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1 Performance indicators of credit institutions

Summary

The economic crisis was reflected in a slowdown of business activities and poorer bank performance in the first half of 2012. Though still satisfactory, bank profitability declined, while the level and quality of capital strengthened additionally. However, performance indicators of individual institutions suggest great system heterogeneity. The number of banks operating with a loss rose to one third of the total number of banks, all of these banks belonging to the group of small banks.

In the first half of 2012, bank assets shrank by 1.0%, thus halting the small upward trend present in the previous two years. Despite a number of measures taken by the CNB to encourage more favourable financing of the economy, loans granted held steady. Regulatory changes, particularly those associated with foreign exchange liquidity and reserve requirements, led to the freeing of a significant amount of previously immobilised funds and considerably lower regulatory costs. However, the regulatory measures did not have any significant effect on credit growth, having been challenged by a high level of caution on the part of both the banks and their clients. In the conditions of good system liquidity and poor demand for loans, some of the freed liquidity was used for the repayment of liabilities, particularly foreign liabilities. The biggest contribution to these developments came from a relatively small fall in the sources from majority foreign owners. As regards the domestic sources, further corporate liquidity position depletion was reflected in a sharp fall in deposits with banks, in contrast with an increase in deposits of all the remaining domestic sectors. Household deposits continued to grow slowly, in contrast with deposits of financial institutions, particularly deposits of investment funds which rose sharply, seeking refuge in stable and yield-attractive banking deposits against the backdrop of a poor investment climate. Surplus liquidity demonstrated by banks under stress scenarios, together with the level of securities investment, point to a satisfactory accumulation of liquidity that might, prompted by the realisation of economic recovery measures, spill over onto credit growth in the forthcoming period.

One of the measures taken by the CNB to stimulate economic activity was a reduction in the reserve requirement rate from 15% to 13.5% in May 2012. The banks placed some of the freed reserve requirement to the CBRD in the framework of the first phase of the Economic Development Programme aimed at ensuring loans to domestic entrepreneurs under more favourable interest rates. This mitigated the fall in the amount of bank loans granted, caused by a fall in loans to almost all the sectors, particularly government units. This excludes the effect of reclassification by sectors, or the transfer of government-guaranteed credit liabilities of shipyards to the public debt of the Republic of Croatia. It should be noted that at the same time the banks increased their investments in securities of government units, particularly T-bills, which was made possible by changes in the minimum foreign exchange liquidity rule and financed by a decline in deposits with foreign banks. If the effect

of transfer of loans to shipyards from the corporate sector to government units sector is excluded, corporate loans increased. This increase was due exclusively to an increase in loans to public enterprises, in particular a very small number of large clients in this subsector. Thus the trend present in the previous year when the banks, in search of safer forms of investment, significantly increased exposure to government units and large clients, particularly those in the public sector, continued into the first half of 2012.

The growth in partly recoverable and fully irrecoverable loans, i.e. loans distributed into risk categories B and C, continued to slow down, although as a result of poor credit activity, the share of loans of these two risk categories in total bank loans rose considerably, reaching 13.3% (compared to 12.4% at the end of 2011). Reclassification by sectors led to a considerable worsening of the already unfavourable indicator of corporate loan quality, with the share of B and C category loans in that sector reaching 22.9%. As in the previous two years, the deterioration in the quality of loans to construction, made the biggest contribution to total bank loan quality deterioration. The share of B and C category loans in this activity, excluding loans to corporates involved in construction and management of state roads and motorways, which are generally covered by government guarantees, reached 37.8%. The reason for such a high share of non-performing loans lies in the pronounced sensitivity of the model of financing of construction and sale of residential and commercial units to developments in the economic cycle, as also suggested by stagnation in home loans. The deterioration in their quality was the main trigger for the growth in partly recoverable and fully irrecoverable household loans. The quality of home loans in Swiss francs was much worse than that of home loans in the euro owing to increased loan repayments resulting from exchange rate and interest rate changes and a fast growth in this portfolio during relaxation of lending terms. The accelerated ageing of the portfolio of household loans in Swiss francs spurred a deterioration in loan quality indicators, with similar developments being present in other types of loans to that sector, irrespective of the currency. The trend of household deleveraging continued for the fourth consecutive year, with an increase in the first half of 2012 being seen only in the amount of household overdraft facilities used. The absence of recovery in household lending again contributed to the high level of B and C category loans and negatively influenced the outlook for bank income growth.

The developments in risk premiums of foreign parent banks and of the Republic of Croatia translated into a considerable growth in interest expenses and had a key impact on the fall in profits and profitability. In the first half of 2012, the banks reported HRK 2.1bn in profit (before tax), which is a decline of 15.2% compared with the first half of 2011. The mentioned increase in interest expenses led to a fall in the key income item of banks, net interest income, and net income from fees and commissions also fell, continuing its downward trend from 2011. A fall in income from services reflects slower activities on the capital markets and a lower volume of off-balance sheet transactions as well as the absence of income from cross-selling due to very slow credit activitiy. Its weakening, together with the growth in the level of non-interest bearing loans (B and C category loans) led to a fall in interest income from loans granted. The biggest fall was seen in interest income from household loans, due to a fall in income from all types of loans to that sector. Nevertheless, total interest income rose slightly, mostly driven by increased interest income from debt securities, particularly securities of the Republic of Croatia. Given a simultaneous increase in income from trading and changes in the fair value of securities, the overall contribution of income from securities was significant. Also needing to be factored in is income from abolition of expenses on provisions for latent losses in risk category A, resulting from a fall in deposits with banks and investments in securities not classified into risk categories and not subject to a collective assessment of impairment. By contrast, expenses on value adjustments and provisions for B and C category exposures rose significantly, weighing heavily on operating income despite a slowdown in the growth of B and C category loans. This was due to migration of non-performing claims into worse risk categories as a result of unfavourable developments in the economy and growing arrears. The average loss, i.e. the coverage of B and C category loans by value adjustments and provisions thus rose to 42.1%. The level of coverage was largely determined by credit portfolio structure, particularly by the share of loans secured by quality instruments of collateral such as real estate property. The fall in the value of instruments of collateral that are taken into account in the calculation of cash flows and loan loss amounts could be one of the reasons for the increase in the coverage.

The reduced ability of bank assets to generate income, most notably interest income, led to a fall in the indicators of return. ROAA stood at 1.1% and ROAE at 6.3%, a considerable decline from the same period previous year when ROAA stood at 1.3% and ROAE at 7.7%. The fall in net income led to the worsening of the cost to income ratio, despite bank efforts to contain the level of operating expenses. The banks continued to keep the costs of distribution channels under strict control, as evidenced by a fall in the number of employees and operating units, particularly in the group of large banks. Small banks reported a much poorer cost to income ratio and greater credit portfolio losses and consequently much poorer performance. Eleven small banks reported losses in the first half of 2012, an increase of two banks from the same period in the previous year.

The capital adequacy ratio of banks continued to grow for the fourth consecutive year and at the end of the first half of 2012 it stood at 20.17, its highest value since end-2000. All the banks operated at the rate above the minimum prescribed 12%, while a smaller number of institutions maintained this rate above the prescribed minimum owing to recapitalisations. The increase in the capital adequacy ratio in the first half of 2012 was mainly a reflection of slower business activities of banks and the related decline in exposure that is weighted by credit risk. The retention of half of the 2011 profit and its inclusion in the calculation of own funds also played a role, though smaller. Own funds thus continued to grow slightly and their quality continued to improve steadily. As expected, the quantitative impact study of the introduction of Basel III revealed that domestic banks were prepared, both in terms of the amount and quality of capital, to embrace the new regulatory framework.

The capital requirement for credit risk again accounted for the highest share in the structure of capital requirements (88.6%), owing to the overall importance of traditional banking activities, particularly a high share of loans in bank assets. Since almost three quarters of loans were made in foreign currencies or were indexed to foreign currencies, in internal capital assessment, banks perceived currency-induced credit risk as the major risk, immediately following explicitly treated risks under the first pillar of the capital adequacy framework. Despite growth in kuna assets and liabilities from 2010 spurred by increased insecurity in the eurozone and CNB measures, a sharp turn to foreign currencies at the beginning of the crisis period still kept the shares of assets and liabilities in foreign currencies (including those indexed) at higher levels than those in the pre-crisis period. On the assets side, the share of the foreign currency component (including that indexed) was 64.3% and on the liabilities side its share was 68.1%.

The small share of housing savings banks in the total assets of credit institutions declined additionally in the first half of 2012, to 1.8%. This was due to a 7.0% fall in the assets of housing savings banks, mostly attributable to the application of the so called adjusted models used in the calculation of change in the economic value of the non-trading book. However, it should be noted that the most significant balance sheet items of housing savings banks, deposits of housing savings banks savers and home loans, also held steady. The share of housing savings banks in total home loans of all credit institutions stood at 5.5%, while their quality exceeded that of banks considerably. The share of home loans classified into risk categories B and C was only 0.9%. The capital adequacy ratio remained high (19.68%), despite a slight fall. The level of this ratio reflected the importance of the share of exposure to central governments and central banks, mainly in the form of securities of the Republic of Croatia and the associated low average weight for credit risk. In contrast with 2011, the profit of housing savings banks rose sharply, with ROAA and ROAE reaching 1.0% and 13.0%, respectively. In the first half of 2012, housing savings banks reported profit (before tax) of HRK 38.4m, an increase of 240.4% compared to the same period previous year. Such a large increase in housing savings banks profit was primarily the result of growth in net income, particularly interest income from loans and income from securities trading. While one housing savings bank operated with a loss, all the remaining housing savings banks operated with a much bigger profit than in the first half of 2011.

1.1 Introduction

At the end of June 2012, there were 37 credit institutions operating in the Republic of Croatia: 31 banks, one savings bank and five housing savings banks.[1] At the end of the first half of 2012, their assets stood at HRK 410.3bn, with the banks again accounting for the dominant share or 98.2% (one savings bank included) of the total assets. The housing savings banks accounted for the remaining 1.8% of the total assets. For the purposes of this analysis, banks have been divided into three peer groups (large, medium-sized and small banks)[2], while housing savings banks, due to their specific nature, constitute a group of their own.

1.2 Banks

1.2.1 Structural features

Number of banks and peer groups

At the end of the first half of 2012, the total number of banks as well as their distribution by peer groups remained unchanged from the end of the previous year (Table 1.1). Influenced by faster growth in deposits in one medium-sized bank, this bank group slightly increased its market share. Medium-sized banks increased their assets by 1.1% from the end of 2011. By contrast, the assets of large banks shrank to 82.4%, their market share thus falling. The fall in the assets in the group of large banks is the result of a fall in assets in most banks in this group, which ranged from 1.9% to a high 7.0%, due to stagnation in total credit activity and withdrawal of sources, particularly those of

1 There have been no foreign bank branches operating in the Republic of Croatia since 2002.
2 For the composition of individual banking groups, see Attachment I List of credit institutions by peer groups.

TABLE 1.1 Bank peer groups and their share in total bank assets, end of period

	Dec. 2009		Dec. 2010		Dec. 2011		June 2012	
	Number of banks	Share	Number of banks	Share	Number of banks	Share	Number of banks	Share
Large banks	6	82.7	6	82.1	6	82.6	6	82.4
Medium-sized banks	3	9.1	3	9.0	3	9.0	3	9.2
Small banks	25	8.2	24	8.9	23	8.4	23	8.4
Total	34	100.0	33	100.0	32	100.0	32	100.0

majority foreign owners. The share of assets of the group of small banks in total assets of all banks remained unchanged.

The number of credit institutions subject to Croatian National Bank supervision, in accordance with the provisions of the Decision on the supervision of a group of credit institutions on a consolidated basis[3], remained unchanged (7)[4]. These groups were obligated to report on their business operations to the Croatian National Bank through their superordinate institutions.

Concentrations

Developments in concentration indicators at the end of the first half of 2012 were very slow compared to the end of 2011. System concentration was still considerable, even though an increase in concentration was seen only in the growth in the share of assets of the largest banks, in contrast with the share of loans granted and deposits received, which fell slightly (Figure 1.1). The only visible increase in share was seen in an increase in the assets of the first two banks in the total assets of all banks (0.3 percentage points) to 42.6%. The share of assets of the first five banks in the total assets of banks declined only slightly, to 75.9%, while the share of assets of the first ten banks rose slightly, reaching 92.4% of the total assets. A small growth in credit activity in the first half of the year was seen only in several smaller banks which led to a fall in the indicator of concentration of net loans granted measured by the share of the first two, five and ten largest banks, although these shares remained high.

This can be evidenced by changes in the levels of the Herfindahl-Hirschman index (HHI) in the first half of the year, when the HHI values for assets increased and the values for net loans and deposits decreased. This led to a further evening out of the values of this index for all the three observed variables: the value of the asset index stood at 1417, the value of the net loan index stood at 1437 and the value of the received deposits index stood at 1434 units, which is considered to be a moderate concentration.

3 OG 1/2009, 75/2009 and 2/2010.

4 For the composition of individual banking groups, see Attachment II, Groups of credit institutions subject to reporting to the CNB on a consolidated basis.

FIGURE 1.1 Shares of assets, loans and deposits of the largest banks in total assets, loans and deposits, as at 30 June 2012

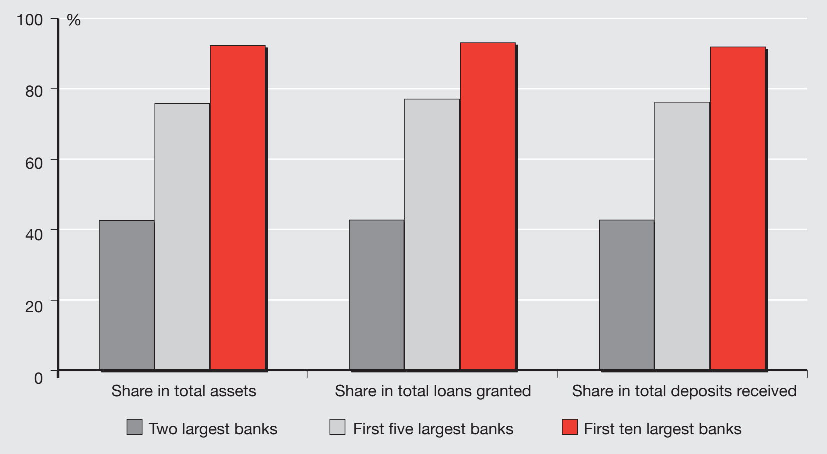
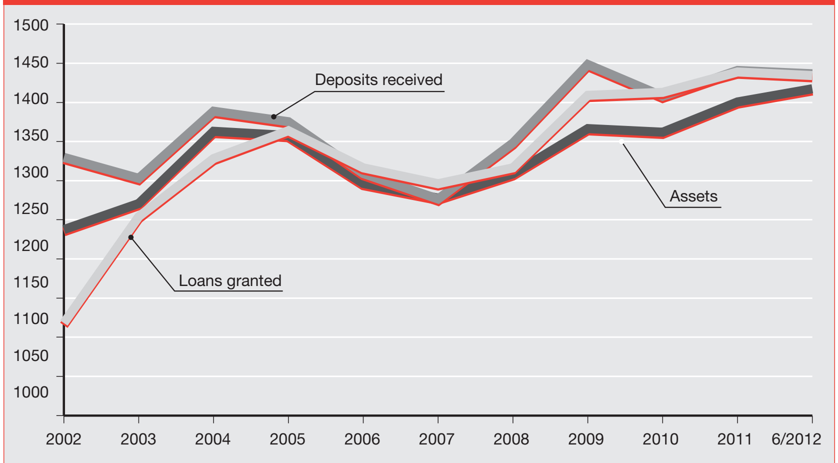


FIGURE 1.2 Herfindahl-Hirschman Index (HHI), all banks



Ownership structure

In the first six months of 2012, the ownership structure of banks remained the same. A total of 17 banks were in the majority ownership of foreign shareholders and 15 banks were in the majority ownership of domestic shareholders (Table 1.2). Changes in the share of bank assets by ownership type were very small, and amounted to below 0.1 percentage points. The largest number of banks (6) belonged to Austrian shareholders, and the assets of these banks accounted for a significant 61.6% of the total assets of all banks. The next five banks were in Italian ownership and their market share was 18.9%. Shareholders from France and Hungary came next, each accounting for almost 10% of the market share and each having one bank in their ownership. The share of the remaining four banks in the ownership of shareholders from San Marino, Turkey, Switzerland and Serbia was negligible.

TABLE 1.2 Ownership structure of banks and their share in total bank assets, end of period

	Dec. 2009		Dec. 2010		Dec. 2011		June 2012	
	Number of banks	Share	Number of banks	Share	Number of banks	Share	Number of banks	Share
Domestic ownership	19	9.1	18	9.7	15	9.4	15	9.4
Domestic private ownership	17	4.9	16	5.4	13	4.9	13	4.9
Domestic state ownership	2	4.2	2	4.3	2	4.5	2	4.5
Foreign ownership	15	90.9	15	90.3	17	90.6	17	90.6
Total	34	100.0	33	100.0	32	100.0	32	100.0

Business network

Slower business activities of banks undermined key sources of income while the weight of expenses on loan loss provisions in the credit portfolio continued to weigh negatively on operating income. As a result, the banks continued to reduce general operating expenses, including employee expenses and expenses of distribution channels.

The number of bank employees fell slightly in the first half of 2012, by 0.1% or 29 employees (Table 1.3). This change was influenced by changes in large banks which reported a fall in the number of employees of 0.4% or 59. By contrast, the number of employees rose in medium-sized banks by 31 or 1.2%, and in small banks their number remained unchanged from the end of 2011.

After rising for several years, the number of operating units shrank for the third consecutive year, with the number of operating units at the end of the first half of 2012 falling by 12 or 1.0% from the end of 2011. This was exclusively due to developments in large banks, in which the number of operating units fell by 14 (1.8%) due to a decline in four out of six banks in this group. The number of operating units remained unchanged in medium-sized banks but rose by two operating units in small banks.

The number of operating units fell in seven counties, but rose in four. This number fell the most in Zagreb County and the City of Zagreb (6) and in the County of Osijek-Baranya (6). As a result,

TABLE 1.3 Number of employees, operating units and ATMs, end of period

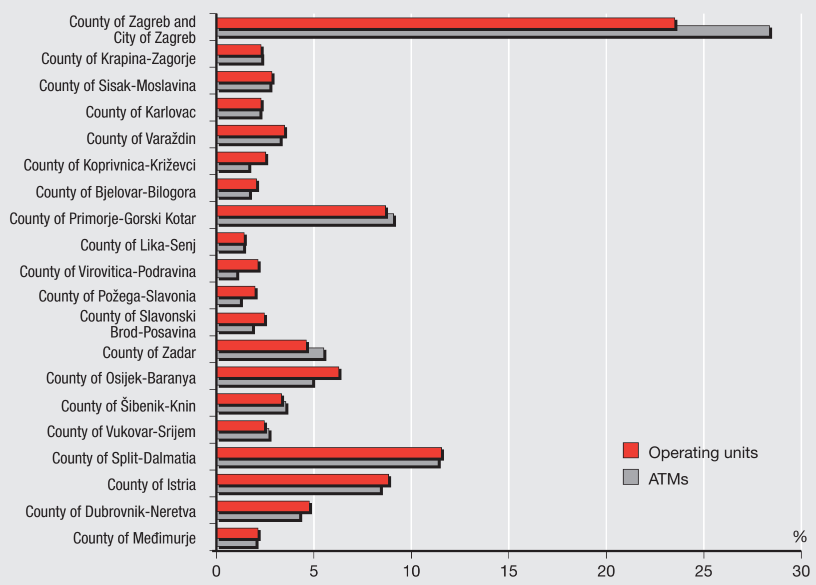
	Dec. 2009		Dec. 2010			Dec. 2011			June 2012		
	Number	Share	Number	Share	Change	Number	Share	Change	Number	Share	Change
Employees											
Large banks	15,803	72.7	15,813	72.6	0.1	15,931	72.9	0.7	15,872	72.7	-0.4
Medium-sized banks	2,391	11.0	2,449	11.3	2.4	2,541	11.6	3.8	2,572	11.8	1.2
Small banks	3,536	16.3	3,508	16.1	-0.8	3,393	15.5	-3.3	3,392	15.5	0.0
Total	21,730	100.0	21,770	100.0	0.2	21,865	100.0	0.4	21,836	100.0	-0.1
Operating units											
Large banks	768	59.2	760	59.7	-1.0	759	60.0	-0.1	745	59.4	-1.8
Medium-sized banks	170	13.1	172	13.5	1.2	177	14.0	2.9	177	14.1	0.0
Small banks	359	27.7	342	26.8	-4.7	330	26.1	-3.5	332	26.5	0.6
Total	1,297	100.0	1,274	100.0	-1.8	1,266	100.0	-0.6	1,254	100.0	-0.9
ATMs											
Large banks	2,760	76.6	2,872	75.7	4.1	3,014	75.8	4.9	3,064	75.6	1.7
Medium-sized banks	446	12.4	506	13.3	13.2	555	14.0	9.7	567	14.0	2.2
Small banks	395	11.0	416	11.0	5.3	406	10.2	-2.4	420	10.4	3.4
Total	3,601	100.0	3,794	100.0	5.3	3,975	100.0	4.8	4,051	100.0	1.9

TABLE 1.4 Territorial distribution of operating units and ATMs by counties, end of period

	Dec. 2009		Dec. 2010		Dec. 2011		June 2012	
	Operating units	ATMs	Operating units	ATMs	Operating units	ATMs	Operating units	ATMs
County of Zagreb and City of Zagreb	288	1,017	296	1,071	301	1,136	295	1,150
County of Krapina-Zagorje	30	83	30	85	30	93	29	95
County of Sisak-Moslavina	37	103	37	105	37	111	36	112
County of Karlovac	30	84	29	92	29	89	29	91
County of Varaždin	45	123	44	127	44	133	44	133
County of Koprivnica-Križevci	35	66	33	64	33	69	32	68
County of Bjelovar-Bilogora	28	67	27	74	27	72	26	69
County of Primorje-Gorski Kotar	114	327	112	336	110	364	109	369
County of Lika-Senj	19	50	19	56	18	56	18	57
County of Virovitica-Podravina	29	38	27	42	27	41	27	43
County of Požega-Slavonia	27	43	25	45	25	50	25	50
County of Slavonski Brod-Posavina	33	70	30	70	30	71	31	75
County of Zadar	61	196	59	214	58	218	58	224
County of Osijek-Baranya	87	169	85	185	85	200	79	201
County of Šibenik-Knin	42	132	42	134	42	140	42	145
County of Vukovar-Srijem	30	94	31	101	30	107	31	110
County of Split-Dalmatia	153	386	146	420	143	450	145	461
County of Istria	114	307	111	314	110	324	111	341
County of Dubrovnik-Neretva	64	162	62	175	60	169	60	174
County of Međimurje	31	84	29	84	27	82	27	83
Total	1,297	3,601	1,274	3,794	1,266	3,975	1,254	4,051

the concentration of operating units in these two counties fell slightly to 23.5% and 6.3% in Zagreb County and the City of Zagreb and in the County of Osijek-Baranya, respectively (Figure 1.3). In addition to these two mentioned counties, only three more counties accounted for over 5% of the number of operating units.

