- ▶ Conditions for approving payment of part of the deposit insurance premium in the form of an irrevocable payment obligation, and
- ▶ Criteria for acceptability of a financial insurance instrument.

Adoption of the new Act stems from Croatia's obligations as a European Union Member State for the transposition of Directive EU 2014/49/EU of the European Parliament and of the Council of 16 April 2014 into national legislation.

The new Deposit Insurance System Act is fully aligned with Directive EU 2014/49/EU of the European Parliament and of the Council of 16 April 2014 that regulates the area of deposit insurance.

The legal framework for performing tasks under the competence of the CDIA in 2021 comprises the stipulates given in Table 1.

Table 1: Overview of the legal framework of the EU and Croatia

EU regulation	Official Journal of the EU	Croatian Laws	OG	Enactment
EU Directive of the European Parliament and of the Council on deposit guarantee schemes	2014/49/ EU of 6 Apr 2014	Deposit Insurance System Act	146/20	1 Jan 2021
Directive of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms	2014/59/EU of 15 May 2014	Act on Resolution of Credit Institutions and Investment Firms	146/20	1 Jan 2021
Directive 2001/24/EC of the European Parliament and of the Council on the reorganisation and winding up of credit institutions	2001/24/EC of 4 Apr 2001	Compulsory Winding-Up of Credit Institutions Act	146/20	1 Jan 2021
Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in the insolvency hierarchy	2017/2399/EU of 12 Dec 2017			

Source: EU and Croatian Regulations



2. Deposit Insurance System

The Deposit Insurance System (DIS) is a system that protects depositors from losing their deposits if the credit institution experiences an insured event. Accordingly, the DIS helps preserve the **trust** of depositors and the stability of the entire financial system in the Republic of Croatia.

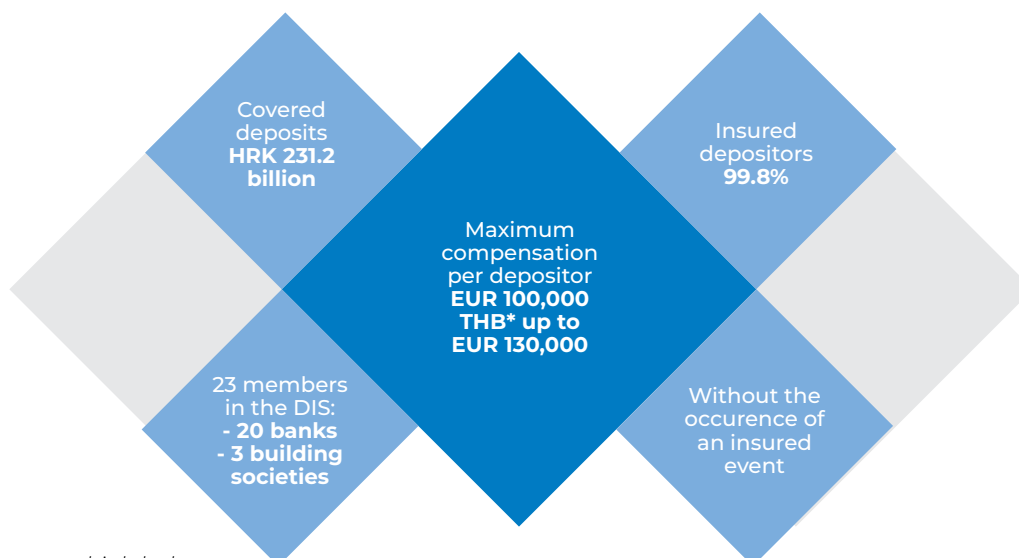
The CDIA manages the deposit insurance system in the Republic of Croatia as an authority authorised to conduct procedures as stipulated in the Deposit Insurance System Act (OG no. 146/20).

The Deposit Insurance System is activated at the onset of an insured event and which occurs when the Croatian National Bank (CNB) issues a decision on the unavailability of deposits or when the court of jurisdiction adopts the decision to open a compulsory winding-up procedure (previously bankruptcy proceedings) against the credit institution.

The main characteristics of the DIS in the Republic of Croatia:

- ▶ Independence and autonomy of the CDIA within its overall competence,
- ▶ Mandatory membership for all credit institutions,
- ▶ Financing “in advance” (“ex-ante”)
- ▶ Differentiated deposit insurance premium system,
- ▶ Target level of the Deposit Insurance Fund,
- ▶ Insured amount = EU.

Key data on the deposit insurance system for 2021:



* THB = Temporary high balance

2.1. Role and importance of the deposit insurance system

Banking stability depends highly on the trust of clients who use the services of credit institutions. Difficulties in the banking business occur when trust is eroded, i.e., specifically at the time when depositors “withdraw” their deposits due to a lack of trust in a certain credit institution. In protecting depositors, the deposit insurance system also protects the entire banking system, ensuring that depositors trust the institution in which they deposit their financial means.

The deposit insurance system enhances depositor **trust** in the entire banking system, preventing potential panic among depositors and withdrawing deposits from credit institutions. This approach protects the whole banking system and supports credit institutions to ensure the stability and longevity of the business.

The deposit insurance system is an exceptionally important element of the Financial Safety Net and is especially important in times of crisis when preventing a so-called “bank run”, which consequently may occur due to insufficient expertise of depositors in assessing the level of risk of a credit institution in which they have deposited their financial means.

2.2. Legislation on the deposit insurance system

Deposit insurance in the Republic of Croatia is regulated by the Deposit Insurance System Act (OG no. 146/20).

The new Deposit Insurance System Act, which came into force on 1 January 2021, unites the Deposit Insurance Act (OG no. 82/15) and the Act on the State Agency for Deposit Insurance and Bank Resolution (OG no. 44/94, 79/98, 19/99, 35/00, 60/04, 12/12, 15/13), and is fully aligned with Directive EU 2014/49/EU of the European Parliament and of the Council of 16 April 2014, regulating the area of deposit insurance.

Deposit Insurance Systems in the EU are based on a certain harmonisation that is dictated by Directive 2014/49/EU, meaning that the main elements of deposit insurance are determined, and moreover, each Member State has the discretionary right to decide on other features that are not explicitly defined in the Directive. Namely, the Directive has allowed European regulations to increase the level of harmonisation between deposit insurance systems in EU Member States, which especially relates to:

- ▶ The amount of compensation (the level of protection has been agreed upon and presumes that the covered amount in all EU Member States is EUR 100,000 per depositor per credit institution),
- ▶ The scope of covered depositors (inclusion into the deposit insurance system all legal entities, except for financial institutions, insurance companies, pension funds and state units),
- ▶ Compensation payout deadlines (quick access to covered deposits – commencing payouts of covered deposits will be reduced from 10 working days to 7 working days starting from 2024).

Besides strengthening **trust** in the banking system, **the intention of European regulators in passing these important common provisions is to establish equal conditions for all depositors on the common European market to prevent the migration of deposits between Member States for the purpose of achieving a higher level of security.**

The functioning of the deposit insurance system importantly requires ensuring a quality organisation of the system, manner of financing, additional sources of financing if needed and, more importantly, the necessity to promptly inform the public of the availability of deposits,

amounts and deadlines in the event of unavailability of deposits in a credit institution. Knowing that a deposit insurance system exists and will pay depositors their covered deposits up to a certain limit within a relatively short time can indeed reduce the difficulties that ultimately occur when a crisis occurs.

2.3. Financing the deposit insurance system

Financing of the deposit insurance system in the Republic of Croatia has been based on an ex-ante basis. The concept of ex-ante financing ensures that credit institutions covered by the deposit insurance system when paying the premium to ensure deposits during their regular business operations, form upfront the Fund for Covering the Risk of Payouts of Covered Deposits. Accordingly, credit institutions over which compulsory winding-up proceedings were later initiated (previously known as bankruptcy proceedings) have contributed to creating the Fund from which covered deposits are paid out.

This ex-ante basis of financing provides liquidity and solvency in the Deposit Insurance Fund (DIF) operating, thanks to regular and sure sources of inflow, as well as quick payouts of covered deposits.

The new Deposit Insurance System Act (DISA) eliminates the risk of having a collapsed credit institution become the burden of the taxpayer, and explicitly, the entire burden of financing the deposit insurance system is imposed on credit institutions.

2.3.1. Deposit Insurance Fund

The deposit insurance system is financed from available financial means of the Deposit Insurance Fund (DIF).

In addition to the deposit insurance premiums, as the main source of financing, the DIF funds are also assured as following:

1. Initial fees from members of the deposit insurance system,
2. Funds from charging payments based on compensation payouts in the compulsory winding-up procedure against the credit institution,
3. Funds from charges for confiscated assets of the credit institution over which the compulsory winding-up procedure is initiated (previously known as bankruptcy proceedings),
4. Revenue from investing DIF funds,
5. Receivables for irrevocable payables,
6. Other sources such as: taking out loans from credit institutions in the country and abroad, institutional investors, the Croatian national budget as the so-called “final refuge”, and other deposit insurance systems within the EU.

The target level of DIF funds in the Republic of Croatia **amounts to 1%+1.5% of covered deposits in all credit institutions and deposit insurance system members.**

The target level of the Deposit Insurance Fund relates to the estimated amount of financial means that the deposit insurance system must continually have for settling anticipated future obligations and coverage of operational and associated costs of the deposit insurer.

The new DISA stipulates that the Deposit Insurance Fund comprises two parts, i.e.:

1. Basic Deposit Insurance Fund – 1%
2. Additional Deposit Insurance Fund – 1.5%

The purpose of allocating is to always have in the Basic DIF 1% of available financial means that serve solely for paying out covered deposits.

The purpose of the Additional DIF is to supplement the Basic DIF, provide support in collecting ex-post premiums, utilise funds for the purpose of undertaking measures to prevent the risk of an insured event occurring and support in financing the resolution of credit institutions, as well as support in financing compulsory winding-up of credit institutions.

It is important to point out that the Basic DIF must have available at any time financial means amounting to 1% of the total covered deposits in all credit institutions in the Republic of Croatia, while the target level of the Additional Fund is 1.5% of the total amount of covered deposits in all credit institutions.

