Presenters

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Governor of Croatian National Bank

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State Secretary, Ministry of Finance

Hrvoje Radovanić  
Director, Public Debt Management, Ministry of Finance
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Country Overview

Key facts

<table>
<thead>
<tr>
<th>Territory</th>
<th>56,594 km² (land), 31,067 km² (sea)</th>
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<tbody>
<tr>
<td>Population</td>
<td>~3.9 mn</td>
</tr>
<tr>
<td>Currency</td>
<td>EUR (since January 1st, 2023)</td>
</tr>
<tr>
<td>GDP</td>
<td>EUR 75.9bn (current prices, 2023)¹</td>
</tr>
<tr>
<td>Real GDP growth rate</td>
<td>2.8% (2023)¹</td>
</tr>
<tr>
<td>GDP per capita in PPS</td>
<td>Croatia 73%; (EU=100%, 2022)</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>EUR 19,686 (current prices, 2023)²</td>
</tr>
<tr>
<td>Government</td>
<td>Parliamentary republic</td>
</tr>
<tr>
<td>Issuer Credit ratings</td>
<td>Moody’s: Baa2 / S&amp;P: BBB+ / Fitch: BBB+ (positive outlook across all 3 ratings)</td>
</tr>
<tr>
<td>Capital</td>
<td>Zagreb</td>
</tr>
<tr>
<td>EU border countries</td>
<td>Italy (Maritime Border), Slovenia, Hungary</td>
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<tr>
<td>Other borders</td>
<td>Bosnia &amp; Herzegovina, Serbia, Montenegro</td>
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Key milestones

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<td>Independence</td>
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<td>UN, IMF membership</td>
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<td>EU Official applicant status</td>
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<td>EU Accession negotiations completed</td>
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<td>Successful road sector refinancing &amp; restructuring</td>
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<td>2nd strongest GDP growth rate in EU</td>
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<td>Top 5 GDP growth rate in EU</td>
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<tr>
<td>Entered: Eurozone ESM Schengen</td>
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<td>Fully-integrated in vital Pan-European / global organisations</td>
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Sources: CNB, CBS, Eurostat, European Commission, S&P, Moody’s, Fitch

(1) Preliminary data of Croatian Bureau of Statistics as of 27/02/2024
(2) Based on preliminary GPD (CBS as of 27/02/2023) and population (CBS for mid-2023)

Government budget surplus
Key Investment Highlights

Among fastest growing EU economies

• **GDP growth** accelerated in H1 2023; strong Q4 2023 performance (4.3% in real terms yoy) pushed FY 2023 figure to 2.8% yoy
• Rising growth was driven by acceleration both in **personal consumption** (boosted by rising real income, government stimulus, consumer lending growth and confidence increase) and **fixed capital investments** (supported by successful absorption of EU funds)
• In real terms, Croatian GDP is now almost 14% above that of 2019 (6.3% growth in 2022 preceded by all-time high of 13.8% in 2021) and it has **outpaced** growth in most of the EU/Eurozone countries

Stable fiscal position

• **General Government debt to GDP** downward trend continued post COVID-19 pandemic, reaching 68.2% in 2022 and 63.5%\(^1\) in 2023
• Stable fiscal metrics: Government Balance **surplus** of 0.1% GDP in 2022, due to better than anticipated inflow of tax revenues, strong growth of economic activity and increase in the level of prices, and a minor **0.1% deficit** forecasted for 2023
• Diversification of debt holders’ structure by tapping the local retail investors’ base with 3 local deals over a year

Champion state in successful EU funds absorption

• ~**EUR 26 bn** of **EU funds** from different sources **available** to be disbursed in a **6-year horizon** (2021-2027), to support investments and speed up reconstruction, growth and development of the Croatian economy and society

Integrated in vital European & global organisations

• **Euro area** - joined on January 1\(^{st}\), 2023 and opened a new chapter of Croatian monetary history
• Euro Stability Mechanism "ESM" – became 20\(^{th}\) member on March 22\(^{nd}\), 2023
• Schengen area - 281 requirements met to enter a **border-free** zone as of January 1\(^{st}\), 2023 guaranteeing **free movement** between Croatia and 26 countries
• OECD accession negotiation opened – following the invitation received on January 25\(^{th}\), 2023, Croatia completed the 1\(^{st}\) step by submitting an initial memorandum, i.e. passing all relevant aspects of the accession process