FIGURE 1.3 Concentration of bank operating units and ATMs by counties, as at 30 June 2012



Four small banks again operated in only one county and only four large banks had operating units in all counties. The average data on operating units did not change much compared to the end of 2011, with each bank having on average 39 operating units and operating on average in nine counties. The number of persons to one operating unit in the Republic of Croatia averaged 3422[5], although coastal region counties and two counties in central and eastern Croatia boasted a better average.

In contrast with a fall in the number of operating units, the number of ATMs of banks[6] rose by 76 or 1.9% from the end of 2011. The number of ATMs rose in most counties, and the most in the County of Istria (17) and the County of Zagreb and the City of Zagreb (14). Almost one third of all ATMs are located in the County of Zagreb and the City of Zagreb (28.4%), followed by the County of Split-Dalmatia which accounted for the next biggest share (11.4%) and the County of Primorje-Gorski Kotar and the County of Istria which accounted for 9.1% and 8.4%, respectively. ATMs of large banks accounted for 75.6% of the total number of ATMs, with their number increasing by 50 from the end of 2011. The number of ATMs of medium-sized banks rose by 12 and accounted for 14.0% of the total number of ATMs. Small banks accounted for the remaining 10.4% of the total number of ATMs, with their number increasing by 14. At the end of the first half of 2012, four small banks had no ATMs.

1.2.2 Bank balance sheet and off-balance sheet items

Assets

The continuation of the economic crisis was reflected in a slowdown in the business activities of banks. After slight recovery in the rates of growth of bank assets in 2010 and 2011, in the first half of 2012, bank assets fell by HRK 3.9bn or 1.0% (Table 1.5). Loans granted held steady (-0.3%); the fall in their amount was partly mitigated by measures taken by the CNB to boost economic activity. These measures resulted in a release of a significant amount of previously immobilised funds and considerably lower regulatory costs; however, increased caution on the part of both the banks and their clients was the reason why these measures failed to produce any greater effect on credit growth. As a result, some of the funds released were used for the repayment of liabilities, particularly foreign loans. As in the previous years, the contribution to the slower growth in assets came from value adjustments and loss provisions[7], whose increase was due to the further worsening of the position of debtors and more difficult liabilities settlement.

The reduction in the reserve requirement rate from 15% to 13.5% in May 2012[8] mitigated the fall in the amount of loans granted as the banks placed some of the freed reserve requirements to the CBRD (a syndicated 13 bank HRK 3.4bn loan) in the framework of the first phase of the Economic Development Programme. The objective of this Programme is to ensure favourable loans to domestic entrepreneurs, to be granted in proportional ratios by banks and the CBRD. At auctions, the banks

5 The source of data on the population of the Republic of Croatia is the CBS.
6 ATMs provided by other companies included.
7 Under the applicable regulations, bank assets are shown in a net amount, i.e. reduced by value adjustments and provisions.
8 Decision on amendments to the Decision on reserve requirements (OG 43/2012).

bid for a loan quota amount relating to the share of the loan from the CBRD and contribute own funds equivalent to the amount of the quota granted and place them to users. Up to end-June, one auction was held at which the CBRD offered to the banks HRK 500.0m, but on account of the short time available, by end-June no loans under the Programme had been granted to entrepreneurs. To boost Programme realisation, towards the end of June, changes were introduced in the rule on the minimum foreign currency coverage[9]. This change enabled the inclusion of loans granted in the framework of the Programme (part of loans financed by bank funds) in foreign currency claims, irrespective of the currency.

And while the amount of loans granted remained at almost the same level, the structure of loans by sectors changed significantly. The growth in loans to the CBRD led to a significant increase in the share of loans to financial institutions. The share of loans to government units rose even more, as a result of the transfer of credit liabilities of shipyards covered by government guarantees into the public debt of the Republic of Croatia based on the Act on the Rights and Obligations of Shipyards in the Process of Restructuring[10]. The appreciable fall in loans to corporates can also be attributed to this. If the effect of this transfer is excluded, loans to corporates grew, though exclusively as a result of an increase in loans to public enterprises, which included a very small number of large public enterprises.

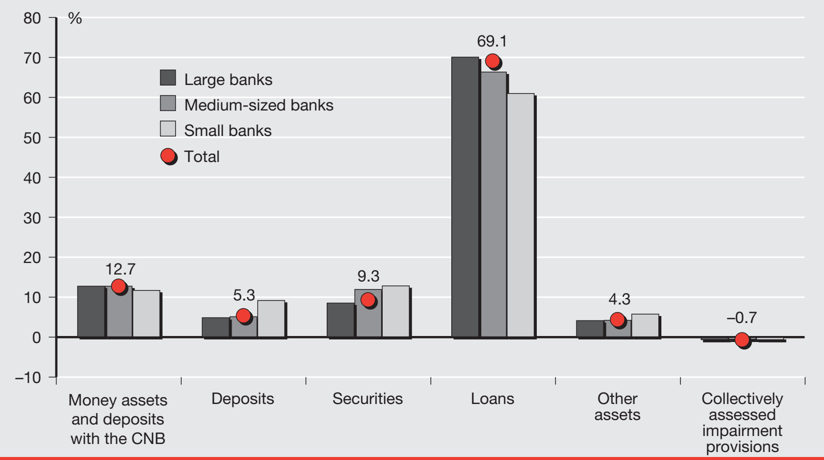
The increase in investments in T-bills of the Ministry of Finance led to a considerable increase in total securities investment (HRK 3.5bn or 10.4%). The share of these investments in bank assets stood at 9.3% (Figure 1.4), its highest value since end-2008. The change in the rule on minimum foreign currency liquidity enabled the inclusion of T-bills of the Ministry of Finance issued in euro

TABLE 1.5 Structure of bank assets, end of period, in million HRK and %

	Dec. 2009		Dec. 2010			Dec. 2011			June 2012		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Money assets and deposits with the CNB	47,673.1	12.6	47,373.5	12.1	–0.6	53,058.7	13.0	12.0	51,314.0	12.7	–3.3
Money assets	5,430.9	1.4	5,675.4	1.5	4.5	6,198.2	1.5	9.2	6,789.1	1.7	9.5
Deposits with the CNB	42,242.2	11.2	41,698.2	10.7	–1.3	46,860.5	11.5	12.4	44,525.0	11.0	–5.0
Deposits with banking institutions	32,741.9	8.7	30,160.0	7.7	–7.9	26,957.3	6.6	–10.6	21,436.1	5.3	–20.5
MoF treasury bills and CNB bills	9,366.8	2.5	10,030.3	2.6	7.1	11,580.0	2.8	15.5	11,708.4	2.9	1.1
Securities and other financial instruments held for trading	5,522.4	1.5	5,501.3	1.4	–0.4	2,511.5	0.6	–54.3	837.5	0.2	–66.7
Securities and other financial instruments available for sale	14,000.5	3.7	14,872.5	3.8	6.2	14,281.2	3.5	–4.0	18,163.6	4.5	27.2
Securities and other financial instruments held to maturity	4,012.2	1.1	3,692.3	0.9	–8.0	3,664.5	0.9	–0.8	4,064.8	1.0	10.9
Securities and other financial instruments not traded in active markets but carried at fair value	1,644.9	0.4	1,090.0	0.3	–33.7	1,829.5	0.4	67.8	2,627.7	0.7	43.6
Derivative financial assets	212.4	0.1	154.6	0.0	–27.2	673.9	0.2	335.9	1,042.1	0.3	54.6
Loans to financial institutions	6,065.1	1.6	6,389.5	1.6	5.3	6,162.3	1.5	–3.6	8,713.1	2.2	41.4
Loans to other clients	246,363.2	65.1	260,690.5	66.7	5.8	273,122.5	67.1	4.8	269,680.4	66.9	–1.3
Investments in subsidiaries and associates	1,980.9	0.5	2,195.6	0.6	10.8	3,288.7	0.8	49.8	3,292.9	0.8	0.1
Foreclosed and repossessed assets	604.9	0.2	757.5	0.2	25.2	868.4	0.2	14.6	1,080.1	0.3	24.4
Tangible assets (net of depreciation)	4,372.3	1.2	4,319.6	1.1	–1.2	4,417.7	1.1	2.3	4,390.1	1.1	–0.6
Interest, fees and other assets	6,889.5	1.8	6,853.3	1.8	–0.5	7,592.0	1.9	10.8	7,707.5	1.9	1.5
Net of: Collectively assessed impairment provisions	3,079.5	0.8	3,009.3	0.8	–2.3	3,070.6	0.8	2.0	3,014.8	0.7	–1.8
TOTAL ASSETS	378,370.6	100.0	391,071.2	100.0	3.4	406,937.6	100.0	4.1	403,043.4	100.0	–1.0

9 Decision on amendments to the Decision on the minimum required amount of foreign currency claims (OG 67/2012).
10 OG 61/2011.

FIGURE 1.4 Structure of bank peer group assets, as at 30 June 2012



and subscribed at 14 February 2012 auction in liquid foreign currency claims[11]. As a result, the ratio of liquid foreign currency claims and foreign currency liabilities held steady at the same level as at the end of 2011 (19.3%). The subscription of these T-bills of EUR 758.8m was financed by a withdrawal of deposits from foreign banks. At the end of the first half of 2012, they were down by almost HRK 5.0bn (20.0%) from the end of the previous year.

As the bulk of T-bills subscribed at the 14 February 2012 auction had a maturity of 546 days, they were reported by banks under bonds. Bonds accounted for almost one half of total securities investments, three quarters of the amount going to bonds of the domestic central government and different foreign central governments, bonds of the Republic of Croatia preponderating. The amount of investments in bonds of foreign financial institutions rose considerably; however, owing to the much smaller investments in the bonds of foreign central governments, the share of bonds of foreign issuers fell to 37.2% of the total investments in bonds. Viewed by portfolios, the portfolio of financial assets available for sale rose the most, with the share of this portfolio exceeding two thirds of the total securities investments. Favourable developments in bond prices largely influenced the reduction in unrealised losses on value adjustment of financial assets available for sale carried in the account of capital, which had a favourable impact on the level of bank capital. The amount of securities in the held-for-trading portfolio fell, in line with the trend present for some time, with the level of the portfolio of securities held for trading being several times lower than its usual levels in the pre-crisis period.

A little over HRK 1.0bn or 0.3% of the total assets of banks was accounted for by assets taken over in exchange for unpaid receivables. Despite their relatively low share, their increase in the first half of 2012 of HRK 211.8m or 24.4% largely exceeded their increase in the whole of 2011. Assets taken over rose sharply in both large and medium-sized banks, although the share of these assets was the highest in the group of small banks (1.4%). In addition to the assets taken over, of the other bank asset items, derivative financial assets also rose sharply, largely influenced by developments in one large bank.

11 Decision on amendments to the Decision on the minimum required amount of foreign currency claims (OG 18/2012).

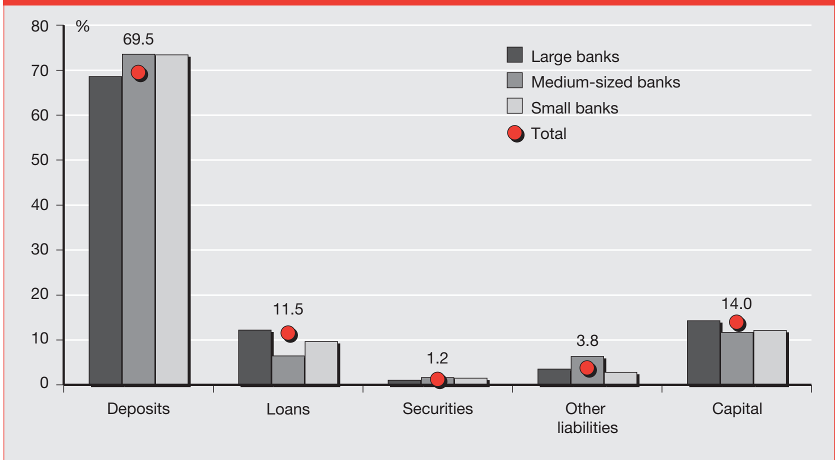
Liabilities and capital

Weakened demand for loans and good system liquidity enabled the banks to reduce their borrowing, particularly foreign borrowing. Bank liabilities fell in the first half of 2012 by HRK 4.4bn or 1.3% (Table 1.6), with the largest share of the decline being attributable to a decline in loans and deposits received from majority foreign owners. Domestic sources of financing also declined, particularly deposits of corporates whose liquidity position evidently continued to deteriorate.

Loans and deposits received from majority foreign owners had been a stable and significant source of domestic bank growth since the beginning of the crisis but this trend came to a halt during the observed period. The sources from majority foreign owners fell by HRK 3.1bn or 4.5%, accounting for a little over one fifth of the total sources of financing. Twelve banks used the sources from majority foreign owners, in a range that varied greatly between different institutions, resulting in some of them in a large degree of concentration of sources. A little over one fourth of the sources from majority foreign owners involved the kuna component associated with regulatory arbitrage and the minimum foreign exchange liquidity rule, which resulted in currency swap agreements with the parent banks. During the observed period, kuna sources (those indexed included) fell less than foreign currency sources from majority foreign owners, but at a higher rate, with the result that their share in the total sources from majority foreign owners fell slightly.

In addition to loans from majority foreign owners, the decline was also seen in loans from other non-residents and domestic creditors, primarily domestic banks, with the loans received falling by a total of HRK 2.8bn or 5.7%. The decline was recorded in all bank groups but was of a slightly smaller intensity in the group of small banks than in the remaining two bank groups. Received deposits fell much less than received loans, having fallen by HRK 1.2bn or 0.4%. Corporate deposits fell by a considerable HRK 6.2bn or 14.1%, leading, despite an increase in deposits of all the remaining domestic sectors, to a fall in total deposits of domestic sectors. As in 2011, corporate deposits fell the most in small banks. Deposits of financial institutions rose by a large HRK 3.7bn or 26.5%, largely driven by growth in deposits of investment funds, particularly money market funds. A particularly sharp growth was seen in deposits of financial institutions in medium-sized banks, which was the only bank group that witnessed an increase in total deposits. Deposits of financial institutions rose sharply in large

FIGURE 1.5 Structure of bank peer group liabilities and capital, as at 30 June 2012



banks in contrast with small banks which witnessed a fall in this sector's deposits. Unlike institutional investors, who, influenced by the winding-up of one small bank towards the end of 2011 still exhibited increased caution in relation to small banks, households increased their savings in small banks, at the highest rate, indeed, among all bank groups. As the banks stabilised their business operations, they were able to repay their liquidity loans to the CNB. As a result, at the end of June 2012, not a single bank used liquidity loans or the reserve requirement funds.

Household deposits rose by HRK 1.7bn or 1.1%, reinforcing their leading position with a share of almost 50% in the total sources of funds. From the end of 2008, the share of households strengthened considerably as did the share of sources from majority foreign owners, in contrast with falling sources from corporates and domestic financial institutions, reflecting reduced real sector liquidity and relatively slow activities on the capital market and other financial markets. However, the growth rate of household savings also slowed down. As regards the structure of household savings, foreign currency deposits were dominant and grew the fastest in the first half of 2012. However, in relative terms the growth in the kuna component was more pronounced. Household kuna time deposits rose by 6.2%, while those in euro held steady at almost the same level. Deposits in other foreign currencies, particularly the American dollar, the Swiss franc and the Australian dollar rose considerably. There was a relatively sharp, though small in amount, growth in deposits in otherwise poorly represented foreign

TABLE 1.6 Structure of bank liabilities and capital, end of period, in million HRK and %

	Dec. 2009		Dec. 2010			Dec. 2011			June 2012		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from financial institutions	21,180.5	5.6	18,178.8	4.6	–14.2	17,316.5	4.3	–4.7	16,459.3	4.1	–4.9
Short-term loans	10,167.9	2.7	7,407.9	1.9	–27.1	6,026.7	1.5	–18.6	4,406.5	1.1	–26.9
Long-term loans	11,012.6	2.9	10,770.9	2.8	–2.2	11,289.8	2.8	4.8	12,052.8	3.0	6.8
Deposits	256,810.0	67.9	269,182.6	68.8	4.8	281,390.5	69.1	4.5	280,185.2	69.5	–0.4
Giro account and current account deposits	34,526.9	9.1	37,258.1	9.5	7.9	39,628.4	9.7	6.4	37,222.5	9.2	–6.1
Savings deposits	24,531.3	6.5	26,705.5	6.8	8.9	26,376.2	6.5	–1.2	25,992.3	6.4	–1.5
Time deposits	197,751.7	52.3	205,219.0	52.5	3.8	215,386.0	52.9	5.0	216,970.4	53.8	0.7
Other loans	31,787.5	8.4	31,594.3	8.1	–0.6	31,856.5	7.8	0.8	29,933.1	7.4	–6.0
Short-term loans	6,133.5	1.6	6,977.0	1.8	13.8	3,357.8	0.8	–51.9	2,980.1	0.7	–11.2
Long-term loans	25,654.0	6.8	24,617.3	6.3	–4.0	28,498.7	7.0	15.8	26,953.0	6.7	–5.4
Derivative financial liabilities and other financial liabilities held for trading	418.9	0.1	1,475.2	0.4	252.1	1,383.7	0.3	–6.2	1,542.7	0.4	11.5
Debt securities issued	119.3	0.0	124.3	0.0	4.2	0.0	0.0	–100.0	0.0	0.0	0.0
Short-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt securities issued	119.3	0.0	124.3	0.0	4.2	0.0	0.0	–100.0	0.0	0.0	0.0
Subordinated instruments issued	396.6	0.1	468.4	0.1	18.1	1,366.2	0.3	191.7	1,377.3	0.3	0.8
Hybrid instruments issued	3,016.4	0.8	3,431.2	0.9	13.7	3,601.1	0.9	5.0	3,504.4	0.9	–2.7
Interest, fees and other liabilities	12,067.3	3.2	12,288.2	3.1	1.8	14,283.6	3.5	16.2	13,782.4	3.4	–3.5
TOTAL LIABILITIES	325,796.6	86.1	336,743.0	86.1	3.4	351,198.2	86.3	4.3	346,784.5	86.0	–1.3
Share capital	28,781.8	7.6	29,468.2	7.5	2.4	33,805.6	8.3	14.7	34,044.1	8.4	0.7
Current year profit/loss	3,277.7	0.9	3,450.8	0.9	5.3	3,784.9	0.9	9.7	1,775.5	0.4	–53.1
Retained earnings/loss	7,764.9	2.1	8,927.9	2.3	15.0	13,705.2	3.4	53.5	15,910.1	3.9	16.1
Legal reserves	1,084.1	0.3	1,097.9	0.3	1.3	1,058.6	0.3	–3.6	1,078.9	0.3	1.9
Reserves provided for by the articles of association and other capital reserves	11,789.2	3.1	11,382.4	2.9	–3.5	3,739.5	0.9	–67.1	3,460.9	0.9	–7.5
Unrealised gains/losses on value adjustments of financial assets available for sale	–27.7	0.0	20.0	0.0	–	–291.8	0.0	–	–6.5	0.0	–97.8
Reserves arising from hedging transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Previous year profit/loss	–96.0	0.0	–19.0	0.0	–80.2	–62.6	0.0	229.3	–4.1	0.0	–93.5
TOTAL CAPITAL	52,574.0	13.9	54,328.2	13.9	3.3	55,739.5	13.7	2.6	56,258.9	14.0	0.9
TOTAL LIABILITIES AND CAPITAL	378,370.6	100.0	391,071.2	100.0	3.4	406,937.6	100.0	4.1	403,043.4	100.0	–1.0

currencies (such as the Norwegian krone or pound sterling). This was in line with developments in 2011, associated with rising insecurity in the eurozone.

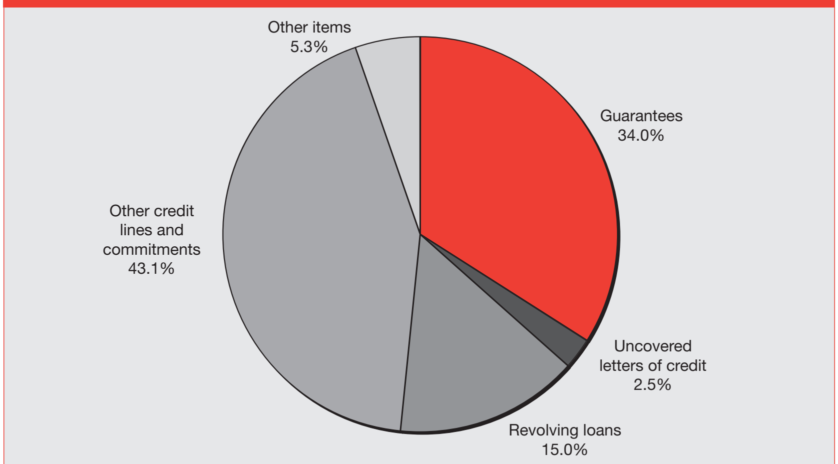
After considerable growth in 2011, aimed in some banks at preserving the capital adequacy rate at an appropriate level, the amount of subordinated and hybrid instruments declined slightly (1.7%) in the first half of 2012. This was due to the conversion of hybrid instruments into share capital in four banks, which provided a further boost to capital and improved the quality of own funds.

Bank capital rose slightly, thus increasing its already large share in the liabilities of banks (Figure 1.5). As the banks paid out one half of the profit generated in 2011 in the first half of 2012, the increase in capital was boosted by current year profit, recapitalisation efforts in five small banks and considerably lower unrealised losses on value adjustments of financial assets available for sale. Of the five small banks, two were recapitalised exclusively by conversion of hybrid instruments in shares. On account of growth in the share capital, capital rose the most in the group of small banks (6.6%). In this bank group, despite the burden created by current and previous years' losses, the capital to liabilities ratio remained satisfactory (12.2%). This ratio was the lowest in medium-sized banks (11.8%) and the highest in large banks (14.4%).

Standard off-balance sheet items

The downward trend in the amount of standard off-balance sheet items continued for the fourth consecutive year. At the end of the first half of 2012, standard off-balance sheet items stood at HRK 55.2bn (or 13.7% of bank assets) which is a decline of HRK 4.5bn or 7.5% from the end of the previous year. The bulk of the decline in the total amount of standard off-balance sheet items involved the largest item, i.e. other credit lines and commitments, the amount of which declined by HRK 2.2bn or 8.5% from the end of 2011. Revolving loans also fell considerably (14.0%) while issued guarantees continued to trend downwards, falling by 3.6% from the end of 2011. Other credit lines and commitments again accounted for the largest share of the total standard off-balance sheet

FIGURE 1.6 Structure of bank standard off-balance sheet items, as at 30 June 2012



items despite a fall of half a percentage point due to a considerable decline in the first half of the year (Figure 1.6).