DIF funds are held on an account at the CNB, and are invested in low-risk assets (treasury bills and bonds of the Republic of Croatia) and are made available in the event that a credit institution is failing or likely to fail.

2.3.2. Deposit insurance premiums

In line with the Deposit Insurance System Act (DISA), all credit institutions are obliged to pay a deposit insurance premium, which represents the main source of financing the DIF.

Deposit insurance premiums in the Croatian DIS are differentiated in terms of credit institution risk. The premium amount is partly determined in the risk profile of the credit institution. A “differentiated premium system” refers to a ranking system for deposit insurance premiums to differentiate the premiums depending on the risk profile for each particular credit institution, meaning that the larger the risk a credit institution assumes, the larger the premium to be paid into the DIF.

In line with the DISA, deposit insurance premiums are charged and paid on a quarterly basis. The quarterly deposit insurance premium is calculated as the multiple of the premium basis (average amount of covered deposits on the last day of each month in the quarter), the premium rate (0.08%) and the risk level for each particular credit institution.

The financial means from the paid deposit insurance premiums are held in a separate account of the CDIA opened at the CNB.

A novelty of the DISA is that deposit insurance premiums cease to be collected when the target level is reached. Accordingly, in 2021, the CDIA did not charge a deposit insurance premium, given that the DIF funds reached the target level of 2.5% of covered deposits in all credit institutions.

2.4. Members of the deposit insurance system

A total of 23 credit institutions did business in the banking sector in the Republic of Croatia in 2021, accounting for 20 banks and three building societies. Compared to the end of December 2020, the total number of credit institutions did not change.

All credit institutions authorised by the CNB and their subsidiaries in other Member States are obliged to join the deposit insurance system in the Republic of Croatia and are managed by the CDIA. Table 2 provides a list of all credit institutions which are DIS members in 2021.

Table 2: List of Deposit Insurance System members, as of 31 December 2021

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., Umag	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: CDIA

2.4.1. Categorisation of credit institutions

The categorisation of credit institutions by market share is differentiated as follows:

1. Small (S) banks – assets < 1% of banking sector assets
2. Midsize (M) banks - assets \geq 1%, and a < 5% of banking sector assets
3. Large (L) banks - assets \geq 5% of banking sector assets

A special segment comprises the three building societies.

In applying the above categorisation, Table 3 shows the profile of banks in the Republic of Croatia based on data as of 31 December 2021.

Table 3: CI groups and the share of their assets in the total assets of all CIs

Groups	Number	Share in total assets
Large banks	6	87.61%
Midsize banks	2	5.58%
Small banks	12	5.81%
Building societies	3	0.98%
Total	23	100%

Source: CNB

In the Republic of Croatia, six credit institutions fulfil the criteria for classification as a large bank: Zagrebačka banka, Privredna banka Zagreb, Erste&Steiermärkische Bank, OTP banka, Raiffeisenbank Austria i Hrvatska poštanska banka. Among the mentioned, only Hrvatska poštanska banka is in domestic ownership.

The system of credit institutions in the Republic of Croatia continues to be dominated by foreign-owned credit institutions (14), and their share of total assets in all credit institutions on 31 December 2021 accounted for 90.62% (Table 4).

Table 4: The number and share of CI assets in the assets of all CI by ownership structure

Number of credit institutions	31 December 2021
Banks	20
Savings banks	0
Building societies	3
Total	23
Ownership structure of credit institutions	
Number of credit institutions	
Domestic private ownership	7
Domestic state ownership	2
Foreign ownership	14
Total	23
Share of CI assets in the total CI assets (%)	
Domestic private ownership	3.45
Domestic state ownership	5.93
Foreign ownership	90.62
Total	100.00

Source: CNB

2.5. Exposure of the Deposit Insurance Fund to credit institutions

Total coverage by Deposit Insurance Fund with respect to credit institutions is represented by the Coverage ratio, i.e., the ratio of DIF funds to total DIF obligations for the occurrence of an insured event in all credit institutions (DIF funds/total covered deposits). The Coverage ratio is the coefficient for measuring and expressing the coverage of covered deposits.

DIF funds on 31 December 2021 amounted to HRK 5.648 billion, while covered deposits in all credit institutions amounted to HRK 231.2 billion.

The coverage of covered deposits by DIF funds at the overall level on 31 December 2021 amounted to 2.5%.

With the available financial means (AFM) of the Deposit Insurance Fund at the level of 2.5% of all covered deposits, the CDIA could provide simultaneous coverage for all covered deposits in six (almost seven) of the smallest credit institutions from a total of 23 institutions, i.e., it has the ability to payout compensation for covered deposits for the credit institution eighth by the size of covered deposits.

The coverage level of covered deposits by credit institutions on 31 December 2021 is shown in the table below.

Table 5: Coverage level of covered deposits by DIF funds, on 31 December 2021 (HRK '000)

CI	COVERED DEPOSITS	DIF FUNDS	COVERAGE	INSUFFICIENT FUNDS
1	59,396,149	5,648,000	9.5%	53,748,149
2	51,121,564	5,648,000	11.0%	45,473,564
3	33,948,663	5,648,000	16.6%	28,300,663
4	24,684,259	5,648,000	22.9%	19,036,259
5	17,962,774	5,648,000	31.4%	12,314,774
6	11,838,721	5,648,000	47.7%	6,190,721
7	8,058,859	5,648,000	70.1%	2,410,859
8	3,839,812	5,648,000	147.1%	
9	2,919,303	5,648,000	193.5%	
10	2,146,594	5,648,000	263.1%	
11	1,785,286	5,648,000	316.4%	
12	1,725,149	5,648,000	327.4%	
13	1,641,114	5,648,000	344.2%	
14	1,565,452	5,648,000	360.8%	
15	1,504,650	5,648,000	375.4%	
16	1,236,714	5,648,000	456.7%	
17	1,180,913	5,648,000	478.3%	
18	1,019,341	5,648,000	554.1%	
19	942,701	5,648,000	599.1%	
20	929,132	5,648,000	607.9%	
21	928,335	5,648,000	608.4%	
22	417,933	5,648,000	1,351.4%	
23	370,666	5,648,000	1,523.7%	

Source: CDIA

2.6. Compensation payouts

In 2021, not a single credit institution had failed, nor were there any compensation payouts for such events. The occurrence of an insured event, as defined in the DISA as the moment when the CNB issues the Decision on Unavailability of Deposits or when the court of jurisdiction adopts the Decision on Opening a Compulsory Winding-Up Proceedings against a credit institution (previously known as bankruptcy proceedings), activates the deposit insurance system.

The legally stipulated deadline for preparing compensation payouts is a maximum of 10 working days from the occurrence date of the insured event, i.e., the failure of the credit institution. As of 1 January 2024, this deadline has been reduced to 7 working days. Importantly, over the last nine years, the CDIA has been fulfilling the obligation in the shortest possible legally stipulated deadline.

Table 6: Overview of total payouts obligations for covered deposits

No.	Credit Institution	Year of initiating bankruptcy	Compensation in HRK	Number of 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	36,944,134	1,780
4.	Komercijalna banka d.d. Zagreb	1999	67,821,200	8,958
5.	Glumina banka d.d. Zagreb	1999	1,356,788,906	24,002
6.	Županijska banka d.d. Županja	1999	599,833,146	42,688
7.	Gradska banka d.d. Osijek	1999	961,216,280	35,875
8.	Neretvansko gospodarska banka d.d. Ploče	1999	27,711,987	5,635
9.	Invest štedionica d.o.o. Zagreb	1999	13,818,361	201
10.	Promdei banka d.d. Zagreb	1999	8,451,297	207
11.	Hrvatska gospodarska banka d.d. Zagreb	2000	226,148,878	25,255
12.	Agroobrtnička banka d.d. Zagreb	2000	128,570,637	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	10,077,645	166
25.	Međimurska štedionica d.d. Čakovec	2004	160,527,492	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			5,418,967,589	217,203

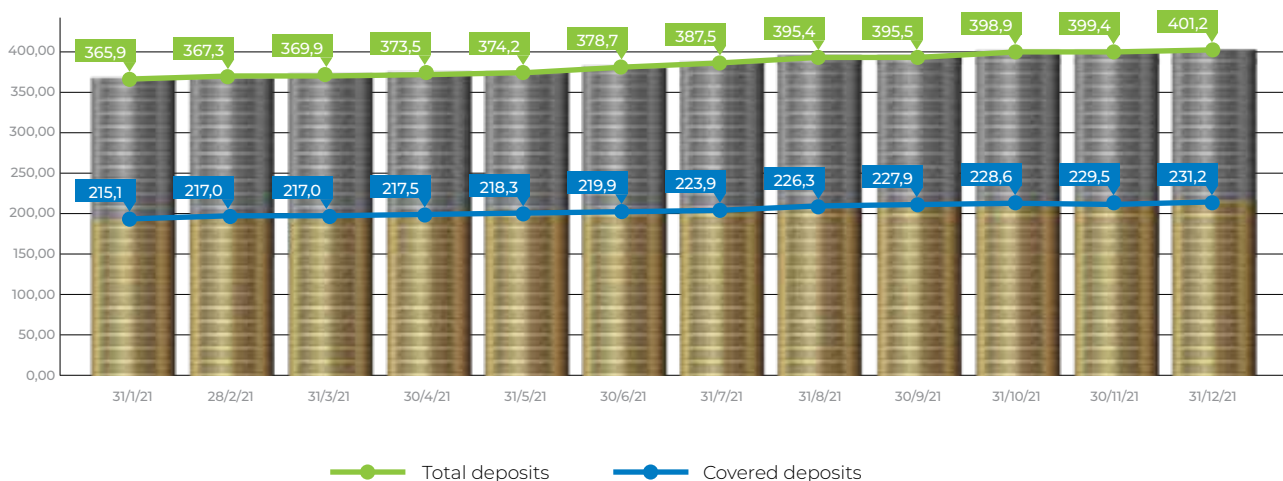
Source: CDIA

3. Deposit Trends in Credit Institutions

For the requirements of deposit insurance, the CDIA tracks trends in deposits held in credit institutions based on the Report on the Balance of Total Deposits and Covered Deposits for Calculating Deposit insurance Premiums. The report is stipulated by the Ordinance on Obligations of Credit Institutions in Relation to the Deposit Insurance System (OG no. 75/21), and all credit institutions are obliged to submit the Report to the CDIA on a monthly basis.