Strong resilience of Banking System

• With the Total capital ratio of 22%, Croatia is **slightly above** EU Banking system average of 21%
• Continuous decrease of **NPLs’ share** towards the historic low of 2.7% in September 2023

Tax reform & Public sector reform

• A new package of **tax relief** (9 laws amendments), in force as of January 1, 2024 - key changes aiming to increase living standard and reduce inequalities
• **Public administration reform** (with the impacts as of March 2024) to make the public administration system more transparent and based on performance-based incentivising

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Sources: CNB, CBS, European Commission, European Economic Forecast – Winter 2024 and Autumn 2023

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\(^1\) General Government debt to GDP ratio forecasted as per European Economic Forecast – Autumn 2023 and by Ministry of Finance at 60.8% and 60.7% respectively (while ratio of 63.5% shown above is calculated by using General Government Debt as of 30/11/2023 (CNB) and FY 2023 GDP (CBS))
## Agenda

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A year with the euro – stronger and more resilient economy

Introduction of the euro contributed to the resilience of the Croatian economy in the recent turbulent circumstances

- Despite specific circumstances of the COVID-19 pandemic, in summer 2020, Republic of Croatia launched preparations for the euro adoption and introduced the euro successfully in the shortest possible time.
- The project of euro adoption was successfully executed at the time with elevated inflation in the Western world and rapid tightening of monetary policy.

Key Expected Benefits of Euro zone Accession:

- Elimination of the currency risk from the economy
- Reduction of the borrowing cost of domestic sectors
- Lower transaction costs
- Access to financial assistance mechanisms for euro area – European Stability Mechanism
- Reduction of the risk of the outbreak of a currency and banking crisis
- Participation in Eurosystem’s monetary income allocation

Achievements in 2023:

- The debt of all the sectors in foreign currency is less than 1% of the total debt (previously 70% as was mainly in euros) which helped to lower the country’s risk premium.
- Lower borrowing costs on loans to households and on corporate loans due to: (i) lower sovereign risk premiums and (ii) lower regulatory costs for banks.
- Interest rates in Croatia are comparable, or, in certain segments, even lower, than the Euro area average rates, and much lower than in comparable non-Euro area countries.
- Croatia expected to become more attractive for investments with a stimulating effect on its international trade.
- Croatia subscribed EUR 3.695 bn worth of capital, while also using the right of a 12-year correction of capital contributions (allowed to member countries with GDP per capita < 75% of the EU average), with additional EUR 2.039 bn agreed to be paid in 2035.
- Achieved low level impact on prices (0.4% according to CNB, ECB; 0.2% by Eurostat), in line with the experience of other countries that adopted euro.

Sources: CNB, ESM
Other Recent Vital Milestones and Achievements

<table>
<thead>
<tr>
<th>Schengen Area Accession</th>
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<tr>
<td>Croatia entered the Schengen zone on January 1, 2023, which brings multiple advantages: (i) freedom of movement; (ii) faster and easier flow of goods and services; (iii) further growth in tourist traffic, etc.</td>
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<tr>
<th>OECD Membership Negotiations Started</th>
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<tr>
<td>Croatia completed the first step of the negotiations by submitting a self-assessment of legal instruments in relation to the OECD (the Initial Memorandum)</td>
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<tr>
<td>Preliminary estimates from the OECD suggest that Croatia’s accession negotiations should be finalized in the next three to seven years</td>
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<tr>
<th>New Package of Tax Relief Measures in Force</th>
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<tr>
<td>The Croatian Ministry of Finance introduced a new package of tax relief, in force as of January 1, 2024, aimed at increasing net salaries without increasing overall costs for the employers and increasing living standard, reducing inequalities and strengthening the fiscal autonomy of local authority units</td>
</tr>
<tr>
<td>Amendments include: (i) a reduction in income tax (through an increase in the basic personal deduction and in the amount for dependents); (ii) a reduction in the base for pension insurance (Pillar I), without affecting the future amount of the pension; (iii) abolition of the income tax surcharge (right of cities and municipalities to prescribe the amount of annual income tax rates)</td>
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<tr>
<th>The Reform of Public Sector Wage Mechanism Implemented</th>
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<td>In December 2023, the Croatian Parliament adopted the new Act on the Wages of Public and Civil Servants, with the impact as of March 2024, as a part of the biggest reform in public administration in the last 30 years</td>
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<tr>
<td>The reform will make the system more transparent, moving it closer to achieving an equitable system that rewards same jobs with the same pay and will incorporate performance incentives for the best public employees</td>
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<td>The reform was implemented in the five stages and affects 244,000 employees</td>
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<th>Demographic Revitalisation Strategy 2033 Adopted</th>
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<tr>
<td>Due to demographic challenges that are more emphasized in Croatia compared to the other EU members, in February 2024, the Government adopted the Demographic Revitalisation Strategy 2033 with two key strategic goals:</td>
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<tr>
<td>1) Developed stimulating environment for families and young people</td>
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<tr>
<td>2) Balanced population mobility</td>
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Sources: Croatian Government, European Commission, OECD
## 5 Packages of Government Measures to Mitigate High Energy Prices and Rising Inflation