The group of small banks was the only group of banks that saw an increase in the amount of standard off-balance sheet items in the first six months of 2012 (1.7%). In large and medium-sized banks they fell by 8.3% and 1.9%, respectively. Even though small banks managed to increase somewhat the standard off-balance sheet items to assets ratio, at 7.6% it nevertheless remained the lowest in this group. Large banks again came first in terms of the level of this ratio which stood at 14.8% and were followed by medium-sized banks, in which it stood at 9.6%.

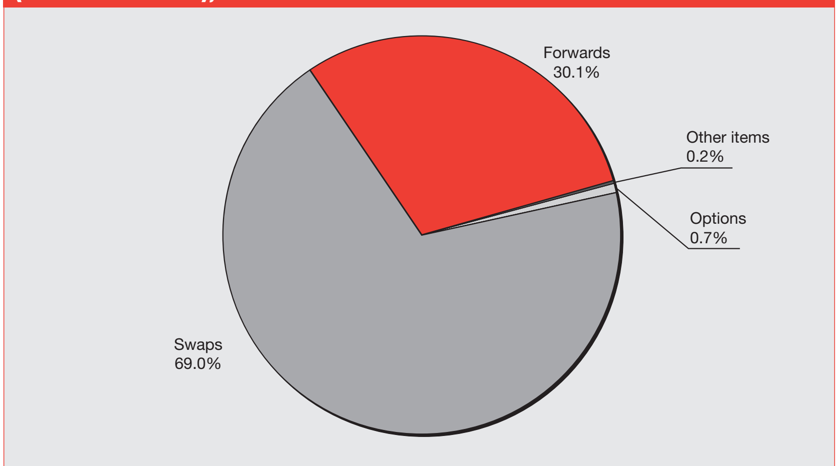
Derivative financial instruments

The notional value of derivative financial instruments rose by only HRK 0.3bn or half a percentage point in the past two quarters of 2012. Nevertheless, in view of a decline in the total bank assets during that period, even such a small increase resulted in an increase in the notional value of derivative financial instruments to bank assets ratio, from 33.6% to 34.0%. Swaps again accounted for the biggest share, or over two thirds of derivative financial instruments and their increase of 1.3% pushed their share in total derivative instruments to 69.0% (Figure 1.7).

This increase was entirely due to the increase in the notional amount of instruments with exchange rate as the underlying variable of HRK 4.1bn or 10.2%. By contrast, the instruments with interest rate as the underlying variable declined by HRK 3.7bn or 13.4% during the observed period. These changes led to changes in the structure of derivative financial instruments observed by the type of the underlying variable, with the largest group of the instruments, that with the exchange rate as the underlying variable, increasing its share in total instruments to almost two thirds (from 58.6% to 64.3%).

As at the end of 2011, large banks had by far the highest derivative financial instruments to assets ratio, which stood at 39.4%, increasing by 0.2 percentage points. In medium-sized banks, this ratio

FIGURE 1.7 Structure of bank derivative financial instruments (notional amount), as at 30 June 2012



stood at 15.5% (up by 3.6 percentage points) while small banks lagged behind very much in terms of this ratio, which stood at only 1.5%. Large banks accounted for over 95% of the total notional value of derivative financial instruments and small banks for only a little over one third of a percentage point.

As at the end of 2011, derivative financial instruments were almost entirely intended for trading (over 99%). Although the banks use some of these instruments to hedge against risks, they do not report them as such, which can probably be attributed to the complex hedge accounting rules that would have to be applied if they did. Only about one per mil of the total derivative financial instruments was reported as hedging instruments. The remaining derivative financial instruments involved embedded derivatives.

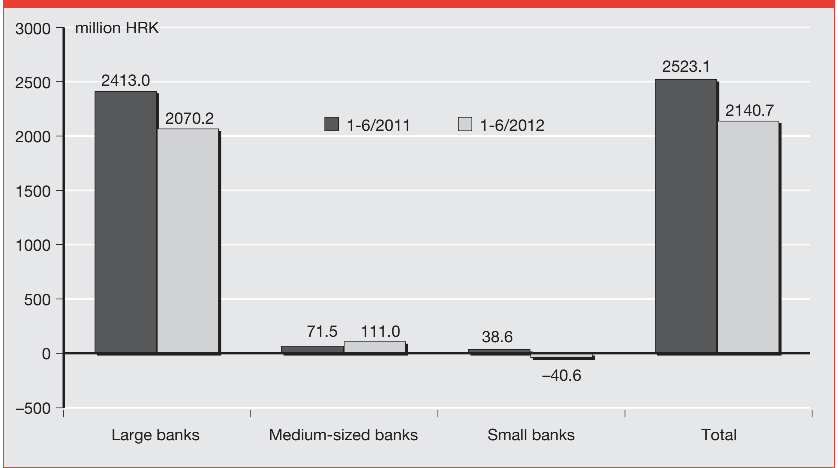
1.2.3 Earnings

Income statement

At the end of the first half of 2012, the banks generated HRK 2.1bn in profit (before tax), which is a decrease of HRK 382.4m or 15.2% from the end of the first half of 2011 (Table 1.7). The main reason for the fall in profit lay in greater financing costs for the banks on the foreign financial market than in the same period in the previous year whose increase exceeded the growth in income and led to a decline in net income and a fall in bank profitability. An additional negative impact on profit came from an increase in expenses on loss provisions and operating losses, reported at the end of the second quarter by almost one half of small banks.

Compared to the same period in the previous year, profit rose in only five banks, one large, two medium-sized and two small banks, while another two banks that had operated with losses at the end of the first half of 2011 now reported a profit. The total developments in bank income and expenses positions were influenced by changes in the group of large banks and a fall in the profit of that group of HRK 342.8m or 14.2% (Figure 1.9). The slow growth in interest income coupled with a somewhat

FIGURE 1.8 Bank income before taxes



faster growth in other non-interest income could not offset the growing borrowing costs of large banks based on deposits and loans received from foreign financial institutions, and resulted in a fall in the net income of large banks of 5.1%.

Compared with the first half of 2011, profit rose only in the group of medium-sized banks, and that by a noticeable 55.3%. The main reason for this change lay in reported profit in one bank in this group that had operated with a loss at the end of the same period 2011 and an increase in the profit of other banks in this group. Only medium-sized banks reported an increase in net income (3.5%), which can mostly be attributed to greater other non-interest income from trading activities.

Losses of HRK 125.8m generated by eleven small banks led to a negative business result in the group of small banks. Compared with the same period in the previous year, the number of small banks operating with losses rose by two and the amount of losses generated was much bigger and stood at 83.1%. This was due to a fall in operating income while additional negative impact on the business results came from a significant increase in expenses on loss provisions of 45.1%. The assets of banks that operated with a loss accounted for 2.3% of the assets of all banks and 27.2% of the assets of small banks.

The mentioned increase in borrowing costs amounted to HRK 832.5m or 17.3% and had the great-

TABLE 1.7 Bank income statement, in million HRK

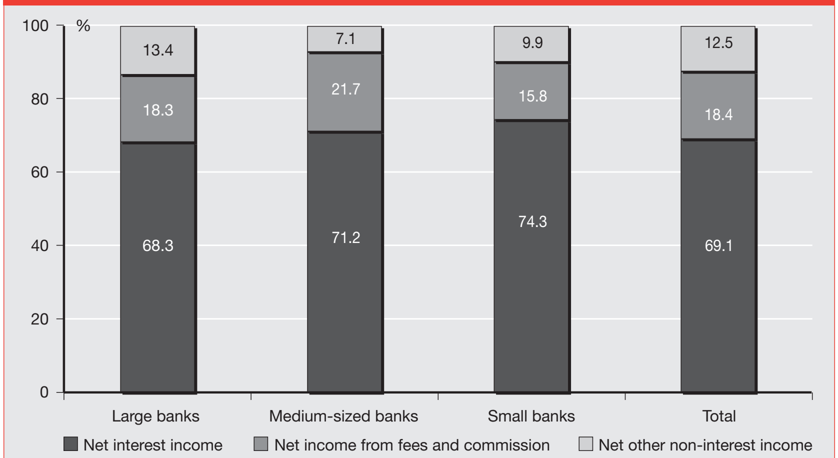
	Large banks		Medium-sized banks		Small banks		Total	
	Jan.-June 2011	Jan.-June 2012	Jan.-June 2011	Jan.-June 2012	Jan.-June 2011	Jan.-June 2012	Jan.-June 2011	Jan.-June 2012
Net interest income	4,791.6	4,334.0	529.5	527.6	518.1	469.5	5,839.2	5,331.1
Total interest income	8,596.8	8,977.4	980.2	992.9	1,082.6	1,013.7	10,659.6	10,984.0
Total interest expenses	3,805.2	4,643.4	450.7	465.4	564.5	544.1	4,820.4	5,652.9
Net income from fees and commissions	1,197.8	1,162.6	158.4	160.6	106.1	99.9	1,462.4	1,423.1
Total income from fees and commissions	1,544.1	1,534.4	369.5	366.8	144.2	133.9	2,057.8	2,035.2
Total expenses on fees and commissions	346.3	371.9	211.1	206.2	38.0	34.0	595.4	612.1
Net other non-interest income	695.9	848.0	28.3	52.9	48.8	62.3	773.1	963.2
Other non-interest income	874.4	1,010.6	70.7	95.3	79.2	94.4	1,024.2	1,200.4
Other non-interest expenses	178.4	162.6	42.4	42.4	30.3	32.2	251.1	237.1
Net non-interest income	1,893.8	2,010.6	186.7	213.6	155.0	162.2	2,235.5	2,386.3
General administrative expenses and depreciation	2,862.4	2,844.3	455.6	461.6	530.8	522.0	3,848.8	3,827.9
Net operating income before loss provisions	3,823.0	3,500.3	260.6	279.6	142.3	109.7	4,225.8	3,889.6
Total expenses on loss provisions	1,410.0	1,430.0	189.1	168.6	103.6	150.3	1,702.7	1,748.9
Expenses on value adjustments and provisions for identified losses	1,316.5	1,501.6	191.4	171.8	105.1	151.1	1,613.0	1,824.5
Expenses on collectively assessed impairment provisions	93.5	–71.6	–2.2	–3.2	–1.5	–0.8	89.7	–75.6
Income/loss before taxes	2,413.0	2,070.2	71.5	111.0	38.6	–40.6	2,523.1	2,140.7
Income tax	386.1	342.9	12.3	6.8	18.8	15.5	417.3	365.2
Current year profit/loss	2,026.8	1,727.3	59.1	104.2	19.8	–56.1	2,105.8	1,775.5
Memo items:								
Gains (losses) from trading activities	–156.0	713.3	–72.0	48.0	50.3	46.5	–177.7	807.8
Gains (losses) from securities trading	–11.7	48.0	12.4	0.2	1.2	0.9	1.9	49.2
Gains (losses) from foreign currency trading	268.1	290.4	51.3	34.1	50.1	48.0	369.5	372.6
Gains (losses) from domestic currency trading	1.5	2.0	0.1	0.0	–0.3	–0.4	1.2	1.7
Gains (losses) from derivatives trading	–413.9	372.9	–135.8	13.6	–0.6	–2.1	–550.3	384.4
Gains (losses) from exchange rate differentials	546.6	–90.0	128.5	3.6	0.2	7.0	675.2	–79.4
Number of banks operating with losses	0	0	1	0	8	11	9	11

est impact on the fall in bank profit. The higher level of borrowing from foreign financial institutions than in the same period in the previous year coupled with the deepening of the crisis in the eurozone, led to a marked increase in the costs of bank financing on the foreign market, with the result that over one half of the total increase in interest expenses went to expenses associated with deposits and loans received from these foreign institutions. They grew by a high 46.9%, with almost the entire increase being generated by large banks. There was a small increase in expenses on the sources from other institutional sectors, except expenses for household deposits, for which the banks allocated 1.9% less. The contribution to the growth in interest expenses also came from considerably higher costs of hybrid and subordinated instruments financing which grew by almost 37.0%.

In contrast with a noticeable growth in interest expenses, total interest income rose only slightly (HRK 324.4m or 3.0%), reflecting developments in the structure and quality of bank placements. The absence of credit growth, coupled with an increase in the share of irrecoverable loans led to a small decline in the key source of bank income, interest income from loans, of 0.4%. As a result, a small increase in total interest income was due to bigger income from bank securities investments which rose by HRK 145.0m or 20.5%. This income usually represents a less significant component of total interest income so that their share, the increase notwithstanding, accounted for less than 8.0% of interest income at the end of the first half of 2012. A considerable increase in interest income from debt securities mainly involved income from domestic government securities, which is partly attributable to bank placement restructuring in the first half of 2012, after regulatory changes enabled substitution of deposits made by investments in securities of the Republic of Croatia. These changes also led to a significant decline in interest income from deposits made (31.5%) which also had a negative impact on the total level of interest income.

The key impact on the fall in interest income from loans came from a fall in interest income from household loans of HRK 245.4m or 4.9%. The bulk of this decline can be attributed to a fall in income from car purchase loans and other general-purpose loans as well as a further fall in income from home loans, which at the end of the first quarter for the first time recorded an annual-level fall. The banks reported only a slight increase in interest income from loans to corporates (0.3%), based only on the increase in this income from loans to public enterprises, in contrast with income from loans to other corporates, which fell slightly (0.5%).

FIGURE 1.9 Structure of bank net income, as at 30 June 2012



As regards interest income, income from interest rate swaps rose sharply (HRK 272.9m or 227.3%) as a result of increased use of derivative financial instruments with interest rate as the underlying variable. As the banks reported only a smaller nominal increase in interest expenses on these instruments (HRK 248.7m or 242.3%), the net effect of these changes was positive. The spread between interest rate swap income and expenses stood at HRK 41.7m, but its increase from the same period in the previous year notwithstanding, it did not have a big impact on net interest income of banks.

Bank profit was also negatively influenced by a decline in net income from fees and commissions of HRK 39.2m or 2.7%, as a result of smaller income and a simultaneous increase in these expenses. The banks generated a smaller amount of income from fees for other banking services[12] while the increase in expenses was associated with a higher amount of fees and commissions for non-resident services. The largest share of income from fees and commissions of almost 45% can again be attributed to fees for payment services which continued to trend upwards slightly (0.7%).

In contrast with unfavourable developments in some components of net interest income and net income from fees and commissions, net other non-interest income of banks rose by considerable HRK 190.1m or 24.6%. This increase was mainly due to an increase in other non-interest income and to a lesser extent to a fall in these expenses[13]. Other non-interest income rose by 17.2%, mostly as a result of profit generated in large banks by trading in derivative financial instruments and in small and medium-sized banks by foreign exchange trading. Currency risk hedging by means of derivative instruments was again effective, with the profit generated by derivative financial instruments trading fully offsetting the loss generated on the basis of exchange rate differences and partly offsetting the loss caused by rising interest expenses.

All this led to a 4.4% decline in the net income of banks compared to the same period in the previous year, and to a fall in the importance of net interest income in the structure of net income (Figure 1.10). Banks relied on less stable sources of income in the first half of 2012, and increased their share in net income and particularly the share of net other non-interest income which rose by 2.9 percentage points, to 12.5% of net income. Despite a faster fall in the share of net interest income compared to the same period in 2011 (3.2 percentage points), at 69.1% at the end of the first half of 2012, the share of net interest income did not deviate much from the average 69.7% of net income in the previous ten years.

General administrative expenses and depreciation fell by a slight 0.6%, influenced by a reduction in depreciation expenses. The control of these expenses failed to do much in the way of alleviating the fall in net income, with the result that operating income of banks (net operating income before loss provisions) fell by almost 8.0%.

Further negative impact on bank profit compared with the same period in 2011 came from an increase in total loss provisions of HRK 46.2m or 2.7%. Although the growth in expenses on provisions for identified losses was faster (HRK 211.5m or 13.1%) than the total growth in these expenses, the total change was greatly mitigated by the abolition of expenses on provisions for latent losses for risk category A placements. Due to a further reduction in the base for the allocation of these provisions,

12 Fees for: issuing guarantees and other commitments, mandated operations, safekeeping securities and security transactions in the name and for the account of other persons, safe custody services, keeping of deposit accounts, services of issuing and managing unused credit lines, consultancy and advisory services to clients, issuing and using bank credit cards, collecting credit card receivables from buyers when the bank does not keep these receivables in its books, and other services.

13 The costs of entertainment and advertisement, the costs of provisions for litigation initiated against banks, the costs of provisions for pensions and other liabilities to employees, the costs of provisions for taxes and contributions etc.

i.e. provisions for risk category A placements, the banks generated HRK 75.6m in income from the abolished provisions, in contrast with the same period in the previous year, when they reported expenses of HRK 89.7m on that basis. These developments were largely driven by changes in large banks. As a result, in this bank group, total expenses on loss provisions rose by only 1.4%, while the share of expenses associated with identified losses rose by 14.1%. The expenses on provisions for identified losses in the group of small banks (43.7%) were considerably higher and exceeded the amount of net income, ultimately resulting in an operating loss. Medium-sized banks reduced total expenses on loss provisions by 10.9%, mostly influenced by a reduction in expenses on provisions for identified losses in one medium-sized bank.

Indicators of returns

The fall in net operating income, coupled with the additional negative contribution that came from increased expenses on loss provisions, led to a decline in both indicators of return at the level of all

FIGURE 1.10 Bank return on average assets (ROAA)

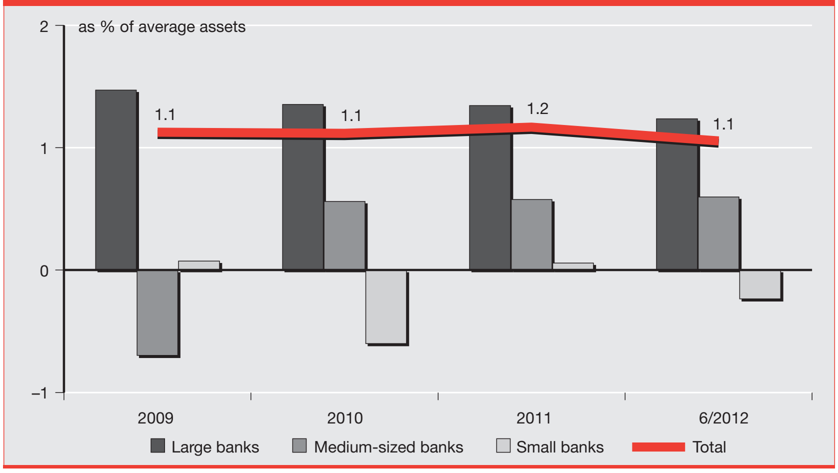
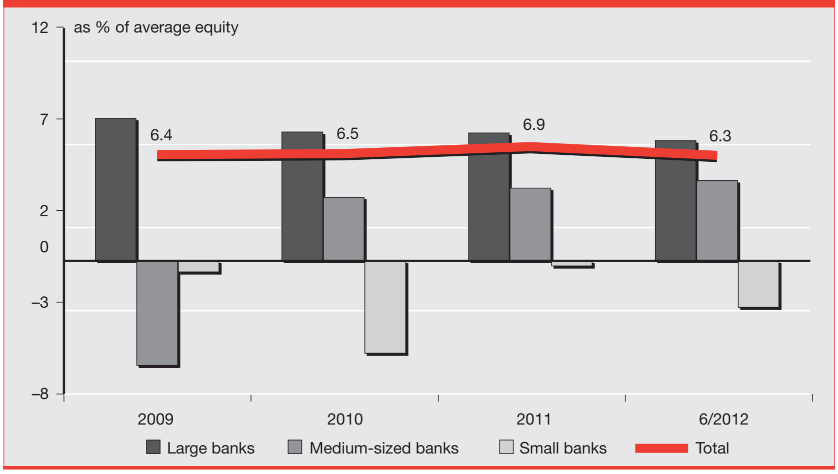


FIGURE 1.11 Bank return on average equity (ROAE)



banks relative to the end of the same period 2011. The return on average assets of banks (ROAA) thus fell to 1.1% and the return on average equity (ROAE) to 6.3% (Figure 1.11 and Figure 1.12). Only medium-sized banks reported an increase in the value of the indicators of return, with ROAA standing at 0.6% and ROAE standing at 4.9%. The values of these indicators fell to 1.2% and 7.2%, respectively, in large banks and were negative in small banks due to losses in this bank group.

At the end of the first half of 2012, only one large bank had an ROAA above 1% and ROAE above 10%. Another five banks (three large and two small banks) had an ROAA above 1%.