Figure 1 shows the deposit trend in 2021 on a monthly basis. Due to the stability of the banking sector and financial system in the Republic of Croatia, deposits throughout the entire 2021 showed a continual positive trend throughout the entire observed period.

Figure 1: Deposit trends for the period 31/1/2021 – 31/12/2021



Source: CDIA

Total deposits as of 31 December 2021 amounted to **HRK 401.2 billion**, and have been increasing from **9.2%** with respect to the end of 2020 when they had amounted to **HRK 367.3 billion**.

This increase in deposits is mostly attributed to the increase in deposits of natural persons, i.e., by HRK 22.4 billion, followed by deposits from companies contributing to an increase of HRK 14.1 billion, then deposits from state units amounting to HRK 1.5 billion, whereas deposits from non-profit organisations increased by only HRK 0.6 billion. Deposits by financial institutions decreased by HRK 4.7 billion.

Table 7: Trends for total deposits (in HRK billion)

	2021	2020	2021 vs 2020	
Amount of total deposits in all CIs	Amount (HRK)	Amount (HRK)	Change	Change in%
	401.2	367.3	33.9	9.2%

Source: CDIA

Of the 23 credit institutions, the six largest credit institutions have a total of 87.9% of all deposits, which amounts to HRK 352.5 billion, whereas the share of deposits in the remaining credit institutions is only 12.1% or HRK 48.7 billion. Compared to the end of 2020, the total deposits of these six credit institutions recorded an increase of 10.2% or HRK 32.7 billion.

Figure 2 shows that on 31 December 2021, of the six largest credit institutions, Zagrebačka banka had the largest share of total deposits with a share of for 27.1% or HRK 108.8 billion. Privredna banka Zagreb follows next with 16.1% or HRK 82.9 billion, then Erste&Steiermärkische Bank with 16.1% or HRK 64.8 billion, OTP banka with 9.9% or HRK 39.6 billion, Raiffeisenbank Austria with 8.3% or HRK 33.3 billion and Hrvatska poštanska banka with 5.8% or HRK 23.2 billion.

Figure 2: Share of total deposits by CI in %, as of 31 December 2021



Source: CDIA

Covered deposits on 31 December 2021 amounted to **HRK 231.2 billion**, which compared to the end of 2020 is an increase of HRK 17.4 billion or **8.1%**. This increase was almost entirely attributed to an increase in covered deposits of natural persons.

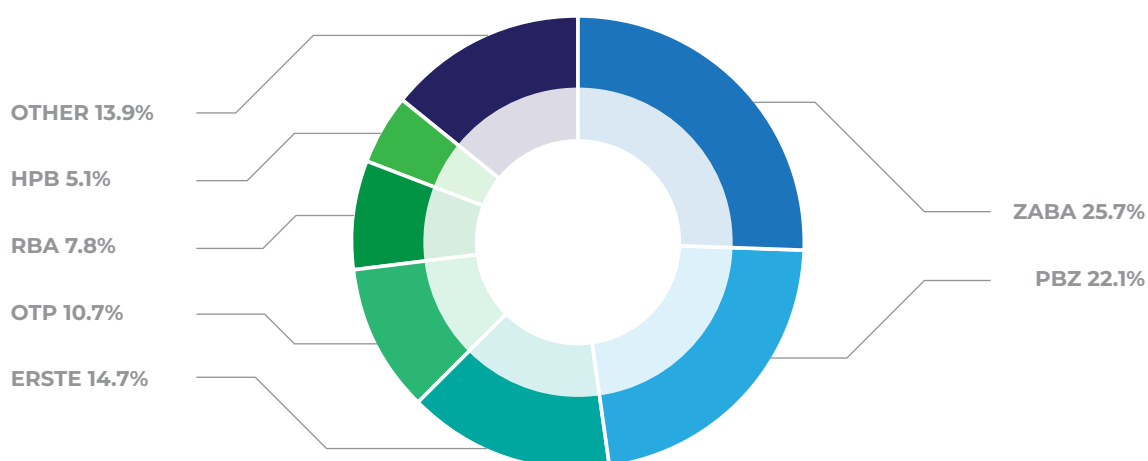
Table 8: Trends for covered deposits (in HRK billion)

	2021	2020	2021 vs 2020	
Amount of covered deposits in CIs	Amount (HRK)	Amount (HRK)	Change	Change in %
	231.2	213.8	17.4	8.1%

Source: CDIA

In terms of the total amount of covered deposits, the deposits in the large banks (6 of them) accounted for 86.1% or HRK 199.0 billion, whereas the share of covered deposits in all the remaining credit institutions is only 13.9% or HRK 32.2 billion. Compared to the end of 2020, there was an increase of HRK 17.4 billion or 8.1%.

Of the six large credit institutions, the largest share in covered deposits is attributed to Zagrebačka banka at 25.7% or HRK 59.4 billion. Next is Privredna banka Zagreb at 22.1% or HRK 51.1 billion, Erste&Steiermärkische Bank at 14.7% or HRK 33.9 billion, OTP banka at 10.7% or HRK 24.7 billion, Raiffeisenbank Austria at 7.8% or HRK 18.0 billion and Hrvatska poštanska banka at 5.1% or HRK 11.8 billion.

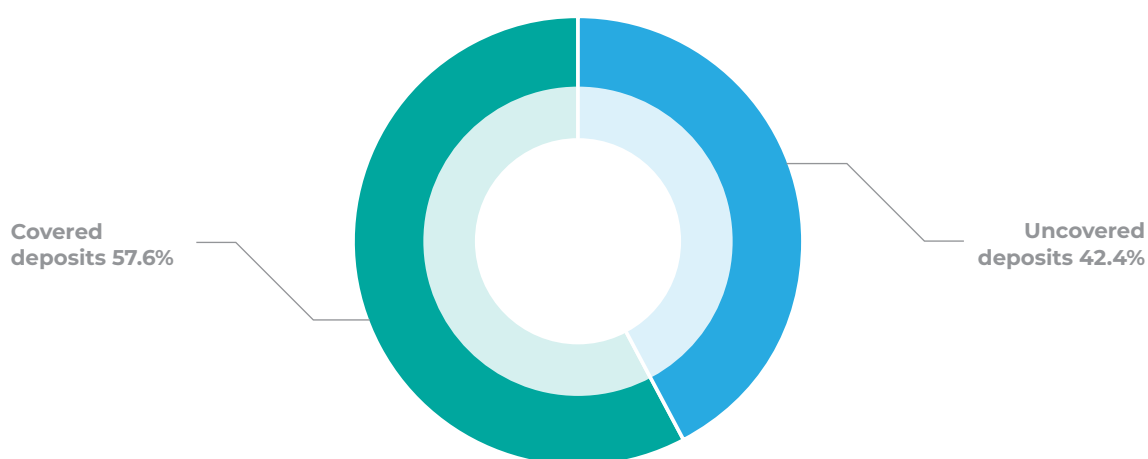
Figure 3: Share of covered deposits by CI in %, as of 31 December 2021

Source: CDIA

Uncovered deposits on 31 December 2021 amounted to **HRK 170.0 billion**. The largest share in the structure of uncovered deposits relates to the deposits of legal persons who are subject to mandatory insurance, where the total amount per legal person exceeds EUR 100,000 and accounts for HRK 76.3 billion or 44.9%, the deposits belonging to natural persons amounting to HRK 45.6 billion or 26.8%, deposits of financial institutions amounting to HRK 24.8 billion or 14.6%, deposits of state units amounting to HRK 19.8 billion or 11.6%, and deposits of non-profit organisations amounting to HRK 3.5 billion or 2%.

Figure 4 shows the relationship between covered and uncovered deposits in credit institutions. It shows that at the end of 2021, **57.6% of all deposits were covered deposits**, i.e., deposits not exceeding EUR 100,000 per depositor, whereas uncovered deposits comprised 42.4% of all deposits.

Figure 4: Covered and uncovered deposits in CIs, as of 31 December 2021



Source: CDIA

3.1. Deposits according to sector structure

3.1.1. Total deposits by sector structure

Table 9: Total deposits by sector structure (in HRK billion)

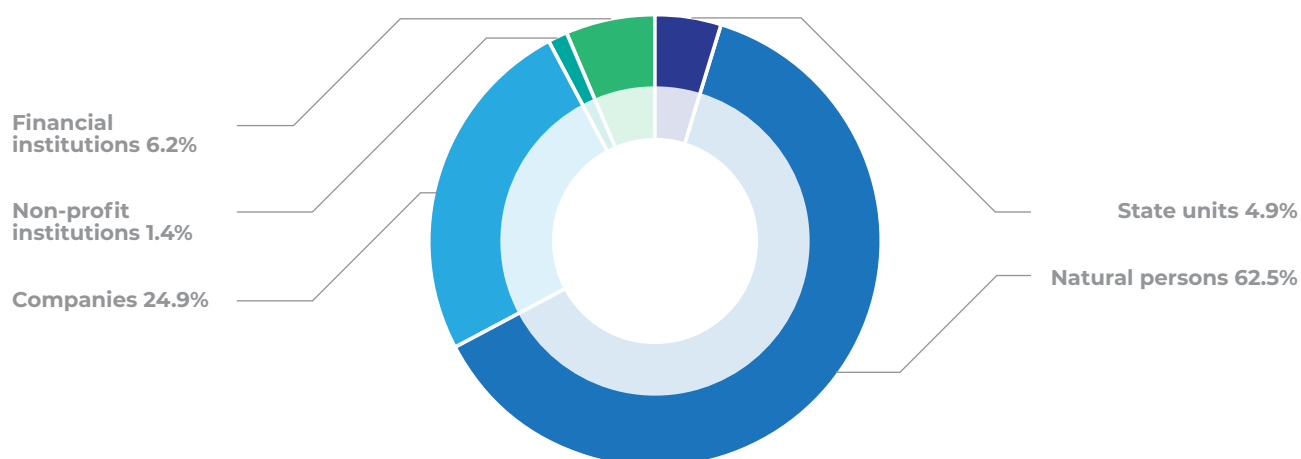
All CIs	Natural persons	Companies	Non-profit institutions	Financial institutions	State units
2020	228.5	85.9	5.1	29.5	18.3
2021	250.9	100.0	5.7	24.8	19.8

Source: CDIA

Figure 5 below clearly shows that deposits belonging to natural persons are dominant in the structure of all deposits. Namely, the natural persons sector comprises the most significant depositors in the Croatian banking system. The proportion of deposits deposited by the natural persons sector with respect to total deposits in credit institutions on 31 December 2021 accounted for 62.5% or HRK 250.9 billion.