<table>
<thead>
<tr>
<th>Government package</th>
<th>Amount (EUR bn)</th>
<th>Package breakdown (% of total amount)</th>
<th>Key goals</th>
</tr>
</thead>
</table>
| **February 2022**  | 0.7 (~1.0% of GDP ’22) | ▪ 43% tax relief through reduction of VAT on basic food and non-food products, gas and heating  
▪ 25% subsidy for gas  
▪ 17% social benefits and benefits for pensioners  
▪ 10% limitation of the increase in the electricity prices  
▪ 5% support to farmers and fisherman | ▪ Increase in electricity price by 9.6% (instead of 23%)  
▪ Gas price increase up to 20% (instead of 79%)  
▪ Preservation of jobs & PP  
▪ Strong economic recovery |
| **September 2022** | 2.8 (~4.1% of GDP ’22) | ▪ 28% limitation of electricity and thermal energy prices  
▪ 13% tax relief and reduction of fuel duties  
▪ 12% compensation and support for socially vulnerable  
▪ 5% energy renovation of houses and multi-apartment buildings  
▪ 9% non-refundable grants to entrepreneurs for the energy transition  
▪ 18% WC loans with interest subsidization for companies in difficulty  
▪ 15% for HBOR guarantees for loans to exporters in difficulty | ▪ Maintain the standard of living  
▪ Continuous work of public institutions  
▪ Maintenance of high economic growth  
▪ Accelerate transition to renewable energy sources |
| **December 2022** | 0.1 (~0.1% of GDP ’22) | ▪ 100% payment of assistance to beneficiaries of pensions and rights in social welfare | ▪ Mitigating the increase in costs of living |
| **March 2023** | 1.7 (~2.2% of GDP ’23) | ▪ 70% limitation of rising energy prices  
▪ 10% inflation protection  
▪ 20% special grants and incentives | ▪ Security of energy supply and affordable prices |
| **September 2023** | 1.7 (~2.2% of GDP ’23) | ▪ 17% limitation of rising energy prices  
▪ 7% inflation protection aimed for pensioners and beneficiaries of child allowance; price limits of 30 basic products  
▪ 4% special grants and incentives  
▪ 72% energy efficiency of buildings | ▪ Limiting the cost of energy and inflation  
▪ Reducing energy consumption |

Sources: Government website, Government package February 2022 publication, Government autumn package September 2022 publication, Fourth Government package publication March 2023, Fifth Government package publication September 2023

(1) Based on Preliminary data of Croatian Bureau of Statistics as of 27/02/2024
National Development Strategy until 2030

Sustainable Economy and Society
1. Competitive and innovative economy
2. Educated and employed people
3. Efficient judiciary, public administration and state property management
4. Global recognition, stronger international position and role

Enhanced Crisis Response Capabilities
5. Healthy, active and high-quality life of citizens
6. Demographic revitalization including a better status of family
7. Security for stable development

Green and Digital Transition
8. Ecological and energy transition to climate neutrality
9. Self-sufficiency of food production and the development of bioeconomy
10. Sustainable mobility
11. Digital transition of society and the economy

Balanced Regional Development
12. Development of the underdeveloped areas and areas of special state concern
13. Greater regional competitiveness

Sources: National Development Strategy 2030, adopted by the Parliament on 5th February 2021
Progress toward achieving Sustainable Development Goals

Croatia progressing across all SDGs\(^1\) over last 5 years

- **Progress score:**
  - 0: moving away from the SDGs but status better than EU
  - 1: progressing towards the SDGs and status better than EU
  - -1: moving away from the SDGs and status worse than EU