A sharper increase in interest expenses than interest income resulted in a fall in the interest rate spread, i.e. the difference between interest income on average interest-bearing assets and interest expenses on average interest-bearing liabilities, from 2.8% at the end of the first half of 2011 to 2.4% at the end of the observed period (Figure 1.13). The growing costs of foreign financing played a key role in reducing the interest rate spread in large banks from 2.8% to 2.3%, a value below this indicator's value in other bank groups and all banks combined. In contrast with large banks, which managed to keep the same level of interest income on average interest-bearing assets, the fall in the

FIGURE 1.12 Income from interest-bearing assets and expenses on interest-bearing liabilities

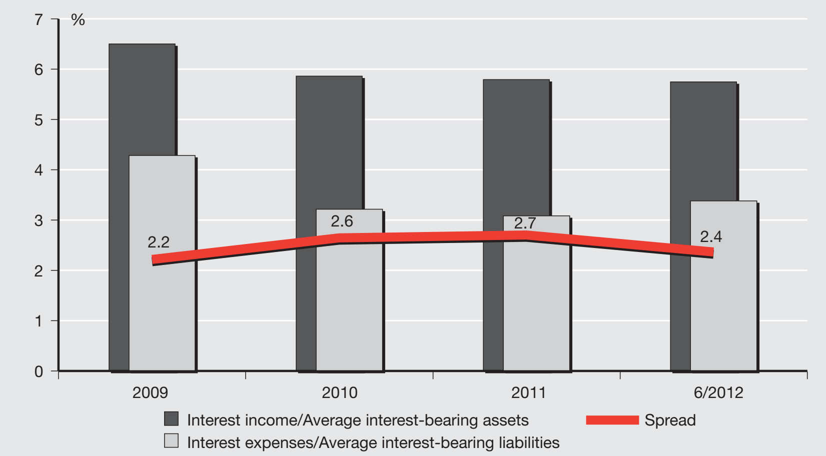


FIGURE 1.13 Weighted averages of bank monthly interest rates, on annual basis

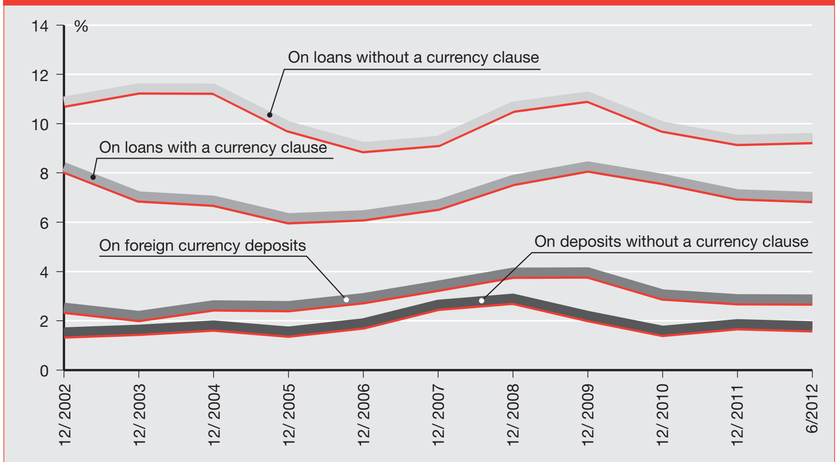
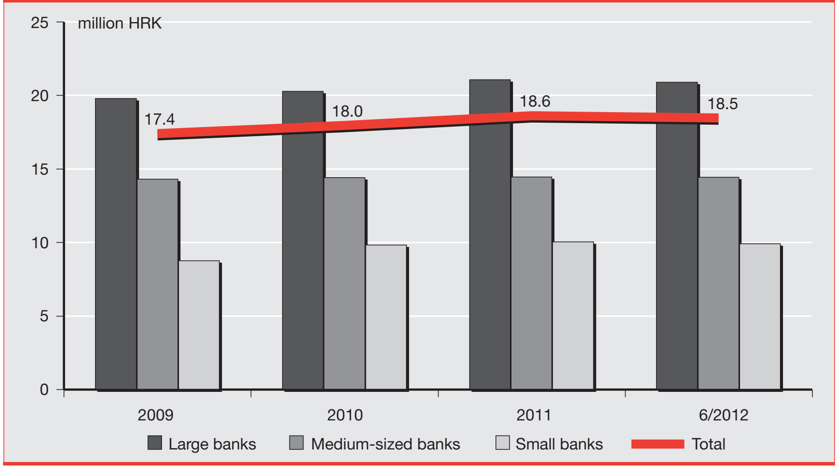


FIGURE 1.14 Bank assets per employee

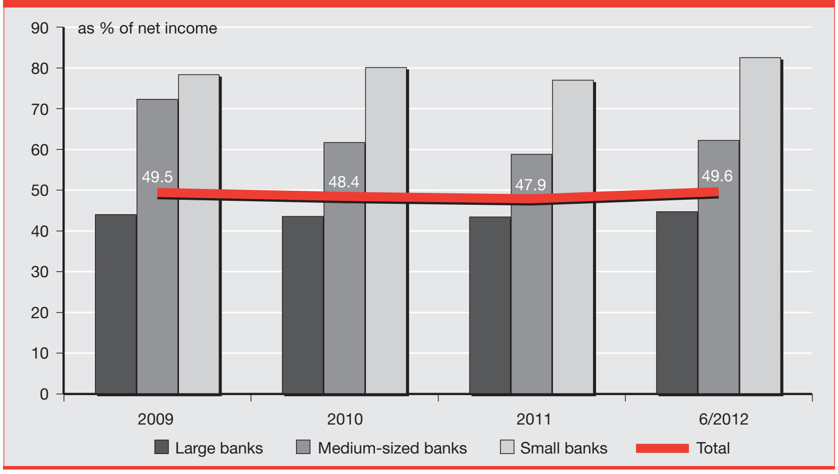


spread in medium-sized and small banks to 2.7% was a direct result of lower interest income on average interest-bearing assets.

At the end of 2011, at the level of all banks, an employee managed on average HRK 18.6m in assets, while due to a fall in total assets of banks at the end of the first half of 2012, this amount fell to HRK 18.5m. The fall in assets per employee was reported in all bank groups, but was dominant in the group of large banks which also saw a fall in the number of employees (0.4%), and a resulting fall in this indicator to HRK 20.9m. The amount of assets per employee was much lower in medium-sized and small banks (HRK 14.4m and HRK 9.9m, respectively) than in large banks.

After improving for several years, the cost to income ratio of banks rose at the end of the first half of 2012, with the banks using 49.6% of net profit for the coverage of operating expenses (general administrative expenses and depreciation), up 1.9 percentage points from the end of the first half of 2011 (Figure 1.16). This was due to a fall in net income of large and small banks, which led to an increase in the value of indicators of small banks and large banks to 82.6% and 44.8%, respectively.

FIGURE 1.15 Bank operating expenses



By contrast, the cost to income ratio of medium-sized banks improved, with the operating expenses to net income ratio falling to 62.3%.

The increase in expenses on loss provisions, coupled with a decline in operating income of banks resulted in an increase in their ratio, from 44.4% at the end of 2011 to 45.0% at the end of the first half of 2012. Large banks used the smallest share of their operating income (40.9%) for the coverage of expenses on loss provisions. They were followed by medium-sized banks which used 60.3% of their operating income for the coverage of these provisions. As the credit portfolio of small banks deteriorated, the expenses on loss provisions of small banks rose considerably, exceeding the amount of operating income by HRK 40.6m.

1.2.4 Credit risk

Placements and assumed off-balance sheet liabilities

Total placements and assumed off-balance sheet liabilities that are exposed to credit risk[14] and are subject to classification into risk categories in accordance with the rules that govern classification, stood at HRK 426.3bn at the end of June 2012, a decline of HRK 11.4bn or 2.6% from the end of 2011. The fall in placements was due mainly to balance sheet items restructuring spurred by two regulatory changes, while the effect of a small fall in loans on this fall was negligible.

Of placements and assumed liabilities, the largest fall was seen in deposits which fell by HRK 7.8bn or 10.6%. After the changes in the provision on the minimum required foreign currency claims at the beginning of 2012 had facilitated government lending for the banks, the banks subscribed EUR 758.8m in T-bills. The banks distributed most of these securities in the portfolios of financial assets

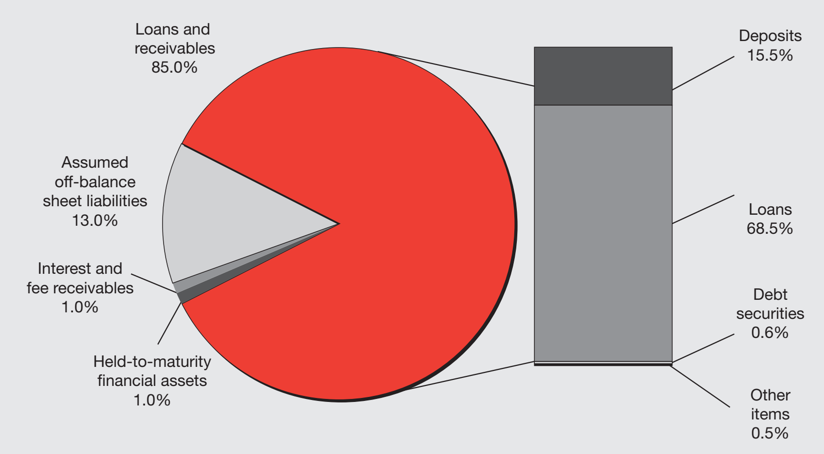
TABLE 1.8 Classification of bank placements and assumed off-balance sheet liabilities by risk categories, end of period, in million HRK and %

Risk category	Dec. 2009			Dec. 2010			Dec. 2011			June 2012		
	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage
A	403,906.5	3,613.0	0.9	386,077.1	3,564.9	0.9	398,369.0	3,600.3	0.9	384,541.6	3,523.4	0.9
B-1	10,764.0	1,416.9	13.2	16,233.9	2,151.0	13.2	16,731.9	2,341.9	14.0	17,413.4	2,450.3	14.1
B-2	5,303.4	2,225.6	42.0	9,327.2	4,147.6	44.5	13,909.9	6,173.1	44.4	14,678.0	6,695.6	45.6
B-3	1,283.3	931.8	72.6	1,895.2	1,518.0	80.1	1,854.0	1,486.9	80.2	2,257.5	1,802.5	79.8
C	5,366.6	5,281.8	98.4	5,784.8	5,784.4	100.0	6,852.2	6,852.2	100.0	7,422.4	7,421.8	100.0
Total	426,623.8	13,469.1	3.2	419,318.1	17,165.8	4.1	437,716.9	20,454.4	4.7	426,313.0	21,893.6	5.1

Note: Since 2010, the portfolio of financial assets available for sale has been excluded from the scope of placements and assumed off-balance sheet liabilities classified into risk categories.

14 Total exposure to credit risk comprises placements (balance sheet items) and assumed off-balance sheet liabilities. The placements can be divided into a loan and receivables portfolio and a portfolio of held-to-maturity financial assets, with the receivables on interest and fees being covered by a separate item (receivables based on income). The portfolio of financial assets comprises various instruments such as loans, deposits, bonds, and T-bills while assumed off-balance sheet liabilities comprise guarantees, credit lines, etc. For the purposes of credit risk analysis, in this context the term loans implies loans in the loans and receivables portfolio while the term deposits implies deposits in the loans and receivables portfolio.

FIGURE 1.16 Structure of bank placements and assumed off-balance sheet liabilities, as at 30 June 2012



that are not subject to classification into risk categories[15]. Some of the funds released as a result of changes in the reserve requirement were used for lending to the CBRD (HRK 3.4bn) in the framework of the Economic Development Programme.

Assumed off-balance sheet liabilities also fell appreciably, by HRK 4.5bn or 7.5%. Off-balance sheet liabilities were falling steadily in the last four quarters, but their fall was the most prominent in the first quarter of the year as a result of falls in almost all items, particularly credit lines and revolving loans and, to a lesser extent, issued guarantees. This was due to negative changes in the majority of large banks and in all the reported sectors, particularly to liabilities issued in favour of both public enterprises and corporates and the government.

The biggest contribution to a fall in credit risk exposure came from large banks that reduced their deposits in the loans and receivables portfolio by a significant 10.4% and assumed off-balance sheet liabilities by 8.3%. A small fall in total loans of 0.5% additionally boosted the rate of fall in placements and assumed liabilities of this group to 3.1%. By contrast, as the small growth in credit activities in the remaining two groups of banks helped mitigate the effect of the fall in deposits made, small banks maintained almost the same level of total placements and assumed liabilities, while the fall in credit risk exposure in medium-sized banks stood at only 0.4%.

Largely influenced by a fall in deposits and assumed off-balance sheet liabilities, which were typically of better quality than loans granted, the share of risk category A in total placements and assumed off-balance sheet liabilities fell additionally, from 91.0% in 2011 to 90.2%. This is in line with the trend of credit risk exposure portfolio quality deterioration present for the fifth consecutive year. The fall in the quality of placements in the observed half of the year was influenced additionally by the absence of any faster credit activity, with the result that the share of partly recoverable placements and assumed off-balance sheet liabilities (risk categories B-1, B-2 and B-3) and fully irrecoverable placements and assumed off-balance sheet liabilities (risk category C) rose to 9.8%. The steady

15 Some three quarters of long-term issues were distributed in the portfolio of financial assets available for sale while the remaining share was distributed in the portfolio of financial assets measured at fair value through profit or loss.

growth in the share of B[16] and C placements and assumed off-balance sheet liabilities of banks in total placements has been present in each reporting quarter since June 2008 (the last period before the crisis) when it stood at 3.3%, since when it has tripled.

The growth in the share of B and C category placements and assumed liabilities was accompanied by rising losses in this part of the portfolio, with the total value adjustments and provisions to total placements and assumed off-balance sheet liabilities ratio standing at 5.1% at the end of June. A growth rate in value adjustments and provisions for B and C categories somewhat faster than in their base led to a further increase in the coverage of these risk groups, from 42.8% in 2011 to 44.0%. Even though the trend of fall in the coverage came to a halt and was reversed, these growth rates were still very small and the level of pre-crisis coverage was not achieved yet. The growth in the coverage in the first half of 2012 certainly benefited from the fall in the share of deposits and off-balance sheet liabilities, as well as loan stagnation and portfolio ageing. This last item was boosted by a somewhat bigger increase in risk categories with lower degrees of placement recoverability (below 30%), i.e. an increase in risk subcategory B-3 and risk category C[17]. Collectively assessed value adjustments and provisions fell only slightly, but owing to a faster fall in the base, the coverage of risk category A remained at the usual level of 0.9%.[18]

All bank groups reported an increase in B and C category placements and off-balance sheet liabilities but the group of small banks reported the fastest growth rate in these placements and off-balance sheet liabilities. In this bank group, the share of B and C category placements and off-balance sheet liabilities in the total rose to 13.6%, much exceeding the average of all banks. This was generally determined by the structure of their placements, particularly a considerably higher share of corporate loans in total loans compared to the remaining two bank groups. The share of B and C placements and off-balance sheet liabilities in the total stood at 13.0% in medium-sized banks and at 9.1% in large banks, which was the only group with above-average placement quality.

Until end-June, due but unpaid receivables grew by HRK 4.6bn or 16.7%, which was almost equal to their growth level in the previous year. The distribution of this amount by risk categories indicates that almost one half of the increase can be attributed to the increase in due A category liabilities, mostly involving maturities up to 90 days. They involved due liabilities from loans for working capital and investment and bills of exchange. B and C category placements accounted for the remaining HRK 2.4bn of the increase in due but unpaid receivables. Of these placements, a particularly noticeable increase was seen in risk sub-category B-2 placements (HRK 1.2bn), particularly loans for construction, working capital and investments. The bulk of all semi-annual nominal changes involved large banks, but small banks reported the biggest relative increase in due unpaid receivables of 19.6%.

The dynamics of placement rollover and restructuring[19] in the first six months of 2012 remained the same as in the same period in the previous year. Large banks played a key role in maintaining this dynamics, particularly at the beginning of the year when placement rollover and restructuring activities

16 The sum total of placements and assumed off-balance sheet liabilities classified into risk categories B-1, B-2 and B-3.

17 Since March 2010, placements classified into risk category C have been shown on balance sheet accounts until the completion of legal actions associated with the termination of the obligation of the debtor.

18 Credit institutions have to maintain the level of impairment (value adjustment) for placements and provisions for off-balance sheet liabilities classified into risk category A in the amount that is not below 0.85% or above 1.20% of the total balance of risk category A placements and off-balance sheet liabilities.

19 Placement restructuring caused by financial difficulties of the debtor requires reclassification into worse risk categories.

to corporates heightened. By contrast, the intensity of placement rollover and restructuring declined somewhat in small and medium-sized banks.

Loans

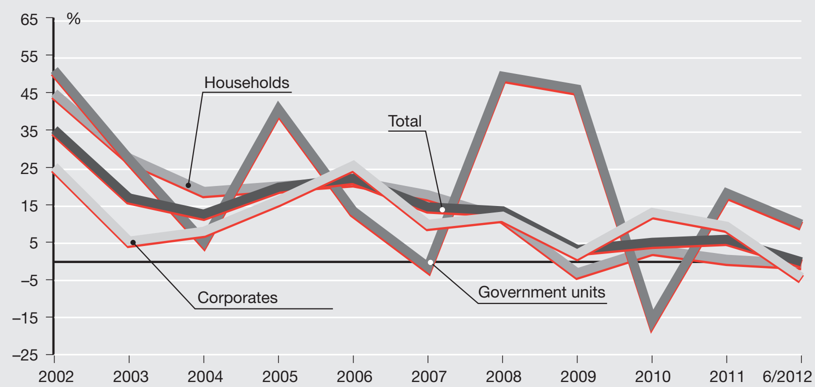
Risk aversion on the domestic market was reflected in very small changes in loans on a semi-annual level. The small growth in credit activities seen in the first quarter of the year did not continue into the second quarter, with loans at the end of June 2012 falling by slightly less than 0.1% from the end of 2011. The exchange rate effects excluded, the fall in loans was only slightly bigger, given the relatively modest changes in the exchange rate of the kuna in the observed half of the year, especially in the exchange rate of the kuna against the euro.

The amount of loans in the observed half of the year was determined by the realisation of the mentioned bank loan to the CBRD in the context of the Economic Development Programme. The effects of the Programme and exchange rate changes excluded, total loans fell by some 1.0% (Figure 1.18). In addition, credit exposure of banks was largely determined by sectoral changes resulting from a transfer of a little over HRK 6bn in loans to shipyards to the public debt of the Republic of Croatia. If the effect of these sectoral changes is excluded, the fall in loans was due to their fall in almost all sectors, particularly government units. The only increase in the domestic segment lending was seen in public enterprises.

Household deleveraging continued, and this trend, though slower, entered its fourth year, again mostly spurred by a fall in car purchase loans. The reduction in the rate of reserve requirements in June 2012 diminished bank need for loans and led to a 12.8% fall in loans of the sector of financial institutions, excluding the CBRD. Loans to non-residents, on account of the low base involved, grew by a high 9.4% due to an increase in all bank groups, particularly large banks.

The absence of recovery in credit activity and continued unfavourable economic developments led to a further deterioration in loan quality indicators, particularly in the corporate sector. The share of B

FIGURE 1.17 Rates of change of bank loans



Note: From 2010, loans comprise loans classified into loans and receivables portfolio, distribution by sectors is carried out in accordance with ESA 95 and loans to non-profit institutions serving households are included in household loans.

TABLE 1.9 Bank loans, end of period, in million HRK and %

	Dec. 2009		Dec. 2010			Dec. 2011			June 2012		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans											
Government units	31,547.7	12.1	26,559.3	9.7	–15.8	31,496.8	10.8	18.6	34,725.1	11.9	10.2
Corporates	98,924.4	37.9	112,139.4	40.8	13.4	122,942.8	42.1	9.6	117,857.2	40.4	–4.1
Households	122,195.0	46.8	127,139.1	46.2	4.0	128,057.8	43.9	0.7	127,511.3	43.7	–0.4
Home loans	52,959.6	20.3	57,981.0	21.1	9.5	59,642.3	20.4	2.9	59,553.0	20.4	–0.1
Mortgage loans	3,084.2	1.2	3,513.3	1.3	13.9	3,261.3	1.1	–7.2	3,171.1	1.1	–2.8
Car loans	7,810.5	3.0	6,236.8	2.3	–20.1	4,539.4	1.6	–27.2	3,833.7	1.3	–15.5
Credit card loans	5,022.3	1.9	4,386.8	1.6	–12.7	4,109.3	1.4	–6.3	3,995.8	1.4	–2.8
Other household loans	53,318.4	20.4	55,021.2	20.0	3.2	56,505.5	19.4	2.7	56,957.7	19.5	0.8
Other sectors	8,472.0	3.2	9,111.8	3.3	7.6	9,219.5	3.2	1.2	11,803.3	4.0	28.0
Total	261,139.0	100.0	274,949.6	100.0	5.3	291,716.9	100.0	6.1	291,896.9	100.0	0.1
Partly recoverable and fully irrecoverable loans											
Government units	62.1	0.3	75.5	0.2	21.7	97.4	0.3	29.0	66.4	0.2	–31.8
Corporates	12,736.0	62.6	20,257.0	65.6	59.1	24,744.7	68.2	22.2	26,840.1	69.1	8.5
Households	7,081.3	34.8	9,930.1	32.2	40.2	11,020.9	30.4	11.0	11,352.9	29.2	3.0
Home loans	1,446.6	7.1	2,584.7	8.4	78.7	3,111.4	8.6	20.4	3,281.8	8.4	5.5
Mortgage loans	368.0	1.8	788.6	2.6	114.3	699.8	1.9	–11.3	700.0	1.8	0.0
Car loans	330.3	1.6	257.6	0.8	–22.0	181.5	0.5	–29.5	167.1	0.4	–7.9
Credit card loans	152.6	0.7	174.6	0.6	14.4	164.3	0.5	–5.9	172.3	0.4	4.9
Other household loans	4,783.8	23.5	6,124.6	19.8	28.0	6,863.9	18.9	12.1	7,031.7	18.1	2.4
Other sectors	481.7	2.4	616.1	2.0	27.9	411.5	1.1	–33.2	604.6	1.6	46.9
Total	20,361.1	100.0	30,878.6	100.0	51.7	36,274.5	100.0	17.5	38,864.1	100.0	7.1
Value adjustments of partly recoverable and fully irrecoverable loans											
Government units	5.5	0.1	6.0	0.1	8.8	19.8	0.1	228.2	25.6	0.2	29.4
Corporates	4,232.1	48.6	6,481.5	54.1	53.1	8,687.7	57.8	34.0	9,606.0	58.7	10.6
Households	4,309.5	49.5	5,269.9	44.0	22.3	6,059.2	40.3	15.0	6,426.7	39.3	6.1
Home loans	516.7	5.9	749.8	6.3	45.1	1,040.3	6.9	38.7	1,137.9	7.0	9.4
Mortgage loans	116.6	1.3	226.9	1.9	94.5	185.1	1.2	–18.4	206.7	1.3	11.7
Car loans	206.4	2.4	141.5	1.2	–31.4	138.9	0.9	–1.9	133.7	0.8	–3.7
Credit card loans	125.6	1.4	149.9	1.3	19.4	147.9	1.0	–1.3	155.5	1.0	5.1
Other household loans	3,344.2	38.4	4,001.7	33.4	19.7	4,547.0	30.3	13.6	4,792.9	29.3	5.4
Other sectors	163.5	1.9	230.0	1.9	40.7	262.6	1.7	14.2	307.0	1.9	16.9
Total	8,710.6	100.0	11,987.3	100.0	37.6	15,029.2	100.0	25.4	16,365.2	100.0	8.9

Note: From 2010, loans comprise loans classified into loans and receivables portfolio, distribution by sectors is carried out in accordance with ESA 95 and loans to non-profit institutions serving households are included in household loans.

and C category loans rose from 12.4% at the end of 2011 to 13.3% at the end of June 2012, while in the corporate sector the share of these loans rose from 20.1% to 22.8% (Figure 1.21). Although to a lesser extent, loan quality also deteriorated in the household sector, with all types of household loans being affected, particularly mortgage loans. As a result, the share of B and C category loans continued to rise, increasing from 8.6% to 8.9% of total household loans.

At the end of June 2012, 35.8% of total B and C category corporate loans were covered by value adjustments, while the aggregate indicator (for total B and C category loans) was boosted by appreciably higher coverage in the household category (56.6%). As shown by indicators of coverage of individual types of loans to that sector, there was a visibly lower coverage of better collateralised loans such as home and mortgage loans. Higher coverage of the remaining types of loans can be attributed to their distribution in the so called small loan portfolio which enables banks to assess credit risk on a collective basis, using solely the criterion of timeliness in meeting the obligations.

The reported increase in loans in the government units sector of 10.2% was entirely due to the assumption of shipyards' loans by the Ministry of Finance (Table 1.9). This effect excluded, government loan liabilities fell by 9.1% as the government replaced some of its loan liabilities on the domestic market by liabilities arising from issued securities. The above-mentioned assumption of loan liabilities covered by guarantees of the Republic of Croatia also led to a 4.1% decline in loans to corporates. The effect of this change excluded, loans to corporates rose by a slight 0.9%, due to an increase in loans to public enterprises in large banks. At the same time, loans to other corporates fell slightly, with this subsector securing the needed liquidity by using their deposits, thereby reducing them by 13.5%.