The legal persons sector accounted for a total of HRK 100.0 billion or 24.9% of all deposits. Financial institutions held 6.2% of total deposits or HRK 24.8 billion, the state units sector accounted for 4.9% or HRK 19.8 billion, and the non-profit institutions sector accounted for 1.4% of total deposits or HRK 5.7 billion.

Figure 5: Share of total deposits by sector structure, as of 31 December 2021



Source: CDIA

3.1.2. Eligible deposits by sector structure

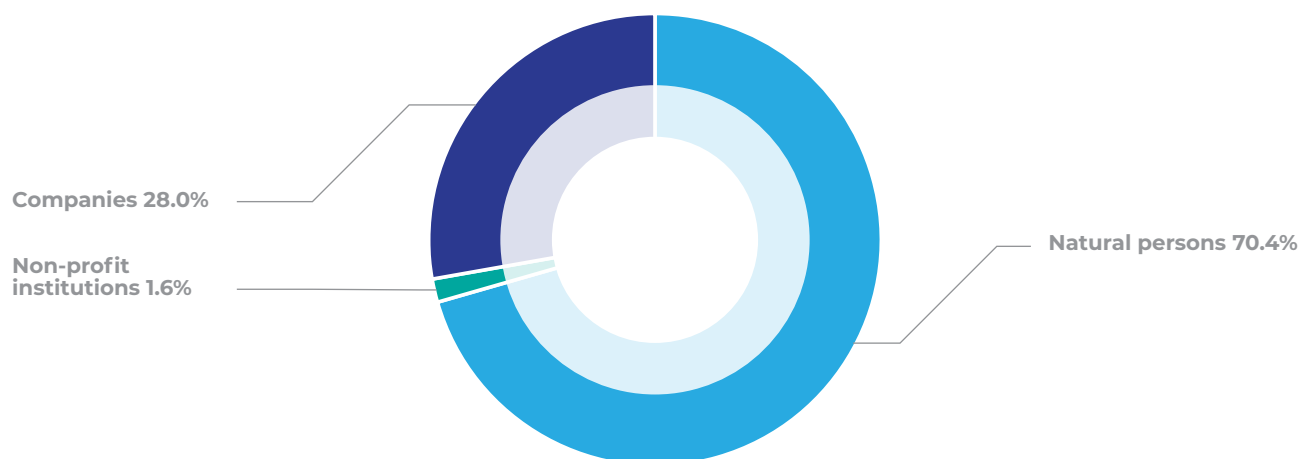
Table 10: Eligible deposits by sector structure (in HRK billion)

All CI	Natural persons	Companies	Non-profit organisations
2020	228.2	85.6	5.1
2021	250.6	99.8	5.6

Source: CDIA

The share of eligible deposits in total deposits on 31 December 2021 amounted to 88.7% of total deposits. Of the total amount of eligible deposits at the end of the observed period, deposits by natural persons accounted for 70.4% or HRK 250.6 billion, deposits by companies 28.0%, i.e., HRK 99.8 billion, and deposits by non-profit institutions 1.6% or HRK 5.6 billion.

Figure 6: Share of eligible deposits by sector structure, as of 31 December 2021



Source: CDIA

3.1.3. Covered deposits according to sector structure

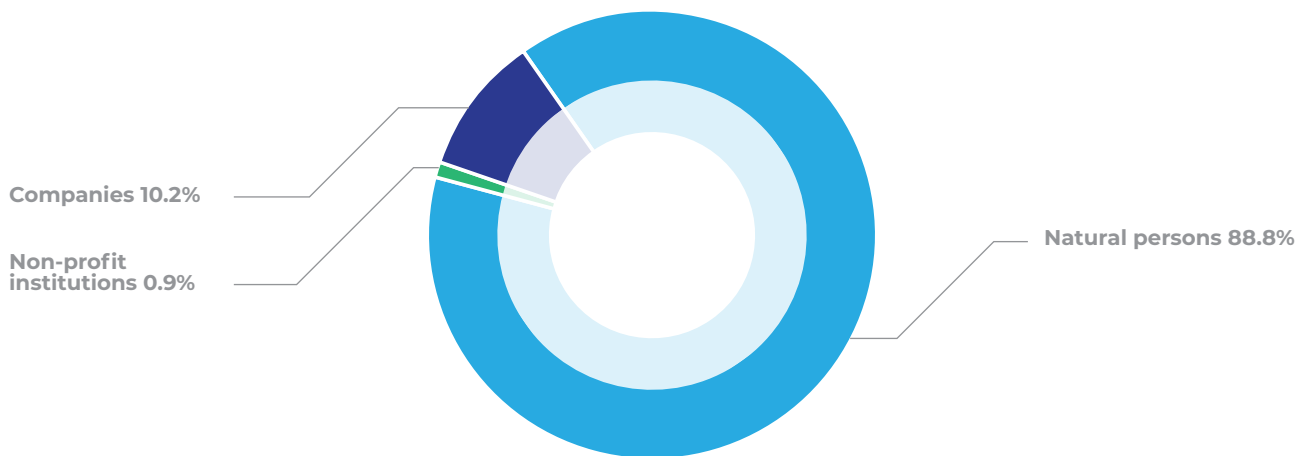
Table 11: Covered deposits by sector structure, as of 31 December 2021 (in HRK billion)

All CIs	Natural persons	Companies	Non-profit institutions
2020	191.2	20.6	2.0
2021	205.3	23.7	2.2

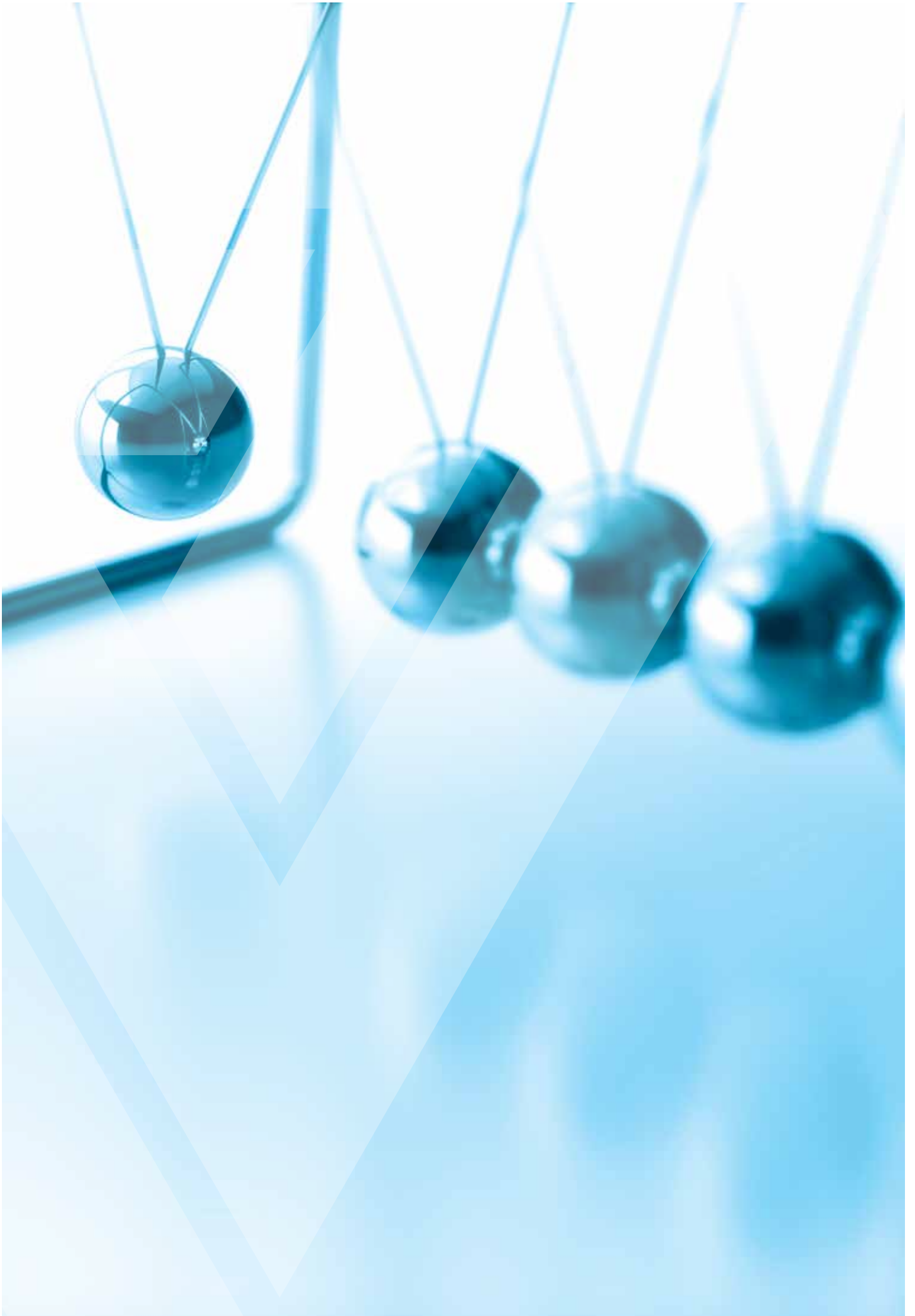
Source: CDIA

The sectorial structure of covered deposits at the end of 2021 was dominated by the deposits of natural persons with a share of 88.8% or HRK 205.3 billion. Next, deposits belonging to companies account for 10.2% or HRK 23.7 billion, and deposits belonging to non-profit institutions with a share of 0.9% or HRK 2.2 billion.