1) No poverty
2) Zero hunger
3) Good health and well-being
4) Quality education
5) Gender equality
6) Clean water and sanitation
7) Affordable and clean energy
8) Decent work and economic growth
9) Industry, innovation and infrastructure
10) Reduced inequalities
11) Sustainable cities and communities
12) Responsible consumption and production
13) Climate action
14) Life below water
15) Life on land
16) Peace, justice and strong institutions
17) Partnerships for the goals

- **✓ progress in all SDGs**
- **✓ progress in 8 SDGs above EU average**
- **✓ SDG 15 (Life on land) performing better than EU (52.1% vs. 47.6%)\(^2\) and in top 3 EU countries (after Slovenia and Estonia) for its share of forest area (58% vs. an EU average of 43.5%)\(^3\)**
- **✓ SDG 7 (Affordable and clean energy) improving, especially on the share of renewable energy in gross final consumption (from 28.3% in 2016 to 31.3% in 2021; above the EU average of 21.8%)**

Source: European Commission, Country report Croatia 2023, Eurostat
(1) Sustainable Development Goals
(2) Cumulative progress over 5 years as per Country report Croatia 2023
(3) As of 2018, as considered by Country report Croatia 2023
Funds From EU Funding Mechanisms Available to Croatia by 2030

One of the champion states in EU funds absorption

- Grants Total: EUR 21.8 bn
- Loans Total: EUR 4.2 bn

Available funds ~ EUR 26 bn

- Agricultural EU EUR 5.0 bn
- RRF loans EUR 4.2 bn
- RRF grants EUR 5.8 bn
- CoES policy 2021-2027 EUR 9.4 bn
- RePowerEU grants EUR 0.59 bn

Allocation of grants available through RRF

- Responsible Croatia EUR 1.1 bn
- Smart & Sustainable Croatia EUR 1.4 bn
- Green Croatia EUR 2.3 bn

Allocation of funds (in EUR mn)

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<tr>
<th>Project</th>
<th>Amount (EUR mn)</th>
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<td>Digital Croatia</td>
<td>1.0</td>
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<tr>
<td>Smart &amp; Sustainable</td>
<td>1.4</td>
</tr>
<tr>
<td>Responsible Croatia</td>
<td>1.1</td>
</tr>
<tr>
<td>Green Croatia</td>
<td>2.3</td>
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</tbody>
</table>

Additional EUR 2.1 bn funds from the MFF 2014 – 2020 absorbed until end 2023

1st EU country that has received more than 50% of grant allocation

Source: European Commission, Croatian MoF

(1) Just Transition Fund EU
(2) Based on total (original) allocation of The Recovery and Resilience Facility
Generous Allocation of the EU Package to Support Economy in the Next Decade

Next Generation EU – Allocation of Grants and Loans

Croatia is the biggest beneficiary of the largest stimulus package ever financed through the EU budget, with ~ EUR 26 bn allocated EU funds. EU Packages for 2021 – 2027:

- Next Generation EU Fund (NGEU), the temporary recovery instrument
- Multiannual Financial Framework (MFF), the EU long-term budget 2021 – 2027
- Additionally, Croatia had more than EUR2bn funds from the MFF 2014 – 2020 available, which was fully absorbed until end 2023, and is beneficiary of the EU Solidarity Fund that was fully absorbed in 2023
- EU package is a strong lever for the implementation of reforms and projects, for investment and supporting economic growth

Sources: European Commission, Eurostat

(1) Based on total (original) allocation of The Recovery and Resilience Facility
(2) Includes Next Generation EU Fund and Multiannual Financial Framework
### EU Package Focused on Recovery and Development