Consequently, the most significant change in the observed half year period involved changes in loans to manufacturing which declined by approximately 20% as a result of a fall in shipbuilding. As a result, the share of manufacturing in the distribution of loans fell by 1.6 percentage points to 8.3% (Figure 1.19). The assumption of shipyards' loans led to the increased significance of public administration and defence, though to a much lesser extent due to reductions in other fields. Due to stagnation in total credit activity, this change constituted the biggest positive change by activities in the first half of the year. Loans increase was reported in electricity supply and construction and involved loans granted by large banks to two public enterprises. Loans to mining and quarrying and information and communication activities rose considerably (12.8% and 8.9%, respectively), although they were not very significant in terms of the total distribution. A seasonal growth was seen in loans granted for the preparation of the tourist season and investments in accommodation and food service activities. Despite the significance of tourism as a branch of the economy, the share of this activity, as one of the less represented in terms of the distribution of total loans, has been relatively stable over a longer period of time. Manufacturing, trade and construction thus accounted for the bulk of the credit portfolio of other corporates.

If the above-mentioned loans to public enterprises in construction are excluded, the increase in loans to construction slowed down visibly in this year. This was in line with the process that started in the last quarter of the previous year when their strong growth trend of the preceding years came to a halt. Loans to corporates in the related real estate business also fell sharply (6.5%), reflecting a range of problems in this branch of industry. Among others, home loans fell for the first time since June 2009 on a semi-annual level. The growth in due but unpaid receivables in these two activities also made an additional impact. The rate of growth in due but unpaid receivables held steady at all sectors average level, although the analysis of their structure revealed that the bulk was accounted for by B and C categories. All this resulted in an increase in the share of B and C category loans in the total loans of these two activities from 28.9% to 32.9%. Estimated losses rose very slightly, from 31.1% to 32.5%, and can possibly be attributed to instruments of collateral for these loans.

In the corporate sector, key changes by loan types can be attributed to the previously described assumption of shipyards' loans by the Ministry of Finance, which led to the biggest fall in loans for working capital and investments. However, these loans were again the most widely represented in the distribution of loans by types, accounting for 35.6% and 26.1% of all loans granted to corporates. The amount of syndicated loans rose the most in the first half of the year, mainly as a result of bank loans granted to the CBRD and a corporate involved in the management, construction and

FIGURE 1.18 Structure of bank loans by activities, as at 30 June 2012

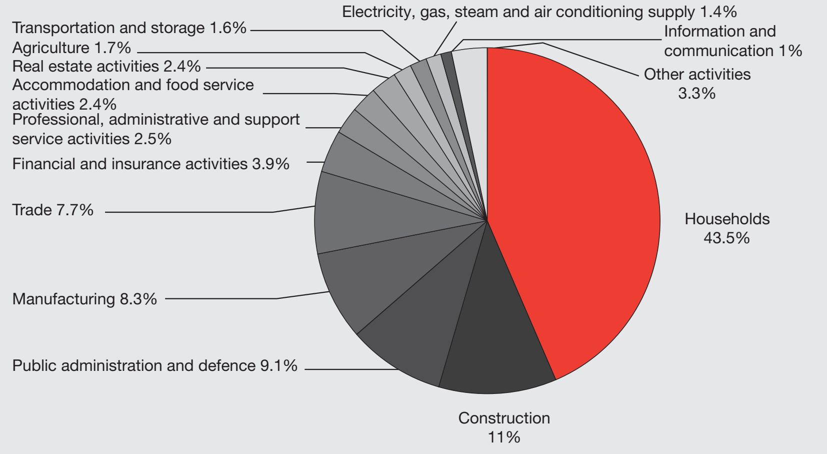
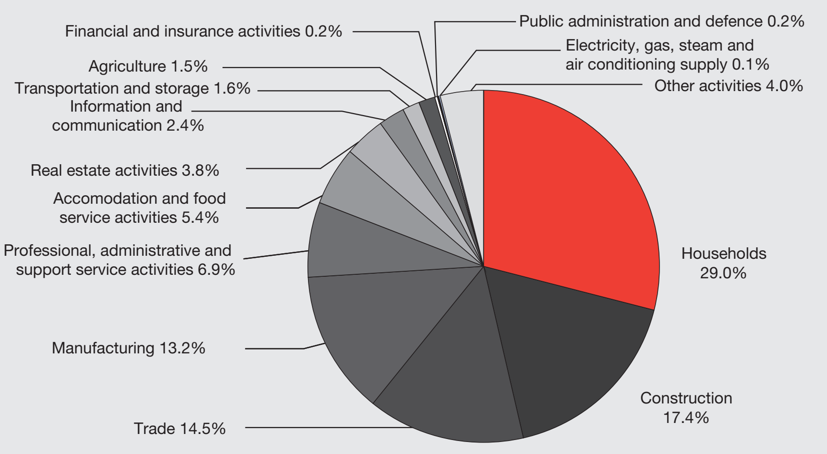


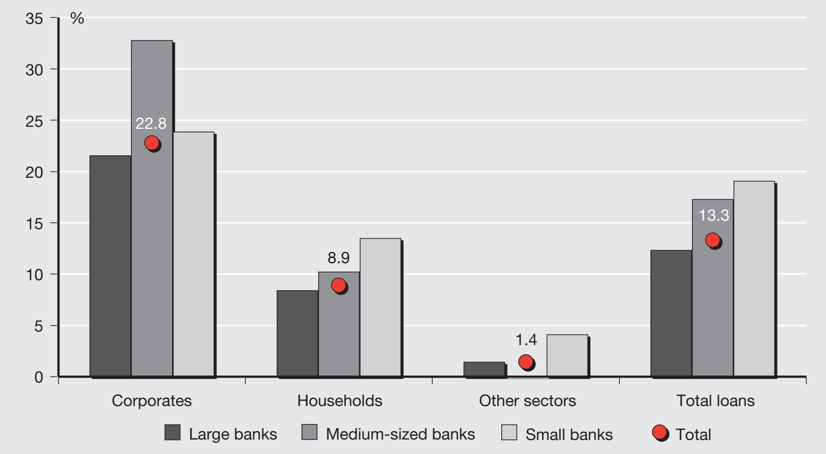
FIGURE 1.19 Structure of bank partly recoverable and fully irrecoverable loans by activities, as at 30 June 2012



maintenance of state roads, which are covered by government guarantees. The share of this type of loans reached 10.5% in the structure of loans by type. Other loans accounted for 13.3% and were the only other type of loans that stood out. These loans fell slightly in the observed half of the year. Overdraft facilities and loans for payments made based on guarantees again rose at faster growth rates, suggesting, together with growth trends in due but unpaid receivables and the shortening of the original loan maturity to persistent difficulties in the business operations of corporates.

The fall in household sector loans was due to a fall in all types of loans except other loans (general-purpose cash loans, overdraft facilities and other loans). Having fallen by 15.6%, car purchase loans again had a key impact on the fall in loans. A steady fall in the base of these loans accelerated the rate of their fall. The bulk of the decline in these loans can be attributed to loans in Swiss francs. After a slowdown in the growth in key household loans, home loans in the previous year, these loans fell slightly in the first half of the year (0.1%, or 0.4%, if exchange rate effects are excluded). This fall was almost entirely due to a fall in home loans indexed to Swiss francs, in contrast with home loans in the euro, which increased.

FIGURE 1.20 Share of bank partly recoverable and fully irrecoverable loans, as at 30 June 2012



The quality of household loans continued to deteriorate, driven especially by home loans indexed to the Swiss franc whose share of B and C loans reached 8.0% while the share of B and C loans in euro loans held steady at 3.3%. In terms of total home loans, the share of B and C loans stood at 5.5%. At the end of June 2012, a total of 24 users of home loans in Swiss francs with 32 loan accounts used the possibility of deferring liabilities in accordance with Annex I to the Memorandum on alleviating the position of users of housing loans denominated in Swiss francs. The amount of loans negotiated under this Annex accounted for 0.1% of total home loans in Swiss francs.

In addition to home loans, deterioration in the quality of household loans was also driven by developments in other household loans which had 12.3% of B and C category loans. The deterioration in the quality of this part of the credit portfolio was mainly driven by a 10.2% increase in due but unpaid receivables. The increase in these loans' value adjustments was bigger than the increase in their allocation base, which implies that previously identified losses in the portfolio of non-performing loans have increased. Car purchase loans and credit card loans maintained a better quality than home loans (4.4% and 4.3%, respectively). The relatively good quality of car purchase loans can partly be attributed to the fact that most car purchase loans are covered by insurance while the good quality of credit card loans can largely be attributed to one bank's having loan repayments guaranteed by a credit card company.

Strong changes of total placements and assumed off-balance sheet liabilities were mainly currency- or currency – indexed-related, which in turn led to a fall in exposure to currency induced credit risk, particularly in that part of exposure that is unhedged against this risk. The only significant credit growth in the observed half of the year involved a syndicated kuna loan of banks to the CBRD. In addition, a small growth was also seen in euro home loans, while all other euro loans fell. The biggest decline was again seen in loans in Swiss francs, although loans in all the remaining foreign currencies also dropped. And lastly, the share of total bank loans (net) exposed to currency induced risk dropped by almost three percentage points to 70.5%. The bulk of this amount, or 91.5% was again not hedged against this risk, i.e. it was placed to clients with an unmatched currency position.

1.2.5 Liquidity risk

Sources of financing

In the observed half year period, the total sources of bank financing[20] fell by HRK 4bn, or 1.2%. In view of developments in the exchange rates of the most widely represented currencies in bank assets, the real change in the financial sources was almost identical.

The biggest source of bank financing, received deposits (HRK 280.2bn) did not change much, falling by HRK 1.2bn or 0.4%. By contrast, loans received slumped, declining by HRK 2.8bn or 5.7%. As the share of subordinated and hybrid instruments in the total sources of financing did not change much and remained very low, the described developments contributed to a downward trend present for many years, in the share of received loans in the total sources of financing, which were down by slightly below one percentage point, and amounted to 14% (Table 1.10).

In the past six months, the sources of financing fell by 1.4% and a little below 2%, respectively, in the group of large and small banks. By contrast, medium-sized banks managed to increase their sources by 1.3%. Loans received dropped in all bank groups, but medium-sized banks managed to offset this fall by increasing deposits received and thus remained the bank group that relied the most on the deposit base as the source of financing. The remaining two bank groups were also faced with a fall in received deposits

The fall in deposits involved both received resident deposits and, slightly more, deposits of non-residents. Deposits from domestic persons dropped by a little less than half a billion kuna or 0.2%. This was due to a sharp fall in corporate deposits of 14.1% or HRK 6.2bn. Deposits of all the other domestic sectors rose, particularly those of financial institutions which recorded the largest nominal as well as relative increase of HRK 3.7bn or 26.5%. Household deposits which account for over one half or 57.5% of total deposits rose by HRK 1.7bn or 1.1%, while their share in total deposits rose by 0.9 percentage points. This increase was generated by a 2.1% increase in time deposits, given that giro and current account deposits and savings deposits of households fell by 2.4% and 3.2%, respectively.

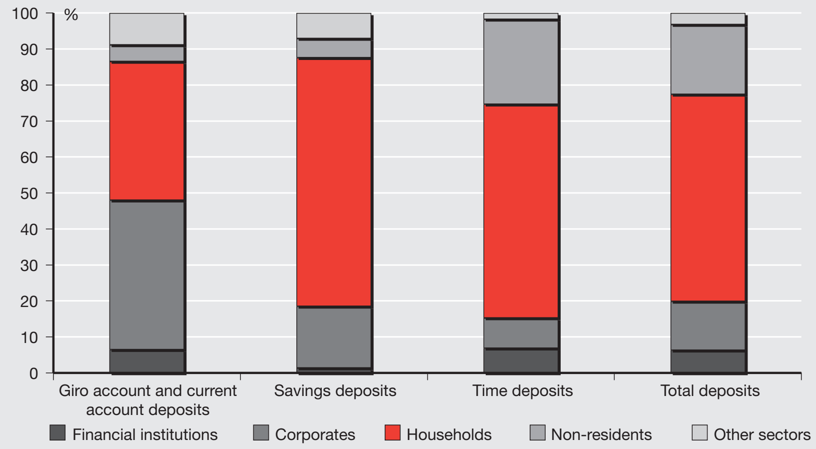
Non-resident deposits which account for a little less than one fifth of all deposits were down 1.4% or HRK 0.8bn at the end of June 2012. Even though deposits of majority foreign owners fell by HRK

TABLE 1.10 Structure of bank sources of financing, end of period, in %

	Large banks		Medium-sized banks		Small banks		Total	
	Dec. 2011	June 2012	Dec. 2011	June 2012	Dec. 2011	June 2012	Dec. 2011	June 2012
Deposits	83.0	83.7	89.2	89.9	86.3	86.6	83.9	84.5
Loans	15.6	14.9	8.6	8.0	11.5	11.5	14.7	14.0
Debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid and subordinated instruments issued	1.3	1.4	2.1	2.1	2.2	1.9	1.5	1.5
TOTAL SOURCES OF FINANCING	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Deposits and loans of majority foreign owner	24.0	23.1	4.5	4.7	4.1	4.2	20.5	19.8

20 The sources of financing include received deposits, received loans, issued debt securities and issued subordinated and hybrid instruments.

FIGURE 1.21 Sectoral structure of received deposits, as at 30 June 2012



1.8bn or 4.2%, the growth in deposits of other non-residents of 9.3% or HRK 1.1bn prevented any larger decline in foreign currency deposits. Non-resident deposits fell as a result of a fall in time deposits of HRK 1.2bn or 2.3%, while giro and current accounts and savings deposits of foreign persons rose by 28.9% and 6.8%, respectively, over the observed half year period.

This decline led to a fall in the share of deposits of majority foreign owners in total deposits, from 15.5% at the end of the previous year to 14.9% at the end of the observed period. A 5.0% fall in loans received from majority foreign owners, which account for a little over one half of the total received bank loans, led to a fall in total sources of financing received from foreign owners. They fell by HRK 3.1bn or 4.5%, bringing their share in the total sources of bank financing down from 20.5% to 19.8%. In large banks, the sources received from foreign owners accounted for almost one quarter of the total sources (23.1%), but the share of these sources in the remaining two bank groups was much smaller, and stood at approximately 4%.

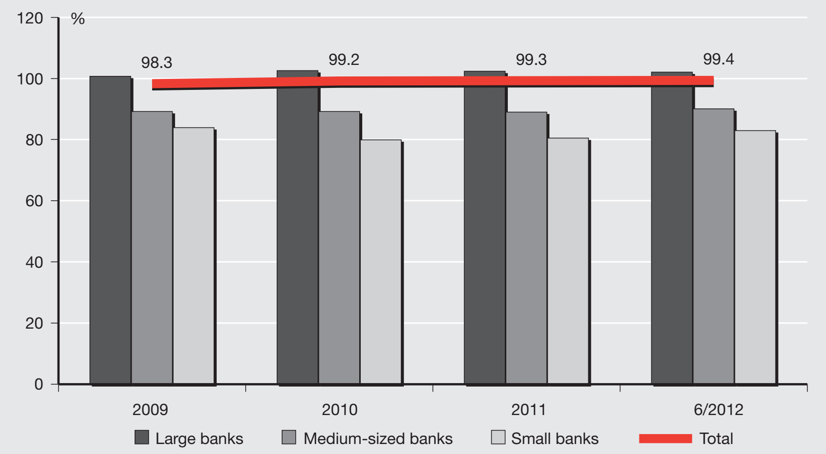
As in the case of the total sources of financing, in the past six months deposits grew only in the group of medium-sized banks (2.1%). Deposits as the source of financing fell by 0.6% in medium-sized banks and by 1.9% in small banks.

Kuna deposits with a currency clause slumped the most (5.4%). In terms of currency structure, these deposits account for the smallest share or slightly less than 1.5% of all received bank deposits. Kuna

TABLE 1.11 Sectoral structure of received loans, end of period, in million HRK and %

	Dec. 2009		Dec. 2010			Dec. 2011			June 2012		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from government units	62.2	0.1	15.2	0.0	–75.5	8.5	0.0	–44.3	6.0	0.0	–29.2
Loans from financial institutions	21,180.5	40.0	18,178.8	36.5	–14.2	17,316.5	35.2	–4.7	16,459.3	35.5	–4.9
Loans from corporates	4.6	0.0	1.7	0.0	–62.7	1.6	0.0	–5.0	237.5	0.5	14,461.5
Loans from foreign financial institutions	31,712.7	59.9	31,571.0	63.4	–0.4	31,841.5	64.8	0.9	29,685.3	64.0	–6.8
Loans from other non-residents	8.0	0.0	6.4	0.0	–20.3	4.9	0.0	–23.0	4.4	0.0	–11.5
TOTAL LOANS RECEIVED	52,968.0	100.0	49,773.1	100.0	–6.0	49,173.0	100.0	–1.2	46,392.5	100.0	–5.7
Loans from majority foreign owner	23,641.7	44.6	23,033.5	46.3	–2.6	25,128.2	51.1	9.1	23,876.3	51.5	–5.0

FIGURE 1.22 Bank loans granted/deposits received



deposits fell only slightly, by 0.2%, and as usual, accounted for approximately one third of all deposits (32.8%). The bulk of deposits received, those in foreign currencies, fell by 0.4%. Euro deposits, despite their small fall of 1.0% again accounted for the biggest share, or 85.0% of currency and indexed deposits. In terms of their share in currency and indexed deposits, deposits in Swiss francs and American dollars came next, accounting for 7.1% and 6.3%, respectively of the total, while deposits in all other foreign currencies accounted merely for the remaining 1.6%.

Total time deposits were the only deposit category that witnessed an increase in the previous period (0.7%). They were again the largest deposit group and accounted for over two thirds, or 77.4% of all deposits. Giro and current accounts fell appreciably, by 6.1% or HRK 2.4bn, in contrast with savings deposits, which fell by a much smaller 1.5%.

Owing to similar development dynamics, the ratio of loans granted to deposits received changed very slightly from the end of last year, having increased by 0.1 percentage point (Figure 1.22). This ratio decreased only in large banks, where it nevertheless remained the highest of all bank groups (102.2%), in contrast with medium-sized banks in which it rose slightly and small banks in which it rose slightly faster, by almost two and a half percentage points. These banks maintained the lowest loans granted to deposits received ratio of 83.0%.

The decline in received loans of banks of HRK 2.8bn described was primarily due to a fall in received loans from non-residents (almost exclusively foreign financial institutions), which account for a little less than two thirds or 64.0% of all the received loans. They fell by HRK 2.2bn or 6.8%. Over one half of this decline (HRK 1.3bn) went to loans received from majority foreign owners which fell by 5.0%. Loans received from domestic banks also fell considerably, by HRK 1.0bn or 54.4%. The total fall in loans was to an extent mitigated by a 0.7bn or 4.8% increase in CBRD loans.

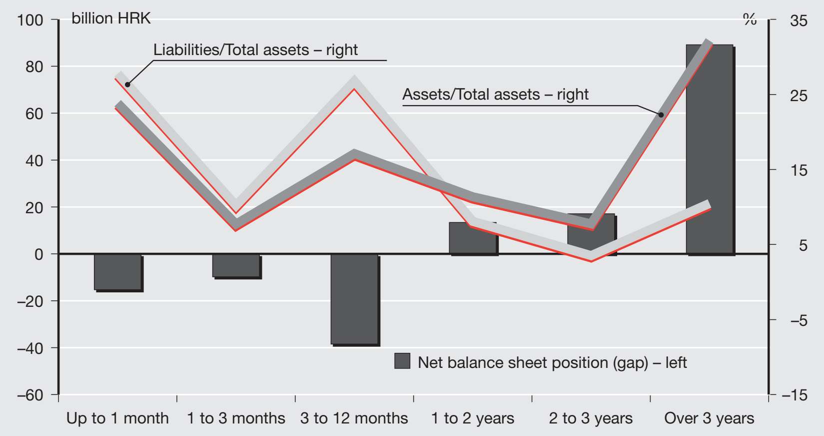
All bank groups reported a decline in the amount of loans received but it was most pronounced in medium-sized banks (6.5%) and large banks (5.8%) and least evident in small banks where the amount of loans received dropped by 2.6%. Loans from non-residents fell in all bank groups, but their fall of only 0.9% in the group of medium-sized banks played a negligible role in the fall in total loans. Large banks reduced loans from foreign persons by 6.6% and small banks by a high 16.7%.

As the decline in loans received was bigger than the decline in assets in the first half of this year, their share in the total assets of banks continued to fall steadily and stood at 11.5%, their lowest value in the past several years.

Maturity adjustment of bank assets and liabilities

The mismatch between the amount of short-term assets of banks and their short-term liabilities narrowed somewhat towards the end of the first half of 2012 from the end of 2011. Measured by short-term cumulative gap (up to one year)[21], it amounted to HRK 63.9bn (Figure 1.23), falling by HRK 3.4bn or 5.1% so that the coverage of short-term liabilities by short-term assets increased by half a percentage point, from 75.0% to 75.5%.

FIGURE 1.23 Asset and liability maturity match or mismatch, as at 30 June 2012



All short-term categories of assets/liabilities are characterised by maturity mismatches, or an excess of liabilities over assets of the same maturity. The biggest mismatch was seen in the maturity category from three months to one year (mismatch exceeding HRK 38.5bn) which continued to increase in the observed period, having risen by an additional HRK 6.1bn or 18.6%. This was because liabilities grew at twice the speed of assets of this maturity due to a significant increase in received deposits of HRK 9.7bn or 10.7%.

However, the other two short-term maturity categories, i.e. those up to one month and those from one to three months, reported declines totalling HRK 9.5bn (with the mismatch in the shortest maturity category narrowing by 21.3% and the next mismatch, that in the category from one to three months, narrowing by 35.1%). This was primarily due to bigger declines in liabilities in these maturity categories than in assets, which ranged between 8.1% in the case of the shortest maturity and 19.1% in the maturity category from one to three months. In both cases, this was due to a fall in deposits of HRK 6.5bn and HRK 9.2bn, respectively, or 6.3% and 20.1%, respectively.

21 The gap represents the difference between net assets and liabilities with the same term to maturity. A positive gap is the situation where a bank's assets exceed its liabilities in a given period and a negative gap is the situation where a bank's liabilities exceed its assets in a given period.

Minimum liquidity coefficient

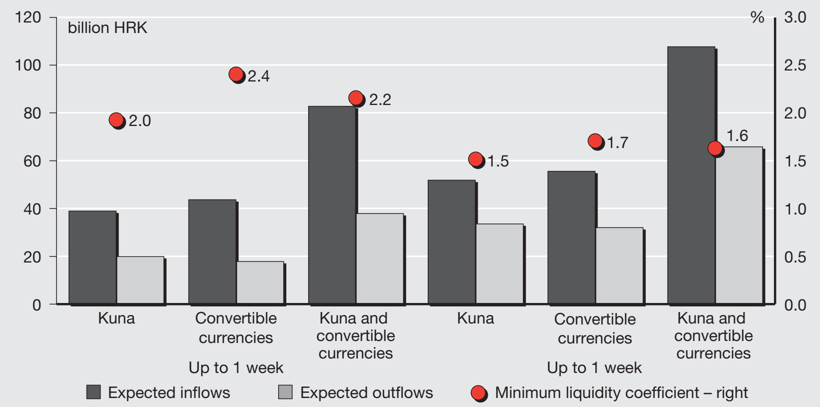
The obligation to calculate the minimum liquidity coefficient (MLC) was introduced in 2010 as an obligation that is determined on the basis of the expected inflows and outflows in two given periods.[22]

At the end of the first half of 2012, as at the end of the previous period, the banks maintained minimum liquidity coefficients for both kuna and convertible currencies and both given time periods, i.e. one week and one month, much above the prescribed minimum (Figure 1.24). The level of coefficient in convertible currencies in both given periods rose somewhat in large and small banks from the end of 2011 but fell in medium-sized banks. By contrast, the level of kuna coefficients for the period up to one week rose in large and medium-sized but fell in small banks. The kuna coefficients for the one month period fell in all bank groups, particularly in small banks.