Figure 7: Share of covered deposits by sector, as of 31 December 2021



Source: CDIA



4. Compulsory Winding-Up of Credit Institutions

4.1. Reasons for amending the existing bankruptcy law for credit institutions

The ability to effectively resolve bankruptcy proceedings against credit institutions facilitates the effective functioning of the entire economy. Accordingly, the CDIA has initiated the removal of weaknesses in existing insolvency laws relating to credit institutions due to their specific circumstances with respect to other entities, given the complexity surrounding assets belonging to credit institutions and the significant effect that the duration of the proceedings has on the assets, in order to achieve greater effectiveness of the actual process.

The banking sector in the Republic of Croatia and all its members or credit institutions represents the basis of the entire Croatian economy. Consequently, with this kind of network and direct business connections between natural and legal persons, the failure of any credit institution will have a direct negative impact on all persons that have a business relationship with a credit institution, including indirect negative consequences on other economic entities that are linked to natural and legal persons and that are in turn linked to the collapsed credit institution.

Negative consequences primarily relate to the temporary or permanent inability to access funds belonging to depositors (whether natural or legal persons) who have any kind of business relationship with the failed credit institution.

These difficulties are partially resolved due to the effective deposit insurance system. It enables natural and legal persons i.e. creditors of the failed bank to access part of their funds (up to a maximum of EUR 100,000 per depositor), the funds that remain “trapped” in the failed institution within a short period.

However, in almost all cases, all those legal and natural persons whose business relationship involved financial means exceeding EUR 100,000 permanently lose access to such funds. The primary reason is the long-term bankruptcy proceedings and too slow realisation of the assets belonging to the failed credit institution, which undergo a significant loss of value over time due to its financial specificity.

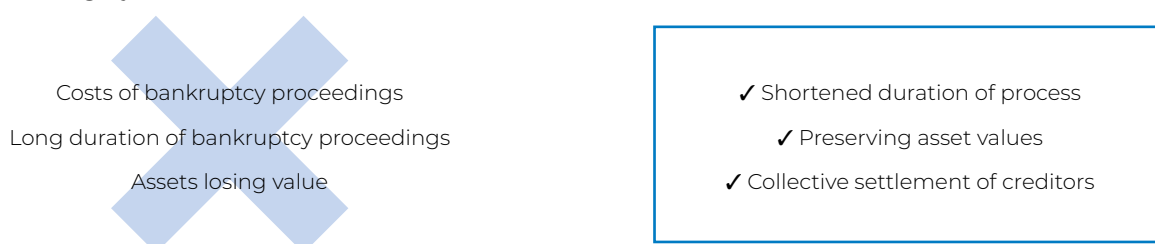
Bankruptcy proceedings against a credit institution were conducted in line with the Bankruptcy Act (OG no. 71/15 and 104/17) as a general act regarding bankruptcy proceedings against a failed company.

Table 12: Opened bankruptcy proceedings against credit institutions along with the bankruptcy initiation date

CREDIT INSTITUTION	DATE OF INITIATION OF BANKRUPTCY PROCEEDINGS
TESLA ŠTEDNA BANKA d.d.	30 March 2018
BANKA SPLITSKO-DALMATINSKA d.d.	1 July 2016
NAVA BANKA d.d.	1 December 2014
CENTAR BANKA d.d.	30 September 2013
CREDO BANKA d.d.	16 January 2012
ALPE JADRAN BANKA d.d.	15 May 2002
TRGOVAČKO - TURISTIČKA BANKA d.d.	8 September 2000
GLUMINA BANKA d.d.	30 April 1999

4.2. New Compulsory Winding-Up of Credit Institutions Act

Dedicated work of the CDIA employees, based on experience gained from bankruptcy proceedings against credit institutions and their involvement in creditor committees in collaboration with institutions responsible for drafting proposals for the new law, has significantly contributed to more effective bankruptcy proceedings against credit institutions. The intention of the newly proposed procedure titled “compulsory winding-up” is to significantly shorten the duration of the procedure, protect the value of financial assets (which will eventually result in higher settlement of creditors) and preserve trust in the banking system.



On 22 December 2020, the Croatian Parliament passed the **Compulsory Winding-Up of Credit Institutions Act** (OG no. 146/20). The Act came into force on 1 January 2021.

Compulsory Winding-Up of Credit Institutions Act (CWCIA) has been aligned with the following EU laws: Directive (EU) 2001/24/EC on the reorganisation and winding up of credit institutions, Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms, Regulation on the issuing of covered bonds and amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy.

4.2.1. Compulsory winding-up procedure against credit institutions

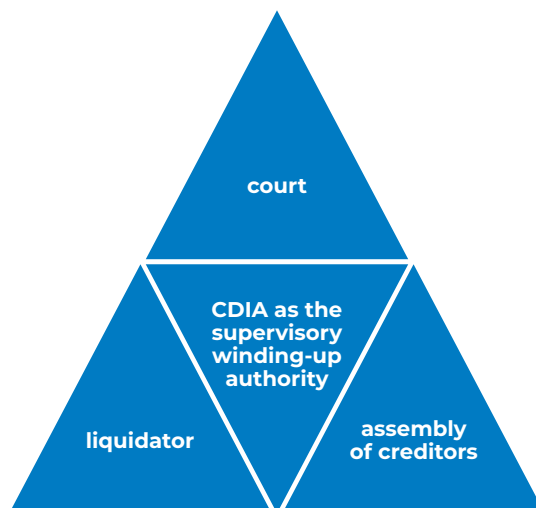
The goals of the compulsory winding-up procedure are the controlled exiting of failed credit institutions from the market, reducing the negative overflow effects, preserving financial stability and achieving an effective settlement of creditors.

The basic questions regulated by the CWCIA are the duration of the compulsory winding-up procedure against a credit institution and the specifics of liquidating assets belonging to the credit institution to preserve as much as possible of the healthy assets belonging to the credit institution that has failed, reaching creditors’ settlement to the greatest possible extent,

and reducing the costs of the compulsory winding-up procedure (previously the bankruptcy proceedings).

This approach endeavours to allow ongoing business operations for the greatest possible number of business entities and creditors of a failed credit institution within the shortest possible timeframe.

Figure 8: Bodies in the compulsory winding-up procedure



The bodies in the compulsory winding-up procedure are the **court**, **liquidator**, **supervisory winding-up authority** and **assembly of creditors**.

The compulsory winding-up procedure solely falls under the real and local jurisdiction of the **Commercial Court in Zagreb**. The authority to petition for initiating a compulsory winding-up procedure is given solely to the CNB, if the conditions stipulated in the CWCI are fulfilled. In exceptional circumstances, the petition to initiate the compulsory winding-up procedure against a credit institution found to be in voluntary winding-up proceedings may be submitted by the liquidator.

The Commercial Court in Zagreb decides on whether to initiate the procedure, appoints and dismisses the liquidator, monitors the work of the supervisory winding-up authority, approval payouts to creditors, decides on concluding and halting the compulsory winding-up procedure, and decides on other matters in the compulsory winding-up procedure in line with the law regulating bankruptcy.

Based on the legal definition, the **liquidator** of a credit institution can be a natural or legal person possessing the appropriate expertise and competency along with work experience in the banking sector. The CWCI stipulates that the appointed liquidator may only be a person who is found on the list of liquidators, where such a list is determined by the supervisory winding-up authority.

The duties and powers of the liquidator are fundamentally identical to those of the bankruptcy administrator in bankruptcy proceedings while taking into consideration the specific circumstances of credit institutions. For instance, the liquidator is obliged to secure assets, update the business books, compile a list of assets and the preliminary winding-up balance sheet, draft the compulsory winding-up plan, manage the completion of commenced activities and collect receivables, draft the preliminary invoice of costs of the winding-up procedure, respond to submitted creditor claims, including claims by CDIA on the basis of payouts for covered deposits.

One of the basic duties of the liquidator is also to draft the compulsory winding-up plan, which describes the manner in which assets belonging to the credit institution will be wound-up within the shortest possible time and reached settlement of creditors. The CWCIA stipulates the mandatory content of the compulsory winding-up plan for which the CDIA, as the supervisory winding-up authority, gives its consent and is then approved by the assembly of creditors.

The role of the **supervisory winding-up authority** in the Republic of Croatia is performed by the **CDIA**. It submits proposals to the court for the appointment of one or more liquidators.