<table>
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<tr>
<th>Type of package</th>
<th>Total EU Budget(^1)</th>
<th>Allocated to Croatia</th>
<th>Purpose</th>
<th>Allocation as % of ’22 (’23F) GDP</th>
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</table>
| **1** Next Generation EU Fund (NGEU)          | EUR 807 bn             | EUR 5.8 bn in grants | **COVID-19 pandemic recovery plan** for building greener, more digital and more resilient EU, key areas including:  
- Recovery and Resilience Facility  
- React EU  
- Rural Development  
- Fair Transition Fund  
- RePowerEU |
|                                               | EUR 4.2 bn in loans    |                      |                                                                        | 15.0% (13.2%)                   |
| **2** Multiannual Financial Framework (MFF) 2021-2027 | EUR 1.2 tn            | EUR 14.0 bn          | **EU long-term budget for 2021-2027**, key areas including:  
- European Regional Development Fund  
- European Social Fund  
- Cohesion Fund  
- Just Transition Fund  
- Fisheries sector  
- European Maritime, Fisheries and Aquaculture Fund  
- Asylum, Migration and Integration Fund  
- European Agricultural Fund for Rural Development  
- European Agricultural Guarantee Fund |
|                                               |                        |                      |                                                                        | 20.9% (18.4%)                   |
| **3** EU Solidarity Fund                      | -                      | EUR 1 bn             | **Reconstruction** of damage caused by earthquakes:  
- Zagreb earthquake: EUR 684mn  
- Sisačko-moslavačka county: EUR 319mn |
|                                               |                        |                      |                                                                        | 1.5% (1.3%)                     |

**Source:** European Commission, MoF, CNB  
\(^{(1)}\) Current prices
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After strong expansion in 2022, Croatia’s economy is expected to grow at a steady pace among EU champions

Croatia entered the year 2024 with almost 14% higher level of real GDP compared to the pre-pandemic period

Gross Value Added by Sectors (2023)

Broad-based growth with a positive contribution to GVA growth from all categories

Cumulative GDP growth at the end of Q4 ’23 (since 2019)

Strong performance of Croatian economy since 2019 despite COVID drop

Source: CBS

Source: CNB, CBS, Eurostat

Source: Eurostat

(1) Other: Contains professional, scientific, technical, administrative and support service activities as well as public administration, defence, education, human health and social work activities and other service activities
The Tight Labor Market Continues to Show Strong Resilience

Unemployment rate reach record-low levels

- Registered unemployment rate
- ILO unemployment rate

Average monthly net wages continue an upward trend

Employment, annual percentage change

Increase of employment in peer countries underpins Croatia’s strong position

Unemployment rate 2023

Croatia compares favourably among its EU peers close to EU/EA averages

Source: CBS, CNB

Source: Eurostat

(1) ILO 2023 = Q3 '23 rolling 4 quarters
Stable Fiscal Metrics in 2023 after significant improvement in 2022

In 2022 significant recovery of Croatian fiscal metrics and back to surplus followed with stable position in 2023

Central government budget components (2022 vs 9M 2023)\(^1\)

Source: Ministry of Finance

Source: European Economic Forecast – Autumn 2023

\(^1\) MoF preliminary data, 9M 2023 – cumulatively until September 2023
External Position Remains Strong

EU inflow to mitigate potential CA imbalances

![Graph showing CA balance (in EURbn), CA balance (as % of GDP), and Current and capital account (as % of GDP) from 2017 to 2023F.]

Source: CNB, 2023F - European Economic Forecast – Autumn 2023

Reduction of international reserves by entering the euro

![Graph showing Reserves in EUR bn and International reserves (as % of GDP) from 2016 to 2023.]

Source: CNB

Net FDI (as % of GDP)

![Graph showing Net FDI (as % of GDP) from 2017 to 2023.]

Source: CNB

(1) Q3 '23 rolling previous 4 quarters
Exports Well Diversified and Deeply Embedded Into EU Trade

The terms of trade deteriorated substantially from the second half of 2021 onwards, reflecting energy prices.

Source: CBS

Croatia’s main trading partners are Italy, Germany, Slovenia, Hungary and Austria (November 2023)\(^1\)

Geographical Distribution of Exports

<table>
<thead>
<tr>
<th></th>
<th>EU 27</th>
<th>CEFTA</th>
<th>EFTA</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>iris Exports</td>
<td>68.0%</td>
<td>19.1%</td>
<td>1.7%</td>
<td>10.4%</td>
</tr>
<tr>
<td>iris Imports</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CBS

Geographical Distribution of Imports

<table>
<thead>
<tr>
<th></th>
<th>EU 27</th>
<th>CEFTA</th>
<th>EFTA</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>iris Exports</td>
<td>76.6%</td>
<td>6.4%</td>
<td>0.6%</td>
<td>15.9%</td>
</tr>
<tr>
<td>iris Imports</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: CBS

---

\(^1\) Cumulatively until November 2023
Continuous outperformance of other Mediterranean countries in overnight stays by foreign visitors