Readily marketable assets (form TUI), those assets credit institutions estimate to be convertible into cash without very great losses within four days, stood at HRK 58.7bn at the end of the observed half year period. This was a decline of HRK 0.6bn or 1.0% from the end of 2011. In view of the fall in bank assets during the observed period, the share of readily marketable assets in total assets of banks did not change and stood at 14.6%. This can mostly be attributed to a considerable fall of almost one third or HRK 6.3bn in deposits and loans with credit institutions.

As regards the currency structure of readily marketable assets, the kuna share[23] fell by a little less than two percentage points to 52.1%. The bulk, or almost half of readily marketable assets in kuna were found in deposits with the CNB, while a lesser part, or about one quarter of readily marketable assets

FIGURE 1.24 Minimum liquidity coefficient, as at 30 June 2012



Note: From 1 May until 31 December 2012, by way of exception, the credit institutions meet the minimum liquidity coefficient requirement on a collective basis, i.e. for kuna and all convertible currencies combined.

22 Minimum liquidity coefficient (MLC) is determined on the basis of a relation between the expected inflows and outflows in two given periods (one week and one month), separately for kuna and separately for all convertible currencies combined (and for any larger volume non-convertible currencies). Inflows and outflows, or assets and liabilities are reported according to the estimated or remaining agreed maturity and do not represent the actual cash flow but the cash flow under an acute short-term stress scenario specified by the CNB so as to determine whether the credit institution has sufficient liquid assets to meet its liquidity needs within a given period. The MLC, as a measure of ability to meet liquidity needs thus defined, shall be minimum 1 in both given periods and by all currencies in question.

23 For the purposes of calculation of the minimum liquidity coefficient, exposures in kuna with a currency clause are considered exposures in kuna.

in kuna were found in T-bills of the Ministry of Finance. Most readily marketable assets in convertible currencies, or a little over one half, were placed in deposits with and loans to credit institutions and 26.4% in securities available for sale.

Medium-sized banks again accounted for the highest share of readily marketable assets in total assets (16.8%, down 0.4 percentage points). They were followed by the group of small banks (14.6%) and large banks which had the lowest share of readily marketable assets in total assets (14.3%), which was not surprising given their easier access to liquid funds on the market.

1.2.6 Currency adjustment of bank assets and liabilities

The fall in the total assets of banks in the first half of 2012 was small and there were no significant changes in the currency structure of bank balance sheets. The high share of items in foreign currency and items in kuna with a currency clause fell only slightly, with almost two thirds of bank assets and liabilities again being in foreign currency, most notably the euro. The banks hedged their long spot foreign exchange position, i.e. a surplus of foreign currency assets over foreign currency liabilities (indexed items included) by means of forward agreements, thus bringing their direct exposure to currency risk to a low level. However, indirect exposure, i.e. exposure to currency-induced credit risk continued to be very high.

The upward trend in the growth of the share of foreign currency assets and liabilities in total assets and liabilities that had been present for many years came to a halt in 2011 and continued to fall slightly in the first half of 2012. This can be attributed to a 1.1% increase in kuna assets and a concomitant decline in foreign currency liabilities of 2.1%. While the increase in kuna assets was mainly due to loans granted by banks to the CBRD, the lower amount of foreign currency assets was due to a considerable fall in deposits in foreign banks and loans granted, mostly in euro. As regards liabilities and capital of banks, there was a fall in both components of currency structure. Kuna items fell by 1.4% and total foreign currency items fell by 0.7%. Small changes in the exchange rate of the

FIGURE 1.25 Long foreign exchange position of banks, quarterly averages

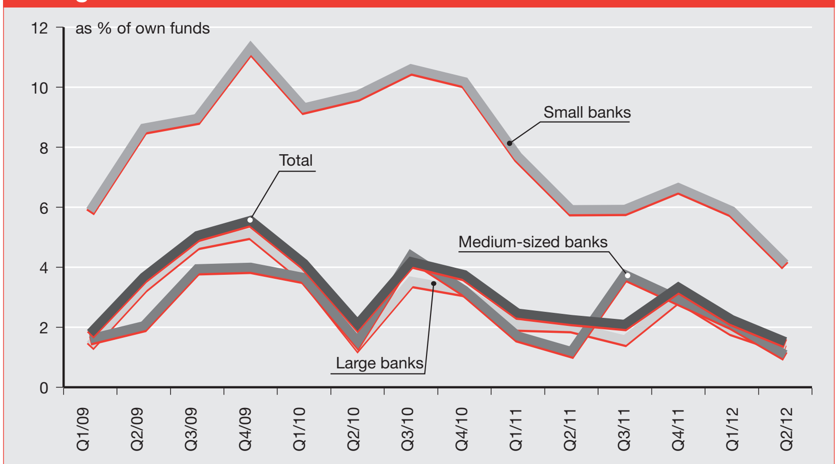
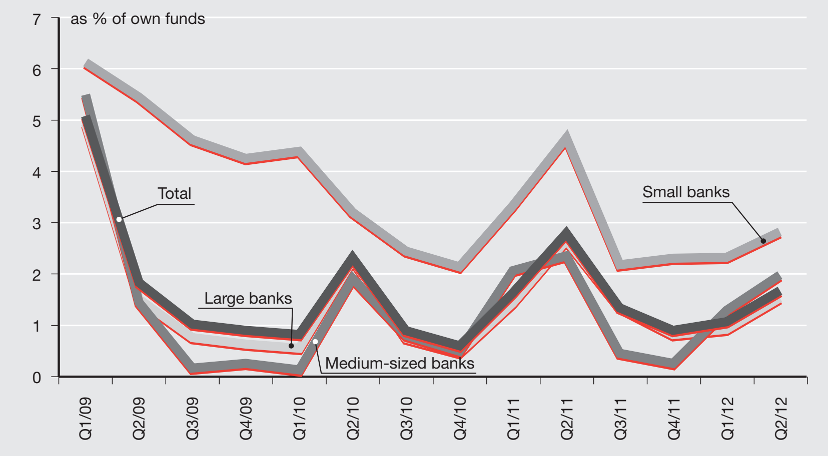


FIGURE 1.26 Short foreign exchange position of banks, quarterly averages



kuna against three most widely represented foreign currencies and their opposite developments had almost no effect on the change in the level of foreign currency items and total balance sheet of banks compared to the end of 2011.

At the end of the first half of 2012, foreign currency assets accounted for 64.3% of total bank assets and stood at HRK 259.1bn, while foreign currency liabilities accounted for 58.6% of total liabilities and capital and stood at HRK 236.3bn. A fall in foreign currency assets bigger than in foreign currency liabilities improved the bottom line of balance sheets of banks and slightly narrowed the difference between foreign currency assets and foreign currency liabilities measured against the total assets, to 5.6% of assets. This ratio was again the highest in large banks (6.6%), then in medium-sized banks (2.2%) while in small banks it was typically the lowest and stood at 0.4%. However, regardless of the differences arising from bank balance sheets, small banks again reported the largest open foreign exchange position measured by the share in own funds because of their small use of derivative financial instruments to reduce currency risk.

As regards foreign currency assets and liabilities items, three currencies, the euro, the Swiss franc and the American dollar were dominant. All other currencies accounted for only a little over 1.0% of foreign currency assets and liabilities. The euro accounted for the largest share or 82.8% of foreign currency assets and for 83.5% of foreign currency liabilities. Swiss franc came next, accounting for 12.1% of foreign currency assets and 9.6% of foreign currency liabilities. The American dollar accounted for a smaller share in foreign currency assets (3.8%) than in foreign currency liabilities (5.6%).

In the first half of 2012, the average open position at the level of all banks was long, as a result of developments in the first quarter of the year when the banks kept a long total average open foreign exchange position, in the amount of 2.3% of own funds. Due to changes in the direction of the euro position, particularly in large banks, the total average open position at the level of all banks was changed into a short position, in the amount of 1.7% of own funds, in the second quarter. On the last day of the observed half year period, the open position of banks calculated for the purposes of calculation of capital requirements stood at HRK 1.6bn or 2.8% of own funds. This was an increase of 33.8% from the end of 2011 which led to an increase in the capital requirement for currency risk of banks, with the key reason for this increase being attributable to a larger open position in the euro.

1.2.7 Interest rate risk in the non-trading book

From September 2011, when the change in the economic value of the non-trading book was at its lowest since the introduction of the obligation of its calculation in March 2010, the change in the economic value of the non-trading book[24] rose considerably. Nevertheless, the exposure to interest rate risk in the non-trading book remained low, largely due to items agreed at administered interest rates, i.e. hypotheses used in their distribution across time zones. The increase in the change in the economic value of the non-trading book in the first half of 2012 was largely driven by fixed interest rate items which were indirectly influenced by CNB measures aimed at spurring economic activity as well as the greater appeal of products with this type of interest rate.

In the first half of 2012, the change in the economic value of the non-trading book rose by HRK 386.4m or 42.4%, mainly owing to an increase in the change in the economic value of positions with a fixed interest rate, particularly in kuna. This was due to a syndicated loan granted at the end of June by 13 domestic banks to the CBRD in the context of Economic Development Programme as well as to investments in T-bills issued at an auction on 14 February 2012. The syndicated loan granted to the CBRD widened the maturity mismatch, i.e. the gap in time zone from four to five years, while the mentioned T-bills widened the gap in the one to two year zone (as most of them were issued with a maturity of 546 days). The change in the economic value of the non-trading book in terms of its ratio to own funds remained relatively low (2.3%, Table 1.12), much below the legally prescribed limit of 20%. This was due to well-matched interest rate-sensitive assets and liabilities across time zones. The

TABLE 1.12 Interest rate risk in the non-trading book, as at 30 June 2012, in million HRK and %

Currency	Interest rate type	Net position (before weighting)	Net weighted position
HRK	Administered interest rate	–16,929.2	–247.1
	Variable interest rate	29,175.0	396.3
	Fixed interest rate	8,602.8	768.6
EUR	Administered interest rate	–6,341.0	409.1
	Variable interest rate	58,175.6	84.2
	Fixed interest rate	–41,189.3	96.9
CHF	Administered interest rate	22,628.5	205.0
	Variable interest rate	–9,588.8	–29.6
	Fixed interest rate	–3,952.8	–304.2
USD	Administered interest rate	–999.4	–15.1
	Variable interest rate	1,304.7	2.1
	Fixed interest rate	–1,478.8	–5.4
Other	Administered interest rate	–7,645.8	–46.2
	Variable interest rate	3,563.8	0.0
	Fixed interest rate	1,158.3	–16.4
Change in the economic value of the non-trading book			1,298.2
Own funds			55,757.5
Relative ratio: Change in the economic value of the non-trading book/Own funds			2.3

24 To calculate the economic value, interest rate-sensitive assets and liabilities (derivative financial instruments included) are distributed into 13 time zones depending on the possibility of interest rate change, with the net position of each zone, i.e. the difference between the amount of interest rate-sensitive assets and liabilities in that zone being weighted by a relevant weight. The weights reflect the effect of parallel interest rate shock of 200 basis points and the estimated modified duration for each zone, with longer term zones being assigned higher weights, reflecting their greater sensitivity to interest rate changes. By summing up the weighted amounts by zones, with mutual offsetting of positive and negative mismatches, the banks arrive at the change in the economic value of the non-trading book.

banks held the bulk of interest rate-sensitive assets and liabilities in the shortest maturity zones (for fixed interest rates) and in the shortest zones to interest rate revaluation (for variable interest rates). Considerable mismatches were seen only in the time horizon up to one year and low weights prescribed for short-term zones limit the effect of these positions on the change in the economic value. The banks reported 40% of interest rate sensitive assets and liabilities in the shortest term, up to one month, and over 80% of interest rate-sensitive assets and over 90% of interest rate sensitive liabilities in the horizon up to one year. This was the result of the situation in major items, loans granted and deposits received, which were both largely influenced by positions negotiated at administered interest rates.

Administered interest rates are subject to changes based on a decision of a bank's management board and the banks distribute positions negotiated at this type of rate into appropriate time zones individually based on an assessment[25] by the bank of the probability and frequency of interest rate changes. Consequently, the calculation of the effect of interest rate risk in the non-trading book is determined not only by the specific characteristics of each individual institution but also to a large extent by the hypotheses used in the distribution of items with administered interest rates. Almost one half of bank loans were agreed at administered interest rates (49.5%), 39.3% were loans negotiated at variable interest rates and the remaining 11.2% were loans negotiated at fixed interest rates. Such a structure of loans granted reflects the importance of household loans which accounted for the biggest share of bank loans. A little over 90% of these loans were granted at an administered interest rate. In the case of corporates, a little over two thirds of loans were negotiated at variable interest rates, while in all other sectors combined, this share was slightly lower and stood at 57.4%. In the first half of 2012 there was an increase only in loans agreed at fixed interest rates, and in addition to a syndicated CBRD loan, this was also due to an increase in loans granted at fixed interest rates in the household sector. This can be attributed to increased advertising of loans featuring a fixed interest rate in the first several years of repayment and increased demand for this type of product, understandable in the period of increased insecurity. As regards interest rate sensitive liabilities, there was a decline in items agreed at fixed interest rates, due to a decline in corporate time deposits as well as household time deposits. The household sector saw a considerable increase in time deposits with administered interest rates, which halted the trend of them being substituted for by deposits with fixed interest rates. Such developments in assets and liabilities items with fixed interest rates widened the existing mismatches and resulted in a growth of the total weighted position for items with this type of interest rate. At the end of June 2012, the weighted position for items with fixed interest rates accounted for the biggest share of the total weighted position. Since the introduction of the obligation of calculation of interest rate risk in the non-trading book, the weighted position of items with fixed interest rates fluctuated the most and had the greatest impact on developments (increase or fall) in the total weighted position.

Viewed by currencies, the position in kuna, traditionally, showed the highest sensitivity to interest rate shock and contributed the most to the total weighted position. This was due to investments in securities in long-term zones of interest rate change and the absence of liabilities with the the same maturity or interest rate changes, which leads to mismatches in long-term zones. In the first half of

25 Such an estimate must as a minimum be based on: 1) past changes and frequency of interest rate changes of underlying positions; 2) past changes and frequency of market interest rate changes and their correlation with interest rate changes of underlying positions; and 3) estimates of other internal (e.g. net interest spread, a credit institution's business and placement financing strategy) and external factors (e.g. reputational risk, competition) capable of affecting the setting of interest rates.

2012, it was exactly the weighted position in kuna that rose the most and reached its record high. The growth in assets in this currency (syndicated loan to the CBRD), together with a fall in liabilities, mostly kuna loans from majority foreign owners, widened the mismatches and increased the weighted position in kuna. Along with the position in kuna, the only other position with a positive value was that in the euro. The positions in Swiss francs, the American dollar and all other remaining currencies were negative due to surpluses of interest rate sensitive liabilities over assets.

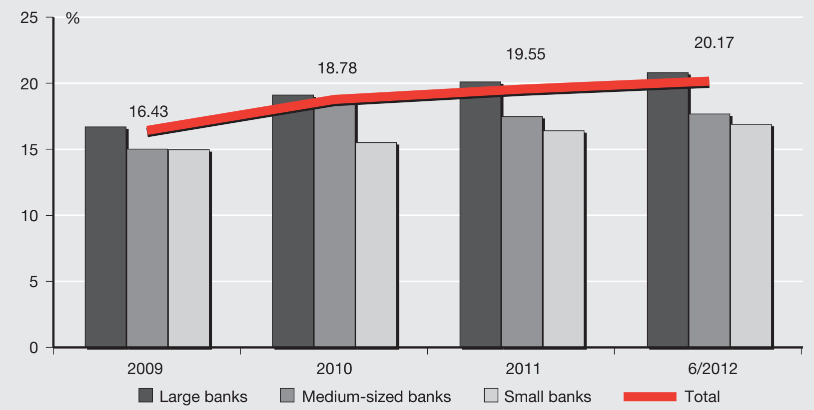
At the end of June 2012, all the banks reported a change in the economic value of non-trading book to own funds ratio below the legally prescribed limit of 20%. This ratio was much below the limit in most of the banks and was above 10% in only three institutions.

1.2.8 Capital adequacy

The capital adequacy ratio of banks continued to grow for the fourth consecutive year. At the end of the first half of 2012, it stood at 20.17% (Figure 1.27), its highest value since the end of 2000 (21.27%). Its growth in the first half of 2012 was driven mainly by a slowdown in the business activities of banks and the associated fall in exposure that is weighted by credit risk. Its growth was also slightly influenced by a retained half of the 2011 profit and its inclusion in the calculation of own funds. These developments spurred the unused amount of own funds to HRK 22.6bn.

The fall in the capital requirement for credit, counterparty credit, dilution and free delivery risks (hereinafter: the capital requirement for credit risk) was primarily due to deleveraging seen in almost all sectors and continued increased apprehension of banks in risk assumption which was reflected in a fall in net exposure weighted by credit risk of HRK 5.4bn or 1.3%. Balance sheet exposures fell by 0.8% while off-balance sheet exposures fell slightly less in terms of their amount but at a much faster rate (11.4%), continuing their downward trend for the fourth year. The fall in the average weight for credit risk to 58.7%, entirely attributable to a lower weight under the IRB approach, also played a small role in the fall in the capital requirement (Figure 1.29).

FIGURE 1.27 Bank capital adequacy ratio



Note: Basel II has been applied since 31 March 2010 and the minimum capital adequacy ratio is 12% (as compared to the previous 10%).

In the first half of 2012, the capital requirement for credit risk was reduced under both the standardised and the IRB approach, while the developments in key determinants of the requirement, the amount of exposure and average weight were opposite in these two approaches. [26] To calculate the amount of exposure weighted by credit risk, the banks generally used the standardised approach, as only one large bank had CNB permission to use the IRB approach. The capital requirement for the bulk of the total exposure (86.4%) was thus calculated using the standardised approach. The net amount of exposure weighted under the standardised approach fell by 2.7% and was reflected, a small increase in weight notwithstanding, in the fall in the capital requirement for credit risk under the standardised approach. A fall in the institutions category resulting from a fall in deposits with the CNB and with foreign banks was the main reason for the fall in the exposure. These developments were associated with CNB measures aimed at boosting economic activity that involve a reduction in the reserve requirement rate in the context of the Economic Recovery Programme and the inclusion of T-bills subscribed at 14 February 2012 auction in the scope of liquid foreign currency claims. Some of the funds previously held with the CNB and foreign banks were rechannelled to other sectors; however, the trend of deleveraging present in most sectors resulted in a fall in total exposure. There was an increase in exposure under the IRB approach, so the reduction in the capital requirement was due to a considerable fall in the average weight for credit risk, particularly in the corporate category.

The downward trend in the average weight for credit risk, present since 2009, continued into 2012. The transfer to the Basel II methodology and the absence of increased weights for currency-induced credit risk had reduced significantly the average weight for credit risk in 2010 which resulted in an increase in the capital adequacy ratio. The average weight declined further in 2011 as a result of an increase in the share of low-risk exposure to central governments and central banks, with a considerable share of this increase being attributable to increased use of credit risk mitigation techniques, particularly guarantees. The contribution to a fall in the average weight in that year also came from one large bank transferring to the IRB approach, which generated savings in the capital requirement. The fall in the average weight in the first half of 2012 was exclusively due to the mentioned decline in the weight under the IRB approach to 46.3%. Under the standardised approach, the weight rose slightly and stood at 60.5%. The considerably lower average weight under the IRB approach than under the standardised approach was primarily due to a much lower weight in the retail category which stood at 36.9% under the IRB approach and 89.0% under the standardised approach. The growth in the average weight under the standardised approach is the result of a fall in the share of exposures weighted by a 20% weight, mostly involving exposures in the institutions category and growth in the share of exposures with 100% and 150% weights. Exposures weighted by a 100% weight declined, but at a much slower rate than the rate of decline in total exposures, with the result that their share in the distribution of weighted exposures rose slightly. The share of the high risk-weight of 150% rose due to a considerable increase in the amount of due but unpaid receivables (the value adjustments of which are less than 20% of the unsecured part of the total exposure). Due but unpaid receivables with a 100% weight (value adjustments higher than 20% of the unsecured part of the total exposure) also rose significantly.

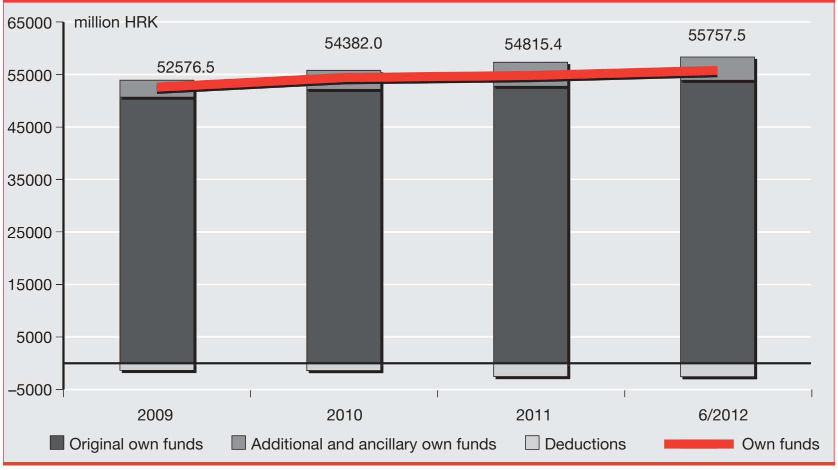
26 The capital requirement for credit risk is obtained by multiplying the credit risk-weighted exposure by 12% (minimum capital adequacy ratio). The credit risk-weighted exposure amount is obtained by multiplying the exposure that is being weighted by the relevant credit risk weight. Under the standardised approach, the prescribed risk weights are used for specific categories, depending on external credit risk assessment. Under the IRB approach, risk components (PD, LGD, EAD and M) are transformed into risk-weighted assets and by extension into the capital requirement. Some risk components are calculated by banks, with the difference between the foundation internal ratings-based approach and the advanced IRB approach lying in the input provided by a bank's own estimates and that provided by the supervisor. Under the advanced approach, the input provided by banks is greater than that provided under the foundation approach.