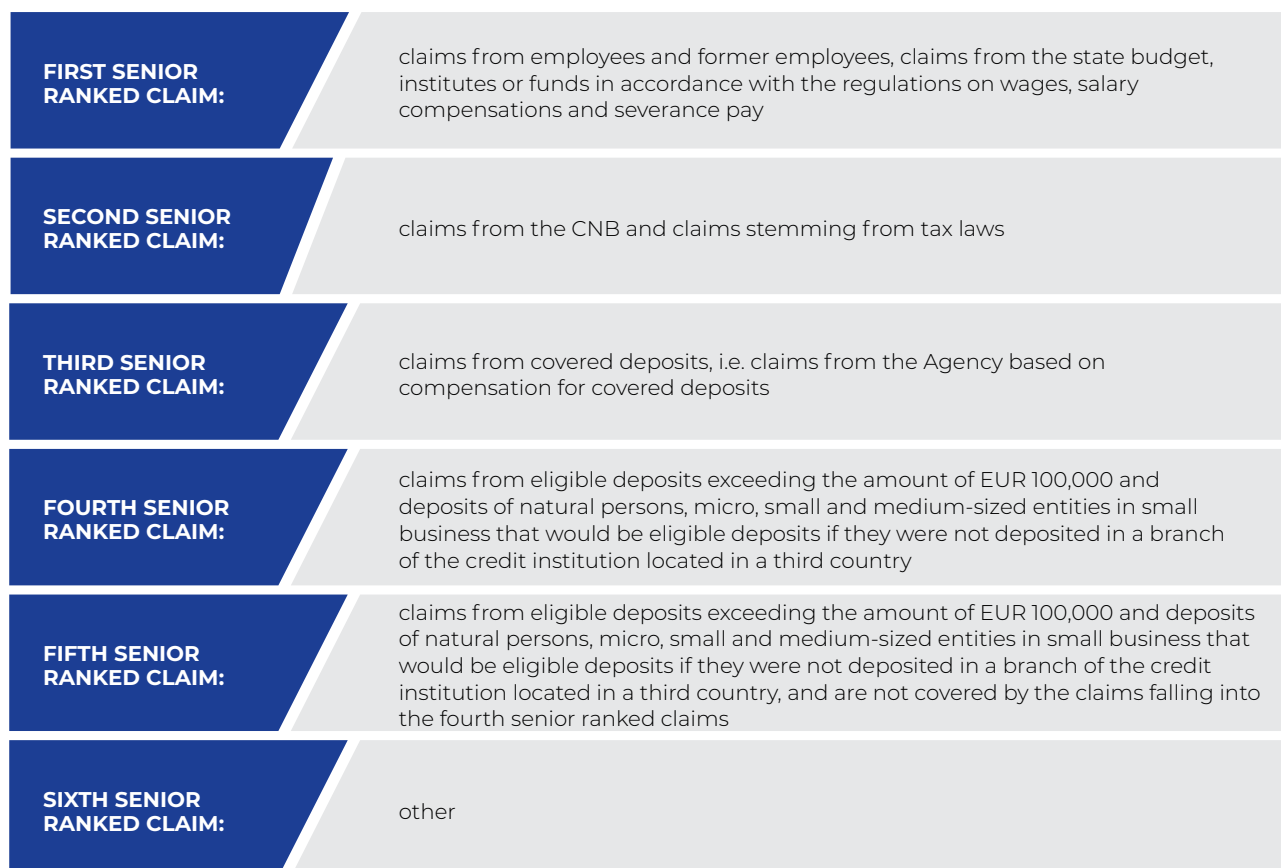
The supervisory winding-up authority in this procedure and by its function is identical to the function of the creditor's committee in bankruptcy proceedings.

As the supervisory winding-up authority, the CDIA has powers to give the liquidator written orders and instructions, supervise the liquidator and assist in managing activities, track the course of the procedure and settlement with creditors, review the business books and business documentation as well as order a verification of financial turnover and amount of currency.

In the event of insufficient funds, the CDIA may settle due costs of the winding-up procedure. The CDIA may also finance activities for the purpose of selling or transferring the assets, rights and obligations of credit institutions as approved in the compulsory winding-up plan by applying the market principle and the least cost principle for the deposit insurance system.

The liquidator is obliged to finalize the compulsory winding-up procedure within a period of three years from the date of initiating the procedure. In exceptional circumstances, the court may extend this deadline with prior consent from the supervisory winding-up authority under the condition that such an extension has an impact on reaching a greater creditors' settlement.

Figure 9: Priority of settlement based on the ranked claims according to the CWCIA



4.2.2. Bylaws

According to the provisions of the CWCIA, the minister of finance prescribes in the ordinance in more detail the conditions and procedure for including or removing persons to the list of liquidators. The minister of finance, on 29 June 2021, passed the Ordinance on Determining the List of Liquidators and which was published in the Official Gazette no. 75/21.

In line with the Ordinance, the list of liquidators is determined by the supervisory winding-up authority. The Ordinance stipulates the general and special conditions that persons on the list of liquidators must fulfil, for instance: work capacity, appropriate expert knowledge, competency and experience, a concluded insurance policy against professional liability and a good reputation, honesty and integrity.

The application for joining the list of liquidators for the credit institution is submitted on a basic form which is an integral part of the Ordinance and submitted to the CDIA.

Also, the new CWCIA prescribes that the Ministry of Justice and Public Administration drafts the Ordinance on Informing Known Creditors, which is published in the Official Gazette no. 75/21, and which stipulates the content and form for notifying the initiation of the compulsory winding-up procedure which the liquidator is obliged to forward to all known creditors in other countries of the European Economic Area.

This completes the bylaw normalisation of the new procedure that regulates the exiting of credit institutions from the market should they fail, with a firm conviction that it will achieve its goals, which the legislator together with all institutions involved in the process of passing the new act has envisaged.





5. Activities in the Single Resolution Mechanism

The Single Resolution Mechanism (SRM) is one of the three pillars of the Banking Union and comprises the Single Resolution Board (SRB) as the central resolution authority in the Banking Union and the national resolution authorities of a participating Member States.

In accordance with Regulation (EU) no. 806/2014¹ (Regulation), the Single Resolution Fund (SRF) was established and it consists of the contribution of credit institutions and certain investment firms from participating Member States. The SRB manages the SRF in line with the purpose and conditions stipulated by the Regulation. Participating Member States retain their responsibility to charge and collect annual contributions to the SRF from entities located in their national territory and in line with Directive 2014/59/EU² and the Regulation. During the transitional period 2016- 2023, the ex-ante contributions will be allocated to the national compartments of each participating Member State. The national compartments are subject to a progressive merger, meaning that they will cease to exist at the end of the transitional period. Up until then, the SRF should reach a target level of at least 1% of covered deposits of all the above mentioned entities authorised in the participating Member States. In line with the Regulation, Commission Delegated Regulation (EU) no. 2015/63³ and the Council Implementing Regulation (EU) 2015/81⁴, the SRB calculates ex-ante contributions, finance and implement the resolution for all entities subject to the Regulation.

On 1 January 2021, the new Act on the Resolution of Credit Institutions and Investment Firms (OG, no. 146/20) entered into force, after which the CDIA ceased to be the resolution authority but continues to manage the National Resolution Fund and cooperate with the SRB on matters relating to the SRF.

Based on the above-mentioned, the CDIA in 2021 collected data from entities falling under the Regulation for the purpose of calculating ex-ante contributions for 2021, and based upon which the SRB calculated the ex-ante contribution amounts for institutions on the territory of the Republic of Croatia for the mentioned period. The CDIA issued the respective entities an invoice and collected the ex-ante contribution amounts for 2021 as calculated by the SRB, and completed the transfer of the amount into the SRF, all in line with the Act on Ratification of the Agreement on the Transfer and Mutualisation of Contributions to the Single Resolution Fund.⁵

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 (OJ L 225, 30.07.2014.)

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)

6. International Collaboration

Guides by excellence in each part of one work and conscious of the importance of continually improving expert knowledge and competencies, as well as exchanging experience and accomplishments with countries in Europe and globally, the CDIA is a proud member of two international deposit insurance associations, i.e., the International Association of Deposit Insurers (**IADI**) and European Forum of Deposit Insurers (**EFDI**).

The goal of both associations is to facilitate stability within the financial system by strengthening the role and promoting European and international collaboration in deposit insurance as well as exchanging positive experiences in the area of deposit insurance, which is fully aligned with the activities of the CDIA.

Namely, due to direct and indirect links between the financial systems across all countries in the world, anomalies occurring in one country may impact another. That is why how an individual country resolves issues in this area may also be a guide for other countries and assist them in resolving such problems promptly and more effectively. Being a member of this kind of organisation really affords added value to deposit insurance system in each Member State; hence the CDIA, through its active collaboration, provides a continual contribution to the work of international organisations and has established relationships with representatives of institutions in other countries that have a similar or the same role.



IADI members undertake research and prepare guidelines for countries that intend to either establish or improve deposit insurance systems. Accordingly, the IADI has prepared an official document titled IADI Core Principles that has been adopted by the Basel Committee on Banking

Supervision and the Financial Stability Board. The document has also been included in the Executive Summary of the Key International Standards of Financial Stability.



The European Forum of Deposit Insurers (EFDI) is an umbrella organisation gathering institutions implementing deposit insurance in European countries. The EFDI provides support to its members in implementing the task of protecting depositors in a banking crisis by improving their deposit insurance systems through common knowledge and competency of the association. The Forum seeks to improve interaction with EU bodies and institutions responsible for maintaining a safe and sound financial system throughout Europe.

Marija Hrebac, Agency CEO was chosen to the Board of Directors of the EFDI in 2015 as the Vice-Chair of the EFDI Board and also performed the role in 2021. In addition, she was appointed

as a member of the Executive Council of the IADI. These roles allow her to be actively involved in the work of the European and global market of deposit insurers, providing the Croatian deposit insurance system with additional advantages and key competencies in overcoming daily challenges.

Highlights in international cooperation in 2021

Regular session of the EFDI in Zagreb

The year 2021 was especially important for Croatia, given that on 7 September 2021, the CDIA hosted the Regular Session of the EFDI (European Forum of Deposit Insurers). The session was attended by **Thierry Dissaux** (FR), president of the EFDI Board, **Marija Hrebac** (HR) Vice-Chair of the Board, **Dirk Cupei** (DE) and **Harald Podoschek** (A) as Members of the Board and **András Fekete - Győr** (HU) as the Secretary-General.



In addition to the regular agenda at the session, which was held for the first time in real surroundings since the pandemic, and actually, in Zagreb, the members of the Board and secretary-general exchanged experience and proposed the necessary solutions to challenges which they had witnessed during the period of the coronavirus pandemic, and which has affected the area of deposit insurance for credit institutions. New technologies and means of communicating were excellently accepted in this specific sector and have significantly facilitated operations in the previous period, allowing the EFDI at all times to run the regular course of its operations and achieve the set goals.

Regional meeting of deposit insurers

During the last weekend of September 2021, the CDIA CEO Marija Hrebac, together with representatives from Albania, Bosnia and Herzegovina, Macedonia, Serbia and Montenegro, participated in a regional meeting of deposit insurers while presenting the best practice of Croatia and informed on Croatian legislation changes. Accordingly, Croatia further asserted itself as a country with relevant experience in the area of deposit insurance, where its experience and knowledge can help countries in the region to follow the European path.