Monthly performance of overnights shows strong improvement, closing the gap to record 2019 through pre&postseason

Price developments further supported the revenues side

Overnight stays of foreign tourists vs. 2019 (indexed)

Source: Eurostat

Source: CNB

(1) Q3 ’23 rolling previous 4 quarters
Downward Trajectory of Gross External Debt Continues

Croatia’s gross external debt is back on its downward trajectory and compares favourably among Croatia’s peers

Gross external debt breakdown by debtors (November 2023)

Source: CNB

Gross external debt as % of GDP (September 2023)

Source: Eurostat

General Government external debt repayment projection

Source: CNB

(1) External debt data as of 30/11/2023
Agenda

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The profitability of Croatian banks increased, with capital ratios above the EU average.

Non-performing loans ratio (NPLR) remained on a declining path. At the same time, profitability mainly increased as a result of increased net interest margins.

Although dividend payments resulted in a decline of the Total Capital Ratio (CAR), Croatian banking sector is still well capitalised.

Source: CNB
Banks' loan quality continued to improve with strong capital buffers

While the share of stage 3 loans continued to decrease, a slight deterioration in credit quality (stage 2 loans) of energy NFC was noted.

**Source:** CNB

Capital buffers of Croatian banks compare favourably among other EU member states (September, 2023)

**Source:** CNB
Gross external debt of Croatian banks is low

Greater deposit outflow in the year after joining the eurozone increased the still favourable loan-to-deposit ratio

Banks’ gross external debt amounted to 7.1% of GDP - among the lowest compared to peer countries (September, 2023)

Source: ECB, WEO

Source: CNB, ECB, Eurostat
The tightening of ECB monetary policy continues to impact the private sectors' cost of financing

Interest rates on pure new loans to the private sector, mostly NFCs, continued to increase\(^1\)

Source: CNB

Loan growth remains high in the second half of 2023\(^2\)

Source: CNB

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\(^1\) Data up to December 2022 refer to loans and deposits in kuna, kuna with a currency clause in euro and in euro, and from January 2023 to loans and deposits in euro.

\(^2\) Annual growth rates, based on transactions.
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Prudently Managed Government Debt

General Government Debt to GDP Ratio (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of GDP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50%</td>
<td>77%</td>
<td>73%</td>
<td>71%</td>
<td>87%</td>
<td>78%</td>
<td>68%</td>
<td>64%</td>
</tr>
</tbody>
</table>

Source: CNB, CBS

General Government Interest Spending to GDP ratio (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2015-2019 avg</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>2.7%</td>
<td>2.0%</td>
<td>1.5%</td>
<td>1.4%</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

Source: European Economic Forecast – Autumn 2023

General Government debt structure, November 30, 2023

<table>
<thead>
<tr>
<th>Component</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic</td>
<td>70%</td>
</tr>
<tr>
<td>External</td>
<td>30%</td>
</tr>
<tr>
<td>Loans</td>
<td>16%</td>
</tr>
<tr>
<td>Long-term debt securities</td>
<td>16%</td>
</tr>
<tr>
<td>Bills</td>
<td>4%</td>
</tr>
</tbody>
</table>

Source: CNB, in accordance with ESA 2010

General Government Debt to GDP ratio (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>78%</td>
<td>68%</td>
<td>64%</td>
</tr>
</tbody>
</table>

Significantly outperforming its peers

<table>
<thead>
<tr>
<th>Country</th>
<th>2021</th>
<th>2022</th>
<th>2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Croatia</td>
<td>77%</td>
<td>74%</td>
<td>70%</td>
</tr>
<tr>
<td>Slovenia</td>
<td>69%</td>
<td>61%</td>
<td>58%</td>
</tr>
<tr>
<td>Slovakia</td>
<td>57%</td>
<td>44%</td>
<td>45%</td>
</tr>
<tr>
<td>Czechia</td>
<td>77%</td>
<td>74%</td>
<td>54%</td>
</tr>
<tr>
<td>Hungary</td>
<td>70%</td>
<td>54%</td>
<td>51%</td>
</tr>
<tr>
<td>Poland</td>
<td>51%</td>
<td>54%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: For peers used European Economic Forecast – Autumn 2023, for Croatia 2023 data from CNB, CBS