The level of average weights by major exposure categories under the standardised approach did not change much, with the weight in the most widely represented category, retail, standing at the mentioned 89.0%, 1.7% in the central government and central banks category and 102.6% in the corporate category. Most of the corporates have no credit rating, and so must by law be assigned a 100% weight. The share of exposures in the retail category weighted by a 75% weight, which is assigned to a well-diversified exposure portfolio not exceeding HRK 2.5m, was relatively low. The exposure category secured by real estate property had a very low share of only 3.0%, as some banks, including some large banks, did not use preferential 35% and 50% weights for exposures secured by real estate residential or commercial property. This was probably due to strict regulatory requirements (such as for instance the requirement that the owner of a residential real estate property supplies a certificate

TABLE 1.13 Own funds, capital requirements and capital adequacy ratio of banks, as at 30 June 2012, in million HRK and %

	Large banks		Medium-sized banks		Small banks		Total	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Own funds	46,728.0	100.0	4,527.2	100.0	4,502.4	100.0	55,757.5	100.0
ORIGINAL OWN FUNDS	45,648.1	97.7	4,177.8	92.3	3,983.8	88.5	53,809.8	96.5
Paid up capital (excl. cumulative preferential shares) net of own shares	26,462.9	56.6	3,714.2	82.0	3,819.7	84.8	33,996.7	61.0
Reserves and retained earnings	19,352.7	41.4	544.4	12.0	263.9	5.9	20,161.0	36.2
Other	–167.4	–0.4	–80.7	–1.8	–99.8	–2.2	–347.9	–0.6
ADDITIONAL OWN FUNDS	3,653.2	7.8	416.9	9.2	532.1	11.8	4,602.1	8.3
Paid-up cumulative preferential shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid and subordinated instruments	3,653.2	7.8	416.9	9.2	554.1	12.3	4,624.1	8.3
Other	0.0	0.0	0.0	0.0	–22.0	–0.5	–22.0	0.0
ITEMS DEDUCTED FROM ORIGINAL OWN FUNDS AND ADDITIONAL OWN FUNDS	–2,573.3	–5.5	–67.5	–1.5	–13.5	–0.3	–2,654.4	–4.8
Capital requirements	26,910.2	100.0	3,069.3	100.0	3,195.0	100.0	33,174.5	100.0
CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	23,889.5	88.8	2,644.2	86.1	2,861.3	89.6	29,395.0	88.6
Standardised approach	20,691.7	76.9	2,644.2	86.1	2,861.3	89.6	26,197.2	79.0
Corporates	9,294.1	34.5	1,169.8	38.1	1,104.9	34.6	11,568.8	34.9
o/w: Secured by real estate property	39.7	0.1	0.1	0.0	50.4	1.6	90.2	0.3
Retail	9,562.7	35.5	1,280.5	41.7	1,408.9	44.1	12,252.1	36.9
o/w: Secured by real estate property	333.6	1.2	12.2	0.4	38.2	1.2	384.0	1.2
Other	1,835.0	6.8	193.9	6.3	347.4	10.9	2,376.3	7.2
IRB approach	3,197.8	11.9	–	–	–	–	3,197.8	9.6
Corporates	1,913.5	7.1	–	–	–	–	1,913.5	5.8
Retail	823.8	3.1	–	–	–	–	823.8	2.5
SETTLEMENT/DELIVERY RISKS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
POSITION, FOREIGN EXCHANGE AND COMMODITY RISKS	439.7	1.6	96.1	3.1	31.6	1.0	567.3	1.7
o/w: Internal models	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Traded debt instruments	272.1	1.0	40.6	1.3	0.4	0.0	313.0	0.9
Foreign exchange	153.4	0.6	10.3	0.3	31.1	1.0	194.8	0.6
Other risks	14.1	0.1	45.3	1.5	0.1	0.0	59.5	0.2
RISK OF EXCEEDING THE PERMITTED EXPOSURE LIMITS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPERATIONAL RISK	2,581.1	9.6	329.1	10.7	302.2	9.5	3,212.3	9.7
Simplified approach	0.0	0.0	126.1	4.1	274.4	8.6	400.4	1.2
Standardised approach	1,329.6	4.9	203.0	6.6	27.8	0.9	1,560.4	4.7
Advanced measurement approach	1,251.4	4.7	0.0	0.0	0.0	0.0	1,251.4	3.8
Surplus/deficit of own funds	19,817.7	–	1,457.9	–	1,307.4	–	22,583.0	–
Capital adequacy ratio	20.84	-	17.70	-	16.91	-	20.17	-

FIGURE 1.28 Bank own funds



showing that he/she owns a maximum of two residential real estate properties), the cost of which is deemed inappropriate by banks, in view of high capital adequacy ratios.

The very low average weight in the central governments and central banks category and its high share in the distribution of exposures by categories (after the retail category) largely determine the total average weight for credit risk. The high share of this category was due not only to original exposure but also to the use of credit risk mitigation techniques, particularly the use of techniques involving a substitution of weights (inflows/outflows to other risk weights). The banks preferred these techniques over techniques that enable direct reduction of the original exposure amount (the financial collateral comprehensive method). Techniques involving a substitution of weights were mainly used for guarantees and outflows from the category of public sector entities and corporates to the central governments and central banks category. The financial collateral comprehensive method was used by a smaller number of banks, mostly large banks, with the largest share of the amount involved going to the institutions category and involving financial collateral. The use of credit risk mitigation techniques fell appreciably in the first half of 2012 as a result of transfer of shipyard loan liabilities secured by government guarantees to the public debt of the Republic of Croatia.

The capital adequacy ratio of banks was much higher than the minimum prescribed 12%, mainly owing to their high levels in large banks. This was the result of CNB monetary and prudential measures (restriction of foreign borrowing of banks, maintenance of minimum foreign currency liquidity and inclusion of currency-induced credit risk in the calculation of the capital adequacy ratio) that, between 2006 and 2008, resulted in divergence in the values of capital adequacy ratios of banks by bank groups, i.e. growth in these ratios in large banks [27]. Driven by these measures, majority foreign owners replaced a large amount of placed loans and deposits by capital investments. The growth in loans to government units and the abandonment of increased weights for currency-induced credit risk in 2009 and 2010 fuelled growth in the capital adequacy ratio of large banks. At the end of the

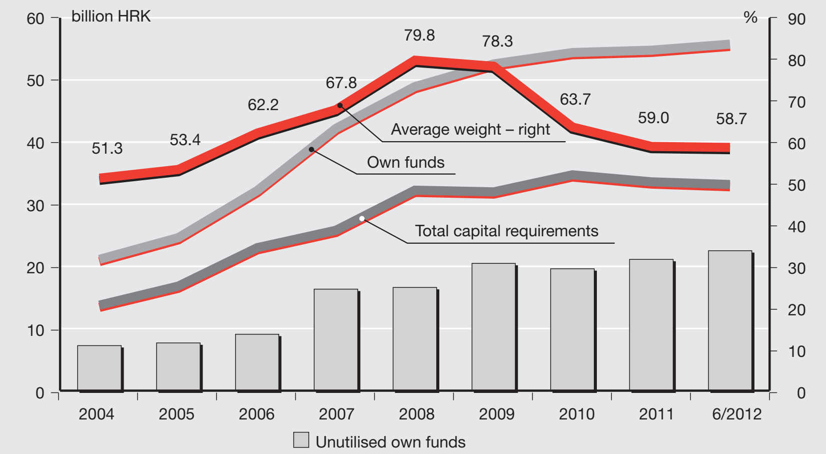
27 The measure aimed at limiting foreign borrowing (marginal reserve requirement) was repealed in October 2008, the regulation associated with the minimum foreign currency liquidity was considerably relaxed (the percentage of maintaining foreign currency liabilities by foreign currency liquid claims currently was reduced on several occasions and currently stands at 17%) and currency-induced credit risk was moved after the introduction of Basel II (March 2010) from first into the second pillar (internal capital) of capital adequacy regulatory framework.

TABLE 1.14 Breakdown of net exposure to credit risk by risk weights, as at 30 June 2012, in million HRK

	Retail	Corporates	Central governments and central banks	Institutions	Public sector entities	Local and regional self-government	Collective investment undertakings	Other	Equity investment	Total
STANDARDISED APPROACH										
Total exposure	114,769.2	93,976.8	103,183.4	20,051.9	7,104.5	3,320.3	387.3	17,782.5	–	360,575.8
On-balance sheet items	110,847.5	79,117.5	102,217.6	17,365.3	6,445.3	3,253.5	387.3	17,113.0	–	336,747.0
Off-balance sheet items	3,915.6	14,048.2	680.9	445.0	387.2	66.8	0.0	261.0	–	19,804.8
Securities transactions and long settlement transactions	0.0	361.0	0.1	712.3	271.9	0.0	0.0	408.4	–	1,753.7
Derivative financial instruments	6.2	450.1	284.7	1,529.4	0.0	0.0	0.0	0.0	–	2,270.3
Contracts for novation and other netting agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	0.0
Breakdown of total exposure by risk weights										
Weight 0%	0.0	0.0	99,794.6	317.8	4,377.9	0.0	0.0	8,502.6	–	112,992.9
Weight 10%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	–	0.2
Weight 20%	0.0	25.8	15.1	13,578.6	21.5	370.7	0.0	659.5	–	14,671.2
Weight 35% (residential real estate property)	8,793.3	372.5	0.0	0.0	0.0	0.0	0.0	4.7	–	9,170.5
Weight 50%	244.2	1,242.8	3,330.3	5,555.2	2,703.5	2,942.7	2.0	0.0	–	16,020.8
o/w: Commercial real estate property	244.2	1,242.8	0.0	0.3	0.0	0.0	0.0	0.0	–	1,487.3
Weight 75%	33,901.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	33,901.6
Weight 100%	68,540.9	85,488.6	41.6	585.4	0.3	0.8	320.4	8,497.6	–	163,475.7
o/w: Past due items	2,771.1	6,077.9	0.0	1.6	0.0	0.0	0.0	12.7	–	8,863.5
Weight 150%	3,289.2	6,710.1	1.6	15.0	1.3	6.1	64.9	17.1	–	10,105.2
o/w: Past due items	2,787.2	4,744.3	1.2	13.1	1.3	6.0	0.0	7.1	–	7,560.2
Other risk weights	0.0	137.0	0.0	0.0	0.0	0.0	0.0	100.8	–	237.7
Credit risk mitigation techniques – substitution effects										
Total outflow	–1,253.7	–5,726.1	–6.0	–400.9	–16,420.6	–33.1	0.0	–103.8	–	–23,944.3
Total inflow	22.0	188.6	19,237.2	339.4	101.5	716.4	0.0	1,910.2	–	22,515.3
IRB APPROACH										
Total exposure	18,612.6	18,833.1	17,578.8	1,685.4	–	–	–	–	111.6	56,821.5
On-balance sheet items	18,071.6	17,262.4	17,395.8	1,202.6	–	–	–	–	111.6	54,044.1
Off-balance sheet items	540.9	1,502.8	183.0	12.0	–	–	–	–	–	2,238.7
Securities transactions and long settlement transactions	0.0	38.5	0.0	322.9	–	–	–	–	–	361.4
Derivative financial instruments	0.0	29.4	0.0	147.9	–	–	–	–	–	177.3
Contracts for novation and other netting agreements	0.0	0.0	0.0	0.0	–	–	–	–	–	0.0
Credit risk mitigation techniques – effects of PD adjustment										
Total outflow	0.0	–176.2	0.0	0.0	–	–	–	–	0.0	–176.2
Total inflow	0.0	0.0	1,589.4	15.8	–	–	–	–	0.0	1,605.2

first half of 2012, the capital adequacy ratio of large banks stood at 20.84% while that of medium-sized and small banks stood at 17.70% and 16.91%, respectively (Table 1.13). The capital adequacy ratio in all bank groups rose from the end of 2011. In large banks, as well as at the level of all banks combined, this was due to a fall in the capital requirement while in the remaining two groups, the growth in this ratio was due to growth in own funds. Their growth in medium-sized banks was the result of the retained 2011 profit and in small banks it was the result of recapitalisation efforts. Three banks were recapitalised by share payments in cash, which in one bank fuelled this bank's ratio above the minimum described. To improve the quality of capital, four banks increased their share capital by converting hybrid instruments into shares. As a result, at the end of the observed period, all the banks had a ratio above 12% and in only one of them was it below 14%. Ten banks whose assets accounted for over one half of the total assets of banks, had a ratio above 20% (Table 1.15).

FIGURE 1.29 Average credit risk weight



By the end of June 2012, nine banks, of which five were large banks, had paid out (or voted) dividends totalling HRK 1.8bn, almost a half of the amount of bank profit in 2011. The retained remaining part of profit led to an upward trend in the growth in own funds. Although this was quite slight, it did reinforce the already strong capital base The balance sheet capital to liabilities ratio stood at 14.0% which, together with the capital adequacy ratio of original own funds of 18.54% bespeaks good capital quality. The original own funds comprise high quality elements (ordinary and non-cumulative preferential shares, retained earnings and reserves, while no hybrid instruments are allowed) so it was not surprising that the study of the quantitative impact of the introduction of Basel III[28] showed that domestic banks, both in terms of the amount and quality of capital, were ready to embrace the new regulatory framework. Additional own funds[29] accounted for only a small share of own funds, having fallen additionally during the observed period. Deduction items also had a negative impact on the level of own funds, with their amount rising due to a greater shortfall in provisions under the IRB approach.

Unlike the capital requirement for credit risk which fell by HRK 537.7m or 1.8%, the remaining parts of the capital requirement, those for market and operational risk rose. While the growth in the capital requirement for operational risk was very small, that of the capital requirement for market risks grew considerably (14.1%). Such changes led to a fall in the total capital requirement of HRK 466.5m or 1.4%. The growth in the capital requirement for market risks was driven by an appreciable increase in the currency risk component, mostly as a result of changes in one large bank. The bank significantly increased the short position in the euro, as a result of forward transactions in that currency. Despite an increase in the capital requirement for market risks, its share remained low, standing at 1.7% of the total capital requirement (Figure 1.30) with the largest share going to the capital requirement for position risk of debt instruments. Ten banks, or all large and medium-sized banks and one small bank, had to calculate capital requirements for trading book positions, in contrast to the remaining banks with trading book positions of insignificant value. No banks used internal models to calculate the capital requirement for market risks.

28 See the Results of quantitative impact study of the proposed Regulation and Capital Requirements Directive, CNB, September 2012, www.hnb.hr.

29 From 1 January 2012, the possibility of inclusion of ancillary own funds (for market risk coverage) in the calculation of own funds was repealed. As the banks did not use this type of capital, the change did not have an impact on the amount and composition of own funds.

FIGURE 1.30 Structure of bank total capital requirements, as at 30 June 2012

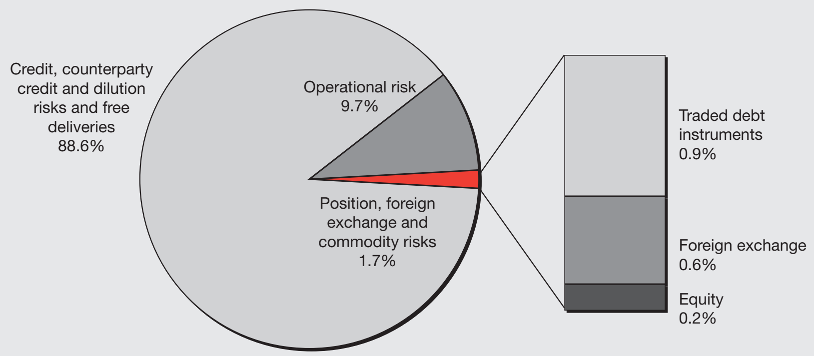


TABLE 1.15 Breakdown of bank capital adequacy ratio. end of period

	Dec. 2009		Dec. 2010		Dec. 2011		June 2012	
	Number of banks	Share in bank assets (%)	Number of banks	Share in bank assets (%)	Number of banks	Share in bank assets (%)	Number of banks	Share in bank assets (%)
Ratio lower than 10%	0	0.0	3	1.0	0	0.0	0	0.0
Ratio from 10% to 12%	6	5.8	0	0.0	1	0.5	0	0.0
Ratio from 12% to 15%	11	25.9	9	13.2	9	9.5	9	7.2
Ratio from 15% to 20%	9	55.3	11	55.2	13	34.6	13	37.0
Ratio higher than 20%	8	13.0	10	30.6	9	55.4	10	55.9

Note: From 31 March 2010 on. the minimum capital adequacy ratio is 12% (10% prior to this date).

The share of the capital requirement for operational risks rose slightly, reaching 9.7% of the total capital requirement. Seven banks used the standardised approach to calculate the capital requirement for operational risk, and since they included four large banks, the largest part of the requirement could be accounted for by this approach. Two large banks used the advanced measurement approach (with CNB permission), while all the remaining banks used the basic indicator approach, which accounted for the smallest share of the capital requirement for operational risk. A small change in the capital requirement for operational risk compared to the end of 2011 was due to the fact that at the end of the first half of 2012, in the calculation under the basic indicator approach and the standardised approach, the banks used the same level of the average relevant indicator, which depends on the average operating income of banks in the previous three years.[30]

The capital requirement for credit risk maintained a leading share in the structure of capital requirements (88.6%), reflecting the importance of traditional banking activities, particularly the high share of loans in the composition of bank assets. Due to a large amount of foreign currency loans and loans in kuna with a foreign currency clause, and the fact that capital is expressed in kuna, depreciation of

30 Under the basic indicator approach, the initial capital requirement for operational risk is calculated as a 15% of the average relevant indicator, while under the standardised approach, the average relevant indicator for individual business lines is multiplied by the relevant initial capital requirement rate, which is prescribed at the rate of between 12% and 18%.

the exchange rate of the kuna would have a direct impact on the fall in the capital adequacy of own funds. The fact that the majority of foreign currency and indexed loans are granted to clients with no foreign currency income would also imply an indirect impact in the form of poorer loan collection, i.e. materialisation of the currency-induced credit risk. In the assessment of internal capital, the banks consider currency-induced credit risk the most important risk, immediately following the risks explicitly treated in the first pillar of the capital adequacy framework.

1.3 Housing savings banks

The assets of five housing savings banks operating in the Republic of Croatia at the end of the first half of 2012 stood at HRK 7.3bn and accounted for 1.8% of the total assets of credit institutions. The ownership structure of housing savings banks stayed the same; one housing savings bank was in majority domestic ownership and the remaining four were in the direct or indirect majority ownership of foreign shareholders. The assets of housing savings banks in majority foreign ownership accounted for 95.9% of the total assets of all housing savings banks. The one housing savings bank in domestic ownership slightly increased its share in the total assets of all housing savings banks, to 4.1%. At the end of the first half of 2012, there were 414 persons working in housing savings banks, which is 1.9% of the total number of employees in credit institutions in the Republic of Croatia.

1.3.1 Balance sheet

The assets of housing savings banks fell by 7.0% in the first half of 2012, with three housing savings banks reporting a decline in assets and two reporting a small increase in assets. The fall in the balance sheet amount was mainly the result of a fall in received loans from domestic financial institutions as well as a small decline in the key source of financing, deposits of housing savings bank savers. Smaller sources of financing were mainly reflected in a fall in housing savings banks' securities investments and to a lesser extent in credit activity. A considerable rate of fall in the assets of housing savings banks from the end of 2011 can largely be attributed to developments in one housing savings bank.

Unlike changes in the balance sheet structure in 2011 associated with the beginning of the application of the rule on the interest rate risk in the non-trading book, developments in the balance sheets of housing savings banks in the first half of 2012 were mainly associated with the use of adjusted input data in the calculation of change in the economic value of the non-trading book. Such models are based on the inclusion of the effects of renewal of housing savings banks' contracts in the second cycle of saving, which reduced the need of housing savings banks for long-term sources of financing. Until the end of the observed period, four housing savings banks used the adjusted models for the calculation of exposure to interest rate risk in the non-trading book, reducing exposure to this risk on group level to 2.4% of own funds. In the procedure of internal capital requirement calculation, housing savings banks were again obligated to comply with the provisions prescribed by the Decision on interest rate management in the non-trading book[31] which does not include the use of the adjusted models.

The biggest change in the assets of housing savings banks from the end of 2011 involved a fall in securities investments of HRK 382.0m or 12.3%. This was due exclusively to a fall in investments in bomds of the Republic of Croatia, while a relatively large increase in investments in T-bills of the Ministry of Finance (29.6%), owing to its small nominal amount, did not have a great impact on the total change in securities. The bonds of the Republic of Croatia and T-bills of the Ministry of Finance were the only types of securities held by housing savings banks in their portfolios.

A part of the fall in housing savings banks' investments in securities involved bonds distributed in the loans and receivables portfolio, which increased the intensity of a decline in net loans in the assets of housing savings banks. This effect excluded, the fall in net loans at the level of the group of housing savings banks was much smaller and stood at 2.0%, and mostly involved a fall in loans to central government fund clients[32] and banks and to a very small extent home loans (0.1%). This indirectly led to an increased significance of primary activity, i.e. lending to housing savings banks savers in their credit portfolio. Home loans were thus the only or almost the only form of lending in four housing savings banks, while the share of home loans in total loans in the remaining housing savings bank was lower

TABLE 1.16 Structure of housing savings bank assets, end of period, in million HRK and %

	Dec. 2009		Dec. 2010			Dec. 2011			June 2012		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Money assets and deposits with the CNB	0.0	0.0	0.0	0.0	–28.6	0.0	0.0	60.0	0.0	0.0	–58.3
Money assets	0.0	0.0	0.0	0.0	–28.6	0.0	0.0	60.0	0.0	0.0	–58.3
Deposits with the CNB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits with banking institutions	177.8	2.6	185.0	2.7	4.1	669.7	8.5	262.1	738.1	10.1	10.2
MoF treasury bills and CNB bills	295.4	4.4	570.6	8.3	93.2	668.1	8.5	17.1	866.2	11.9	29.6
Securities and other financial instruments held for trading	0.0	0.0	0.0	0.0	0.0	194.0	2.5	0.0	204.0	2.8	5.2
Securities and other financial instruments available for sale	71.5	1.1	137.4	2.0	92.3	210.4	2.7	53.1	206.9	2.8	–1.6
Securities and other financial instruments held to maturity	794.5	11.8	798.6	11.6	0.5	820.4	10.5	2.7	640.7	8.8	–21.9
Securities and other financial instruments not traded in active markets but carried at fair value	99.7	1.5	101.6	1.5	1.9	99.9	1.3	–1.6	18.8	0.3	–81.2
Derivative financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans to financial institutions	117.0	1.7	73.6	1.1	–37.1	90.9	1.2	23.5	14.0	0.2	–84.6
Loans to other clients	4,847.8	71.9	4,689.1	68.1	–3.3	4,756.1	60.6	1.4	4,406.4	60.4	–7.4
Investments in subsidiaries and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreclosed and repossessed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tangible assets (net of depreciation)	7.5	0.1	7.2	0.1	–3.5	6.2	0.1	–14.1	6.3	0.1	2.2
Interest, fees and other assets	383.2	5.7	368.3	5.4	–3.9	386.9	4.9	5.0	247.4	3.4	–36.1
Net of: Collectively assessed impairment provisions	55.9	0.8	50.8	0.7	–9.0	56.1	0.7	10.4	52.2	0.7	–7.0
TOTAL ASSETS	6,738.5	100.0	6,880.6	100.0	2.1	7,846.5	100.0	14.0	7,296.7	100.0	–7.0

31 OG 2/2010, 34/2010 and 37/2012.
32 This includes entities financed by special extrabudgetary taxes such as Croatian Institute for Health Insurance, Croatian Pension Insurance Administration, Croatian Motorways, Croatian Roads, etc.