ROC (12) = 1.658

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7. Financial Indicators

As a non-profit organisation, the CDIA manages its accounting in accordance with the laws adopted pursuant to the Act on the Financial Operations and Accounting of Non-Profit Organisations (OG 121/14) and prepares fundamental financial statements, such as the income and expenditure statement, balance sheet and notes to the financial statements.

In accordance with the Deposit Insurance System Act, the Act on Resolution of Credit Institutions and Investment Firms and the Compulsory Winding-Up of Credit Institutions Act, the core business of the CDIA is as follows:

- ▶ Managing the Deposit Insurance System in the Republic of Croatia,
- ▶ Managing the Deposit Insurance Fund and the Resolution Fund,
- ▶ Executing its powers in procedures for the compulsory winding-up of credit institutions in line with the laws regulating compulsory winding-up of credit institutions.

Table 13: Overview of profit and loss statement comparing 2021/2020

HRK '000

	DESCRIPTION	EXECUTION 2020	PLAN 2021	EXECUTION 2021	EXECUTION INDEX	PLAN INDEX
	1	2	3	4	5=4/2*100	6=4/3*100
1	TOTAL INCOME	797,110	190,100	247,006	31.0	129.9
2	TOTAL EXPENSES	29,690	11,984	1,467,147	4,941.6	12,242.6 ⁶
	DIFFERENCE - PROFIT/ LOSS	767,420	178,116	-1,220,141	-	-

Source: CDIA

Table 14: Overview of the balance sheet comparing 2021/2020

HRK '000

	DESCRIPTION	2020	2021	INDEX
	1	2	3	4=3/2*100
1	NONFINANCIAL ASSETS	3,481	3,471	99.7
2	FINANCIAL ASSETS	8,866,065	7,624,092	86.0
	TOTAL ASSETS	8,869,546	7,627,563	86.0
3	LIABILITIES	19,012	26,875	141.4
4	OWN SOURCES	8,850,534	7,600,688	85.9
	TOTAL LIABILITIES	8,869,546	7,627,563	86.0

Source: CDIA

⁶ The increase in total expenditure in 2021 compared to the plan is the result of reimbursing initial funds from the Deposit Insurance Fund (DIF) to the Croatian national budget (in the amount of HRK 1,457,806k). Other operational expenditures in 2021 (in the amount of HRK 9,341k) are 22.1% lower compared to the plan.

8. CDIA Activity Report

8.1. Activity report – Deposit Insurance System

In 2021, not a single insured event took place in terms of activating the system for paying out covered deposits. Hence, activities undertaken by the CDIA were directed to actions that insured, if needed, effective execution of all obligations and tasks from the scope of deposit insurance.

In the area of deposit insurance, employees from the CDIA departments performed regular monthly activities, which included collecting and analysing monthly reports from all credit institutions as deposit insurance system members, and which relate to total and covered deposits, including analysis of all data in terms of drafting regular monthly reports on the status of the system. Within the scope of its operations, the Deposit Insurance Department regularly collaborates with the Croatian National Bank (CNB), with which it exchanges data collected from credit institutions and verifies and prepares the data to exchange it with the European Banking Authority and other bodies within the EU banking system.

Given that the Deposit Insurance Fund or DIF (both basic and additional) reached the legally stipulated target level prior to the start of 2021, and in line with the regular monthly reports, it was ascertained that the collected funds for the Insurance Fund satisfied the mentioned target level, there was no levying of premiums in 2021 for members of the deposit insurance system. In 2021, preparations were underway for aligning the Methodology for Calculating the Risk Weighted Insurance Premium and harmonising with the CNB, and where the Methodology will come into force upon receiving approval from the CNB and which will be applied when again activating the insurance premium levy system for credit institutions.

Besides the above-mentioned, employees from the Deposit Insurance Department in 2021 also actively participated in drafting proposed legislative acts and ordinances in the domain of their operations and in public discussions during the processing of adopting them.

Testing the stress resilience of the deposit insurance system was deferred to 2022 due to the COVID-19 pandemic, which had significantly impacted business in 2021.

8.2. Activity Report – Resolution Fund

Since establishing close cooperation with the European Central Bank and entering the Single Resolution Mechanism, as well as since the most recent changes to the legislative framework, the CDIA no longer has a role as the national resolution authority but only performs administrative tasks related to the single and national resolution fund under the instructions of the Single Resolution Board (SRB).

In 2021, employees from the Credit Institution Resolution Department participated in SRB sessions and workshops with a special emphasis on topics related to the Single Resolution Fund and also participation in resolution colleges for particular credit institutions where annual resolutions plans for the respective credit institutions are adopted and updated.

The primary activities of the Credit Institution Resolution Department are directed to collecting data and information in line with the Methodology for Calculating Credit Institution Risk for the purpose of calculating resolution contributions, exchanging the relevant data with the SRB and calculating the risk of each particular credit institution and investment firm, that are members.

Based on the mentioned data and calculations in 2021, resolution contributions were collected in line with the legislated and set national target level of the Resolution Fund, which somewhat exceeds the obligations determined by the Single Resolution Board. The reason for this is that the CDIA, as the national resolution authority, acts solely in line with the European Directive 2014/59 establishing a framework for the recovery and resolution of credit institutions and investment firms and the Act on the Resolution of Credit Institutions and Investment Firms upon which it is based, while the SRB determines the ex-ante contributions in line with Regulation (EU) no. 806/2014.

To align the target levels of the (national and single European) resolution fund with the most recent amendments to the Act on the Resolution of Credit Institutions and Investment Firms, determining the overall target level for entities that are subject to Regulation (EU) no. 806/2014 was placed in the domain of the SRB. Also, the mentioned amendments provided the possibility of allocating more collected resolution funds from 2021 into the resolution contributions for 2022.

8.3. Activity Report – general tasks in operations support (including mandatory tasks)

In the Operations Support Department, all activities within the CDIA that related to accounting, finance and legal affairs, including mandated activities which the CDIA conducted for the Ministry of Finance and Ministry of Physical Planning, Construction and State Assets were consolidated.

Accounting and finance tasks primarily relate to the drafting of annual financial plans and possible rebalancing of the annual plan, regular monthly reports which track the performance of the CDIA financial plan, and also the drafting and submission of all statutory reports which the CDIA as a non-profit specialised financial institution must submit.

The Operations Support Department also includes legal affairs; therefore CDIA employees participated in drafting ordinances and other legislative acts and laws relating to the work of the CDIA. In addition, its employees participate in bankruptcy proceedings when involving credit institutions, primarily participating in the work of the creditors' committee to collect claims by the CDIA through bankruptcy proceedings, and when referring to 2021, it specifically refers to the following bankruptcy proceedings:

Credit institution	Date of initiation of bankruptcy proceedings
Tesla štedna banka d.d., Zagreb	30 Mar 2018
Banka splitsko-dalmatinska d.d., Split	1 Jul 2016
Nava banka d.d., Zagreb	1 Dec 2014
Centar banka d.d., Zagreb	30 Sep 2013
Credo banka d.d., Split	16 Jan 2012
Alpe Jadran banka d.d., Split	15 May 2002
Trgovačko - turistička banka d.d., Split	8 Sep 2000
Glumina banka d.d., Zagreb	30 Apr 1999

The CDIA in 2021 performed mandated activities for the Ministry of Finance and Ministry of Physical Planning, Construction and State Assets.

In terms of the mandated activities for the Ministry of Finance, the CDIA managed data on payments and the balance of receivables for the ministry regarding debtors of the Fund for Development and Employment (FDE). Employees at the Operations Support Department regularly on a monthly basis collected and analysed data and submitted reports on the payment and debt balance for the mentioned receivables.

In addition to administrative tasks relating to the FDE, employees at the Business Support Department perform mandated tasks for the Ministry of Physical Planning, Construction and State Assets, onto which all claims were transferred from previous resolutions of banks (1995-2000) financed through the national state budget, and which were managed by Croatian Privatisation Fund (HFP), Government Asset Management Agency (AUDIO), Government Office for Managing State Assets (DUUDI) and Ministry of State Assets. In accordance with the Asset Transfer Agreement, the CDIA continued to handle commenced court disputes on its behalf for the benefit of the Ministry and report on a monthly basis to the Ministry concerning the status of collected claims as well as the status of disputes relating to the mentioned claims (and reservations of costs related to the referred disputes).

In 2021, the CDIA collected HRK 9.9 million for the Ministry of Physical Planning, Construction and State Assets, and this amount along with that collected from the previous period amounting to an additional HRK 5 million, transferred it all into the national state budget on 24 March 2022.

8.4. Public Procurement Report

In 2021, activities relating to public procurement continued to be greatly impacted by the coronavirus pandemic, as well as the ongoing impact of the office facilities destroyed in the earthquake of 2020. All activities at the CDIA were adapted to the new circumstances, and at times, employees whose nature of work permitted were allowed to work remotely, i.e., from home. Consequently, the CDIA participated in public procurement to a lesser degree.

The CDIA is obliged to adhere to the Public Procurement Act (OG no. 120/2016), and all procurement activities were conducted in line with the mentioned Law and bylaws, Ordinance on Implementing Low Value Procurement Procedures and other related procedures.

During the reporting year, low value public procurement procedures were implemented in line with internal acts. In accordance with the Public Procurement Act, all public procurement procedures were subject to the selection criterion, which was the most economically advantageous tender.

The CDIA performs stipulated controls in accordance with Article 313, para. 2 of the Public Procurement Act, which stipulates that the contracting authority is obliged to check whether the public procurement contract is implemented in line with conditions from the procurement. All suppliers properly fulfilled the respective procurements in 2021. The Procurement and Performance Plan is published on the CDIA's website.