(1) General Government debt to GDP ratio forecasted as per European Economic Forecast – Autumn 2023 and by Ministry of Finance at 60.8% and 60.7% respectively (while ratio of 64% shown above is calculated by using General Government Debt as of 30/11/2023 (CNB) and FY 2023 GDP (CBS))
Central Government Debt Profile Stays Well Managed

Central Government long term debt securities maturity profile (principal) stretched almost over the next 20 years

Central Government Debt, in EUR bn

Source: Bloomberg, February 2024

Central Government Debt by Maturity

Source: Ministry of Finance

T-bills share in Central Government Debt

On a downward path

Source: Ministry of Finance

Tapping private individuals' investors' base

- Innovative and efficient introduction of local sovereign capital market instruments offered as well to private individuals, enabling access to a new investor category, mobilising available bank accounts' savings and beneficially impacting both local capital market and financial literacy
- Proceeds raised from private individuals only in local offerings to both retail and institutional market over the past year:
  - EUR 1.335bn in March 2023 (2yr bond);
  - EUR 970 in Nov 2023 (364d T-bill);
  - EUR 957mn in Feb 2024 (91/364d T-bills), where a new digital platform e-Treasury for retail sovereign subscription was successfully introduced
- As a result, ca. 6% of Central Government debt is currently held by retail investors

Source: Ministry of Finance

(1) Total amount of T-bills (incl. 15months maturity T-bills) divided with Central Government debt (principals paid directly from the state budget)
(2) Distributed through Financial Agency, Government-owned entity with retail network of 170 branches and, as recently introduced, a new platform for retail investors' participation in sovereign DCM
Evolution of Issuer Ratings

Croatia's Eurozone accession alongside its deepening European and international integration strengthen the economy’s resilience and growth potential

Credit strengths

- "...fiscal strength as well as institutions and governance strength are significantly stronger than that of rating peers"
- "...effective implementation of the very significant package of investments and reforms under Croatia's Recovery and Resilience Plan…"
- "Croatia ranks well above peers in terms of governance indicators and human development, anchored by EU and eurozone membership."
- "GDP per capita is 35% higher than the 'BBB' median."
- "Croatia has a large and relatively stable government revenue base; the government interest/revenue ratio is lower than the peer median…"

Credit challenges

- "A declining population, stagnating workforce, and inefficient judiciary stand as key impediments to Croatia's business environment and growth potential."
- "…relative lack of economic diversification due to its strong reliance on tourism coupled with structural challenges related to population ageing…"
- "Labor productivity is well below western Europe countries."

Sources: CNB, S&P, Fitch and Moody’s latest credit rating analysis for Croatia
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## Terms of the Offering

<table>
<thead>
<tr>
<th><strong>Issuer</strong></th>
<th>Republic of Croatia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Issuer ratings</strong></td>
<td>Fitch: BBB+ (positive) / S&amp;P: BBB+ (positive) / Moody’s: Baa2 (positive)</td>
</tr>
<tr>
<td><strong>Currency</strong></td>
<td>Euro</td>
</tr>
<tr>
<td><strong>Issue size</strong></td>
<td>Benchmark</td>
</tr>
<tr>
<td><strong>Maturity</strong></td>
<td>10 years</td>
</tr>
<tr>
<td><strong>Interest payments</strong></td>
<td>Fixed rate, Annual</td>
</tr>
<tr>
<td><strong>Use of proceeds</strong></td>
<td>General budgetary government purposes</td>
</tr>
<tr>
<td><strong>Governing law</strong></td>
<td>English Law</td>
</tr>
<tr>
<td><strong>Format</strong></td>
<td>Reg S Registered</td>
</tr>
<tr>
<td><strong>Listing of notes</strong></td>
<td>Regulated market of the Luxembourg Stock Exchange</td>
</tr>
<tr>
<td><strong>Target market</strong></td>
<td>Manufacturer Target Market (MiFID II product governance) is eligible counterparties and professional clients only (all distribution channels)</td>
</tr>
<tr>
<td><strong>Clearing system</strong></td>
<td>Euroclear, Clearstream</td>
</tr>
<tr>
<td><strong>Denominations</strong></td>
<td>€100,000 + €1,000</td>
</tr>
<tr>
<td><strong>Joint Lead Managers</strong></td>
<td>Deutsche Bank, J.P. Morgan, Morgan Stanley, Zagrebačka banka / UniCredit</td>
</tr>
</tbody>
</table>
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