Table 15: Comparison of costs for public procurement for 2021

Table of public procurement costs for 2021

No.	Name	Description	Rend./goods	Category	Gross Amounts (incl. VAT)		Amount in Report on Pub. Proc. (excl. VAT)	In Report on Pub. Proc. yes/no
					Plan 2021	Execution 2021		
1	Intellectual services	auditing, bookkeeping, consulting, education, and similar	10	goods services works	497,212	344,896 ⁰	279,698.44	yes yes yes
2	IT	cloud services, IT maintenance, software maintenance, telecom, and similar	9	goods services works	379,045	369,116	295,369.78	yes yes yes
3	Other	office material, security services, archiving, and similar	36 22	goods services works	96,219 426,818	118,465 290,461	95,932.31 235,235.00	yes yes yes
0	Fixed assets	procurement of fixed assets which is not current costs	5	assets	185,000	68,545	54,835.68	yes
Total costs from procurement					1,399,294	1,122,939		yes
4	Overheads	electricity, water, gas, utility fees	12		589,124	173,620	112,780.72	Yes (part)
5	Lawyer fees	Lawyer services	9		282,877	1,009,684		No
Total costs from contracts					872.001	1.183.305		No
6	Other	costs besides procurement and contracts, e.g., depreciation, lost court costs, banking and other financial services	N/A		9,527,701	1,464,841,010		no
Total other costs			N/A		9,527,701	1,464,841,010		no
Total costs of Agency					11,798,996	1,467,147,254	1,073,852	

Statistics				
Total	Goods	Services	Works	
Amount excl VAT	222,534	851,318	0	1,073,852
Amount incl. VAT	282,926	1,050,706	0	1,333,632

Procurement Committee
Zagreb, 31 March 2022

8.5. 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 held by public authorities and stipulates 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 public authorities shall enable users to exercise the right to access and repeatedly use the information and fulfil other regulatory requirements. As a public authority, the CDIA is obliged to appoint an information officer to meet statutory obligations relating to the right of access to information. The information officer is responsible for matters regarding the provision of access to information.

The contact details of the information officer and his or her replacement are published on the CDIA's website (<https://www.haod.hr/o-nama/pravo-na-pristup-informacijama>). Under the tab *Documents*, also published on the website are reports and other documents in line with the requirement of Article 10, para. 1 of ARAI (Annex 1). The regular duties of the information officer and his or her replacement also include updating published data based on relevant changes or upon the end of the business year. Furthermore, as part of their regular duties, they also handle all received requests for access to information submitted verbally or in writing. The written requests are submitted by filling out the relevant request form for access to information where the form can be found on the official website, whereas verbal requests are received by telephone.

In the procedure regarding access to information fee is not charged. The CDIA retains the right to seek a fee for real material costs that are incurred by providing the information, as well as reimbursement of costs for delivering the information.

In 2021, the CDIA received **a total of three requests** for access to information, of which **one request was approved** and **two requests were rejected**, in accordance with Article 15, para. 2, Item 2 and para. 2, Item 4 of the Act on the Right of Access to Information.

8.6. Activity report by the occupational health and safety 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 national policy and activities, general principles of prevention and occupational health and safety rules, employer obligations, the rights and obligations of employees and the occupational health and safety commissioner, activities related to occupational health and safety, as well supervision and liability for administrative offences. In accordance with Article 71 of the Occupational Health and Safety Act and with the aim of ensuring systematic improvements to the safety and health of workers and persons at work, preventing injury at work, professional illnesses and work-related illnesses, the CDIA appointed an occupational health and safety commissioner based on the proposal from a majority of the workers.

The occupational health and safety commissioner is obliged to protect the interests of the workers in terms of occupational health and safety and supervise the implementation of the respective rules, measures, procedures and activities. To provide assistance to the occupational health and safety commissioner and in undertaking professional tasks related to occupational health and safety in accordance with Article 20 of the Occupational Health and Safety Act and fire protection in accordance with Article 20 of the Fire Protection Act (OG no. 92/10), an Agreement for the Provision of Occupational Health and Safety and also Fire Protection Services no. 034-05-2016 was signed on 1 May 2016 with the company Alfa sigurnost d.o.o. from Zagreb.

In 2021, the occupational health and safety commissioner together with representatives of the company Alfa sigurnosti d.o.o., performed activities to ensure adequate work conditions. Keeping in mind that the situation improved in terms of the coronavirus pandemic, in 2021, remote working (from home) was significantly reduced compared to 2020. Prior to drafting this Report, the occupational health and safety commissioner had received no complaints.

8.7. Activity report by the data protection officer

The **Act on the Implementation of the General Data Protection Regulation** (OG 42/18) ensures the implementation of 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 25 May 2018, replacing the former Data Protection Directive from 1995 (hereinafter: Directive). The GDPR was adopted as a reaction to the massive increase in the processing of personal data after the introduction of the Directive in 1995, and in response to the development of increasingly invasive technologies. The GDPR is based on the mentioned Directive, as well as court practice

of the Court of Justice of the European Union developed on the basis of the Directive, but it has a much broader scope than the Directive and therefore significantly strengthens the European data protection system. It brings many changes such as improved harmonisation, stronger rights for the data subject, and closer cross-border collaboration in implementing activities between national data protection authorities (DPAs). One of the more important changes is the introduction of a new principle of “responsibility [reliability]” and the data protection officer (DPO), appointed by the data controller at the CDIA.

In line with the mentioned regulations, the CDIA adopted the **Data Protection Policy** (hereinafter: the Policy) on 25 May 2018. The Policy regulates the basic rules and principles of personal data protection in accordance with the operational and safety requirements of the CDIA, including the relevant laws, best practices and internationally accepted standards.

In accordance with the mentioned regulations, on 8 May 2018, the CDIA appointed its data protection officer. During 2021, the data protection officer at the CDIA performed the following regular activities:

- ▶ Informing and advising the data controller/processor concerning obligations from the Regulation and other provisions related to personal data protection in the EU and Member States,
- ▶ Supervising compliance with the valid regulation of CDIA regarding the handling of personal data,
- ▶ Raising awareness about the importance of personal data protection by providing proper training to the employees involved in processing personal data;
- ▶ Providing advice, where required, in assessing the outcome of risks in personal data protection,
- ▶ Supervising the implementation of the Policy and managing personal data collections.

In 2021, there **were no supervisions initiated** by the data protection supervisory authority (Croatian Personal Data Protection Agency).

8.8. Activity report by the dignity protection officer

The **Anti-Discrimination Act** (OG 85/08, 112/12) regulates protection against all forms of discrimination and against placing any person into an unfavourable position, as well as placing certain persons in an unfavourable position based on erroneous presumptions as to the existence of any basis for discrimination.

In accordance with the Anti-Discrimination Act, a procedure for protecting worker dignity and prohibiting discrimination has also been established, as well as other matters relating to labour in the **Ordinance on Labour** and the **CDIA's Code of Ethics**. The Ordinance in Chapter 7. **Protecting the Dignity of Workers and Protection Against Discrimination** regulate employers' obligations in protecting workers against direct and indirect discrimination in all areas of work and work conditions.

In accordance with the Ordinance, dignity protection officer was appointed at the CDIA and is authorised to receive and resolve worker complaints relating to the protection of worker dignity and protection against general and sexual harassment. The stipulated deadline by which the CDIA dignity protection officer is obliged to resolve complaints is eight days upon receiving the complaint. In that period, allegations are investigated after which all appropriate measures are undertaken to prevent ongoing harassment or sexual harassment if ascertaining that it indeed exists. Sanctions for identified discriminatory behaviour in line with the Ordinance may result in termination of employment because of a serious breach.

In 2021, the dignity protection officer did not receive any complaints from workers.

APPENDIX

Table according to Article 10 of the Act on the Right of Access to Information

Article 10 of the Act on the Right of Access to Information	Website containing the published information
General acts and decisions that are passed and that affect the interests of users	https://www.haod.hr/o-nama/zakonska-regulativa
Drafts of acts, other regulations and general acts that are passed, in accordance with Article 11 of this Act	http://www.mfin.hr/hr/javna-rasprava
Annual plans, programs, strategies, instructions, activity reports, financial statements and relevant documents referring to the scope of work of public authorities	http://www.mfin.hr/hr/registar-npf
Data on the source of financing, budgets and budget execution.	http://www.mfin.hr/hr/neprofitne-organizacije
Information on assistance, grants and donations, including the list of beneficiaries and relevant amounts	https://pravosudje.gov.hr/pristup-informacijama-6341/strategije-planovi-i-izvjesca/suzbijanje-korupcije/6725 https://www.haod.hr/novosti/donacija-udruzi-savao-matije-gupca-6-velika-gorica
Information on the internal organisation, along with the names of the heads of bodies and structural units and their contact information	http://www.haod.hr/o-nama/organizacija
Minutes and conclusions of public authority meetings and official documents adopted at the sessions, as well as information on the work of formal operating bodies covering their area of competence	http://www.haod.hr/home
Information on public procurement procedures, documentation required for bidding and information on the execution	https://eojn.nn.hr/Oglasnik/
Notice of announced public tenders and tender documentation	https://eojn.nn.hr/Oglasnik/
Registers and databases or information on registers and databases in the area of their competence as well as on the method of access	In accordance with Article 25, para. 3 of the Deposit Insurance System Act, the CDIA is obliged to keep information on the status of individual deposits covered by insurance pursuant to the Deposit Insurance Act, as well as any other data, facts and circumstances brought to its attention during the course of its duties and obligations pursuant to the mentioned Act. In accordance with the provisions of Article 115 of the Act on the Resolution of Credit Institutions and Investment Firms, as well as Article 77 of the Compulsory Winding-Up of Credit Institutions Act, the CDIA is obliged to maintain the confidentiality of all information brought to its attention during the course of duties within the scope of the Act.
Notifications regarding the method of exercising the right of access to information and repeated use of the information along with contact data on the information officer	http://www.haod.hr/o-nama/pravo-na-pristup-informacijama
Fee for accessing information and repeated use of the information in line with criteria referred to in Article 19, para. 3 of the Act	http://www.haod.hr/o-nama/pravo-na-pristup-informacijama
The most frequently sought information	https://www.haod.hr/sustav-osiguranja-depozita/najcesce-postavljena-pitanja-i-odgovori
Other information (news, press releases, information on other activities)	http://www.haod.hr/novosti https://www.haod.hr/en/news

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