FIGURE 1.31 Assets, deposits and loans of housing savings banks

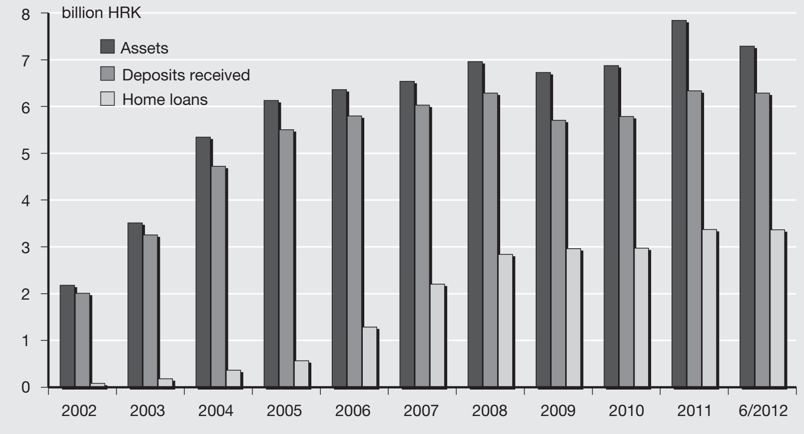


TABLE 1.17 Structure of housing savings bank liabilities and capital, end of period, in million HRK and %

	Dec. 2009		Dec. 2010			Dec. 2011			June 2012		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from financial institutions	134.6	2.0	183.1	2.7	36.0	458.9	5.8	150.7	0.0	0.0	–100.0
Short-term loans	134.5	2.0	183.0	2.7	36.0	172.7	2.2	–5.6	0.0	0.0	–100.0
Long-term loans	0.1	0.0	0.1	0.0	–31.9	286.2	3.6	371,598.7	0.0	0.0	–100.0
Deposits	5,713.3	84.8	5,791.5	84.2	1.4	6,345.2	80.9	9.6	6,296.1	86.3	–0.8
Giro account and current account deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Savings deposits	0.0	0.0	172.8	2.5	–	154.1	2.0	–10.8	107.2	1.5	–30.4
Time deposits	5,713.3	84.8	5,618.7	81.7	–1.7	6,191.0	78.9	10.2	6,188.9	84.8	0.0
Other loans	0.0	0.0	0.0	0.0	0.0	94.1	1.2	0.0	93.9	1.3	–0.3
Short-term loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term loans	0.0	0.0	0.0	0.0	0.0	94.1	1.2	0.0	93.9	1.3	–0.3
Derivative financial liabilities and other financial liabilities held for trading	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated instruments issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid instruments issued	96.1	1.4	96.7	1.4	0.6	97.7	1.2	1.0	97.5	1.3	–0.1
Interest, fees and other liabilities	375.1	5.6	344.6	5.0	–8.1	368.3	4.7	6.9	277.0	3.8	–24.8
TOTAL LIABILITIES	6,319.2	93.8	6,415.9	93.2	1.5	7,364.1	93.9	14.8	6,764.6	92.7	–8.1
Share capital	487.9	7.2	487.9	7.1	0.0	487.9	6.2	0.0	487.9	6.7	0.0
Current year profit/loss	49.4	0.7	17.1	0.2	–65.4	10.6	0.1	–38.1	33.0	0.5	212.2
Retained earnings/loss	–50.0	–0.7	–1.3	0.0	–97.4	15.0	0.2	–	25.1	0.3	67.2
Legal reserves	4.8	0.1	5.5	0.1	13.7	6.2	0.1	14.0	6.7	0.1	7.6
Reserves provided for by the articles of association and other capital reserves	0.1	0.0	10.9	0.2	–	9.2	0.1	–16.3	5.2	0.1	100.0
Unrealised gains/losses on value adjustments of financial assets available for sale	–72.9	–1.1	–55.3	–0.8	–24.1	–46.5	–0.6	–15.9	–25.8	–0.4	–44.4
Reserves arising from hedging transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Previous year profit/loss	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL CAPITAL	419.3	6.2	464.8	6.8	10.8	482.4	6.1	3.8	532.1	7.3	10.3
TOTAL LIABILITIES AND CAPITAL	6,738.5	100.0	6,880.6	100.0	2.1	7,846.5	100.0	14.0	7,296.7	100.0	–7.0

and stood at 75.1%. At the end of the first half of 2012, home loans granted by housing savings banks stood at HRK 3.3bn (net), accounting for 5.5% of the total home loans of all credit institutions.

Except bigger investments in T-bills of the Ministry of Finance, the only positive change in the assets of housing savings banks from the end of 2011 involved an increase in deposits with other banks (HRK 68.4m or 10.2%).

The fall in the liabilities of housing savings banks was fuelled primarily by a fall in received loans in one housing savings bank. At the level of the entire group, this decline stood at 83.0%, with the significance of loans received in the sources of financing falling appreciably. In contrast with their share in liabilities and capital of 7.1% at the end of 2011, this share fell to only 1.3% at the end of the first half of 2012. The key source of housing savings banks funding, deposits of housing savings banks savers, declined by HRK 49.1m (0.8%) from the end of 2011, to a little below HRK 6.1bn. As the decline in loans received was bigger than the fall in deposits, the share of deposits of housing savings banks in the liabilities of housing savings banks rose to 86.9%. Deposits of housing savings banks savers accounted for almost the total deposits of housing savings banks, and 55.6% of their amount at the end of the first half of 2012 were placed to housing savings banks savers in the form of home loans. Despite the highest home loans to housing savings ratio ever since housing savings banks started operating, this ratio rose very slightly in the previous four years.

The balance sheet capital of housing savings banks rose by 10.3% or by HRK 49.7m from the end of 2011, increasing its share in assets to almost 7.3%. The increase in capital was mostly based on current year profit and a fall in unrealised losses on value adjustment of available-for-sale financial assets. In the first half of 2012, housing savings banks did not increase their share capital.

1.3.2 Income statement

At the end of the first half of 2012, housing savings banks generated HRK 38.4m in profit (pre-tax), an increase of over 240.4% from the same period in the previous year (Table 1.18). A large increase in housing savings bank profit was primarily due to an increase in net operating income, with a positive contribution to profit coming from income generated by the abolition of loss provisions and a fall in operating expenses. One housing savings bank operated with a loss of HRK 4.1m, while all other housing savings banks generated much bigger profits than at the end of the first half of 2011.

At the end of the first half of 2012, net income of housing savings banks rose by a high 21.0% or HRK 17.5m from the end of the same period previous year. A 17.6% or HRK 10.1m higher net interest income was the main factor that led to this increase, followed by an increase in net non-interest income of 28.3% or HRK 7.4m. Unlike banks, housing savings banks reported an increase in all types of interest income, with the largest nominal increase going to interest income from home loans (HRK 10.2m or 12.7%). The increase in non-interest income was mainly attributable to income from securities trading while rising income from fees and commissions had a smaller impact on net income.

Operating expenses of housing savings banks rose moderately, with expenses based on received deposits increasing the most (HRK 13.7m or 16.2%). In terms of the amount of increase, expenses

TABLE 1.18 Housing savings bank income statement, in million HRK

	Jan.–June 2011	Jan.–June 2012
Net interest income	57.3	67.4
Total interest income	162.3	183.5
Total interest expenses	105.0	116.1
Net income from fees and commissions	27.2	28.0
Total income from fees and commissions	31.6	32.7
Total expenses on fees and commissions	4.5	4.8
Net other non-interest income	–1.1	5.4
Other non-interest income	6.5	14.7
Other non-interest expenses	7.7	9.3
Net non-interest income	26.0	33.4
General administrative expenses and depreciation	66.7	64.4
Net operating income before loss provisions	16.6	36.3
Total expenses on loss provisions	5.3	–2.0
Expenses on value adjustments and provisions for identified losses	0.6	1.9
Expenses on collectively assessed impairment provisions	4.7	–3.9
Income/loss before taxes	11.3	38.4
Income tax	2.4	5.3
Current year profit/loss	8.8	33.0

based on deposits received from banks stood out in particular (HRK 8.0m), and were, in terms of the amount of increase, followed by expenses on deposits of housing savings banks savers, which rose by HRK 5.6m or 6.7%. Operating expenses, i.e. general administrative expenses and depreciation, fell by 3.5% from the end of the first half of 2011, exclusively as a result of lower employee expenses.

Changes in the level of expenses on loss provisions were mostly due to a fall in securities investments which in turn led to a fall in total risk category A placements in which the bulk of securities are commonly distributed. This led to a fall in the share of placements that are subject to collectively assessed impairment provisions and thus by repealing provisions, the housing savings banks generated profit, in contrast with the same period in the previous year when they reported expenses on this basis. Income deriving from the repeal of loss provisions surpassed the increase in expenses on loss provisions for identified losses, resulting eventually in a positive influence on the profit of housing savings banks.

The sharp increase in profit in the first half of 2012 significantly boosted the profitability of housing savings banks, with their profitability indicators reaching the recommended values. The return on average assets (ROAA) of housing savings banks thus rose from only 0.2% at the end of 2011 to over 1.0% at the end of the first half of 2012. The return on average equity (ROAE) also rose from only 2.2% to over 13.0% during the same period. The cost-to-income ratio also improved, with the ratio of general administrative expenses and depreciation and net income falling from 85.3% to 64.0%. Despite significant improvement, the level of this indicator was still above bank average which stood at 49.6%. At the end of the first half of 2012, a housing savings bank employee managed on average HRK 17.6m in assets, which was slightly less than in banks.

1.3.3 Credit risk

The total amount of balance sheet and off-balance sheet items exposed to credit risk fell to HRK 5.9bn in the first half of 2012, a decline of HRK 544.3m or 8.4% from the end of 2011. This fall mainly involved securities investments and to a lesser extent the slower credit activities of housing savings banks. The quality of placements and off-balance sheet liabilities remained unchanged while the coverage of items distributed into B and C risk categories by value adjustments and provisions rose slightly.

The fall in debt securities that are included in the scope of placements played a key role in the fall in risk category A placements, which totalled 8.5% (Table 1.19). The level of changes in other risk categories was almost negligible, with the quality of total placements holding steady at end-2011 level. Housing savings banks again classified the bulk (99.5%) of total placements and assumed off-balance sheet liabilities into the best quality risk category A, and the remaining 0.5% of placements and assumed off-balance sheet liabilities into risk categories B and C. In terms of quality, home loans again fared somewhat worse than total placements. The share of B and C category placements of home loans stood at 0.9%, as at the end of 2011.

TABLE 1.19 Classification of housing savings bank placements and assumed off-balance sheet liabilities by risk categories, end of period, in million HRK and %

Risk category	Dec. 2009		Dec. 2010			Dec. 2011			June 2012		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
A	6,385.1	99.6	5,947.7	99.5	–6.8	6,423.0	99.6	8.0	5,878.9	99.5	–8.5
B-1, B-2 and B-3	18.8	0.3	31.5	0.5	67.9	27.8	0.4	–11.6	27.7	0.5	–0.6
C	4.2	0.1	1.4	0.0	–67.6	2.0	0.0	49.6	2.1	0.0	3.3
Total	6,408.1	100.0	5,980.6	100.0	–6.7	6,452.9	100.0	7.9	5,908.6	100.0	–8.4

Despite the fact that the quality of home loans remained unchanged, housing savings banks increased value adjustments for these loans, which led to a small increase (to 21.4%) in the coverage of total placements and off-balance sheet liabilities of B and C risk categories by value adjustments and provisions. Since total placements and off-balance sheet liabilities are predominantly classified into risk category A, the bulk of total value adjustments and provisions were again accounted for by collectively assessed impairment provisions (99.5%). Their fall of 6.9% from the end of 2011 was due to the already mentioned fall in risk category A placements (Table 1.20).

One housing savings bank estimated all its placements and assumed off-balance sheet liabilities as fully recoverable, classifying them entirely into risk category A. The remaining housing savings banks

TABLE 1.20 Coverage of housing savings bank total placements and assumed off-balance sheet liabilities by total value adjustments and provisions, end of period, in million HRK and %

	Dec 2009	Dec 2010	Dec 2011	June 2012
Total value adjustments against placements and provisions for assumed off-balance sheet liabilities	64.2	57.3	62.3	58.9
Value adjustments and provisions	8.1	6.2	5.9	6.4
Collectively assessed value adjustments and provisions	56.2	51.0	56.4	52.5
Total placements and assumed off-balance sheet liabilities	6,408.1	5,980.6	6,452.9	5,908.6
Coverage	1.00	0.96	0.97	1.00

estimated only a very small portion of their placements as partly recoverable or fully irrecoverable, classifying between 0.4% and 0.8% of their placements in categories B and C.

The loans again accounted for a predominant (62.3%) share in the structure of total placements and assumed off-balance sheet liabilities, with home loans accounting for the bulk or 91.9% of these loans. Debt securities and deposits accounted for the next largest shares (23.4% and 12.5%, respectively), while off-balance sheet liabilities and other placements combined accounted for only 1.7% of total placements. Housing savings banks distributed most of the placements in the loans and receivables portfolio (87.7%).

1.3.4 Capital adequacy

At the end of the first half of 2012, the capital adequacy ratio of housing savings banks stood at 19.68%. This rate fell slightly from the end of 2011 when it stood at 19.87%. The decline in this rate was due to slow developments in own funds, which rose by 1.0% and the capital requirement for the coverage of operating risks, which rose by 2.0%.

Own funds of housing savings banks rose by a small HRK 5.7m over the observed period, reaching HRK 563.8m. The increase in own funds was almost entirely due to an increase in original own funds (HRK 15.7m or 3.4%) although a very small contribution also came from a decline in the amount of deduction items. The increase in original own funds was influenced by a decline in unrealised losses on value adjustments of financial assets available for sale and an increase in the amount of retained earnings. Additional own funds of housing savings banks dropped by HRK 10.1m or 10.4%, as a result of a smaller amount of hybrid instruments included in the calculation of own funds.

Total capital requirements rose by HRK 6.8m from the end of 2011, driven by an increase in the capital requirement for credit risk of HRK 9.0m, while the capital requirements for other risks declined. The increase in the amount of exposure weighted by a 50% risk weight in the institutions category had the biggest impact on the increase in the capital requirement for credit risk of housing savings banks. This change resulted in an increase in the average weight for credit risk of housing savings banks from 27.8% at the end of 2011 to 32.6% at the end of the first half of 2012, the value of which was again almost twice as low as that of banks.

The capital requirements for market risks fell by HRK 1.3m or 8.2% due to a fall in the capital requirement for currency risk. In terms of currency structure, in addition to kuna, the housing savings banks balance sheets also held the euro, so that the fall in the open foreign currency position in that currency led to a sharp fall in the initial capital requirement for currency risk (47.2%). Due to its low amount, the relatively big change in this capital requirement did not have a big impact on the structure of total capital requirements of housing savings banks. At the end of the first half of 2012, the capital requirement for credit risk accounted for 83.5% of the total capital requirements, an increase of one percentage point from the end of 2011. The share of the capital requirement for market risks dropped by half a percentage point to 4.2%, while the remaining 12.3% were accounted for by the capital requirement for operational risk.

2 Notes on methodology

End-of the year data on the business operations of credit institutions are based on unconsolidated audited financial reports while data for the first half of the year are based on unconsolidated preliminary financial reports delivered by credit institutions to the Croatian National Bank.

Table 1.1 Bank peer groups and their share in total bank assets

IIn accordance with the selected criterion – the relative share of assets of an individual bank in total bank assets – this table shows the bank peer groups. Banks (including savings banks) have been divided into three peer groups: large, medium-sized and small banks. Large banks are banks whose assets exceed 5% of the total assets of all banks, medium-sized banks are banks whose assets are greater than 1% and less than 5% of the total assets of all banks, and small banks are banks whose assets are less than 1% of the total assets of all banks. See Attachment I, List of Credit Institutions by Peer Groups, for the composition of individual bank groups.
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank assets.

Figure 1.1 Shares of assets, loans and deposits of the largest banks in total assets, loans and deposits

This figure shows the shares of the two largest banks, the five largest banks and the ten largest banks in total assets, loans and deposits of all banks. The criterion for selecting the two largest banks, the five largest banks and the ten largest banks is the size of their assets.
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of assets, loans and deposits of banks.

Figure 1.2 Herfindahl-Hirschman Index (HHI)

The Herfindahl-Hirschman index (HHI), which is used to measure the degree of concentration of assets, is calculated on the basis of the following formula:

$$HHI = \sum \left(\frac{\text{assets of a bank}}{\text{total assets of all banks}} \cdot 100 \right)^2$$

Granted loans and received deposits concentration indices are calculated by applying the same formula. The Herfindahl-Hirschman index can vary from 0 (perfectly competitive industry) to 10000 (monopoly).
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of assets, loans and deposits of banks.

Table 1.2 Ownership structure of banks and their share in total bank assets

With respect to ownership structure, banks in the Republic of Croatia are divided into domestic and foreign-owned banks. Banks under domestic ownership are divided into private domestic banks and state-owned domestic banks. A bank is classified as a private domestic bank if it is majority owned by domestic natural and legal persons, or as a state-owned domestic bank if it is majority owned by governmental units. A bank is classified as a foreign-owned bank if it is majority owned by foreign natural and legal persons. Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank assets. Up to 31 December 2009,. the source of data on the ownership structure of banks was form PD3 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and, as of 31 March 2010, it is report PD32 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011 and 37/2012).

Table 1.3 Number of employees, operating units and ATMs

This table shows data on the number of employees, operating units and ATMs for each individual bank peer group and for all banks combined. Bank reports prescribed by the Decision on the obligation to submit the report on payment operations data (OG 189/2004) are the source of data on the number of operating units and ATMs. Up to 31 December 2009, the source of data on the number of employees was form PD3 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010 the source of data is reporting records delivered by banks in accordance with the Instructions for statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010 and 68/2011).

Table 1.4 Territorial distribution of operating units and ATMs by counties

The total number of operating units and the total number ATMs of all banks in the Republic of Croatia are classified by counties. Data for the City of Zagreb are included in the data for Zagreb County.
Bank reports prescribed by the Decision on the obligation to submit the report on payment operations data (OG 189/2004) are the source of data on the number of operating units and ATMs of banks.

Figure 1.3 Concentration of bank operating units and ATMs by counties

This figure shows in horizontal lines the relative share of the number of operating units and ATMs of banks by counties at the end of the reporting period. Data for the City of Zagreb are included in the data for Zagreb County.
Reports of banks prescribed by the Decision on the obligation to submit the report on payment operations data (OG 189/2004) are the source of data on the number of operating units and ATMs of banks.

Table 1.5 Structure of bank assets

This table shows bank assets items, the share of each item in total assets of all banks and the change in the balance relative to the balance at the end of the previous period.
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank assets.

Figure 1.4 Structure of bank peer group assets

This figure shows the structure of assets for each bank peer group and for all banks combined. Bank asset items consist of six positions: money assets and deposits with the CNB, deposits (with banking institutions), securities (including T-bills), loans (loans to financial institutions and other clients), other assets (derivative financial assets, investments in subsidiaries, associates and joint ventures, foreclosed and repossessed assets, tangible assets net of depreciation, and interest, fees and other assets) and collectively assessed impairment provisions.
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank assets.

Figure 1.5 Structure of bank peer group liabilities and capital

This figure shows the structure of liabilities and capital for each bank peer group and for all banks combined. Bank liabilities and capital items consist of six positions: deposits (giro account and current account deposits, savings deposits and time deposits), loans (loans from financial institutions and other loans), securities (issued debt securities, issued subordinated instruments and issued hybrid instruments), other liabilities (derivative financial liabilities and other financial liabilities held for trading, and interest, fees and other liabilities) and capital.
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank liabilities and capital.

Table 1.6 Structure of bank liabilities and capital

This table shows bank liabilities and capital items, the share of each item in total liabilities and capital of all banks and the change in the balance since the end of the previous period.
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank liabilities and capital.

Figure 1.6 Structure of bank standard off-balance sheet items

This figure shows the structure of standard off-balance sheet items of banks by instruments at the end of the reporting period.
Report IBS (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011 and 37/2012) is the source of data on the amount of standard off-balance sheet items of banks.

Figure 1.7 Structure of bank derivative financial instruments (notional amount)

This figure shows the structure of derivative financial instruments (notional amount) by instruments at the end of the reporting period.
Report IBS (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011 and 37/2012) is the source of data on the amount of derivative financial instruments of banks.

Figure 1.8 Bank income before taxes

The amount of income (loss) before taxes is shown for each bank peer group and all banks combined, for all the observed reporting periods.
Form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of income (loss) before taxes of banks.

Table 1.7 Bank income statement

Income statement items are shown for each bank peer group and for all banks combined.
Form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on income statement.

Figure 1.9 Structure of bank net income

The columns show the share of net interest income, net income from fees and commissions and net other non-interest income in total net income of individual bank peer groups and all banks combined at the end of the reporting period.

Form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the net income of banks.

Figure 1.10 Bank return on average assets (ROAA)

The return on average assets of each bank peer group and of all banks combined is calculated as a ratio between income before taxes (on an annual level) and average assets of bank peer groups and all banks combined. The average assets of bank peer groups and all banks combined are calculated as the arithmetic mean of the balance in assets at the end of the reporting period and the balance in assets at the end of the previous year of those bank peer groups and all banks combined.
Forms BS1-2 and RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) are the source of data on return on average assets

Figure 1.11 Bank return on average equity (ROAE)

The return on average equity of each bank peer group and all banks combined is calculated as a ratio between income after taxes (on an annual level) and average assets of bank peer groups and all banks combined. The average equity of bank peer groups and all banks combined is calculated as the arithmetic mean of the balance in equity at the end of the reporting period and the balance in equity at the end of the previous year of those bank peer groups and all banks combined.
Forms BS1-2 and RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) are the source of data on return on average equity.

Figure 1.12 Income from interest-bearing assets and expenses on interest-bearing liabilities

Income from interest-bearing assets is the ratio between total interest income (on an annual level) and average interest-bearing assets. Expenses on interest-bearing liabilities are the ratio between total interest expenses (on an annual level) and average interest-bearing liabilities. The spread is the difference between the share of interest income in the average interest-bearing assets and the share of interest expenses in the average interest-bearing liabilities. Interest-bearing assets comprise deposits with the CNB, deposits with banking institutions, debt securities (excluding debt securities held for trading), loans to financial institutions and loans to other clients. The average interest-bearing assets are calculated as the arithmetic mean of the balance in interest-bearing assets at the end of the reporting period and the balance in interest-bearing assets at the end of the previous year. Interest-bearing liabilities comprise received loans, received deposits, issued debt securities, issued subordinated instruments and issued hybrid instruments. The average interest-bearing liabilities are calculated as the arithmetic mean of the balance in interest-bearing liabilities at the end of the reporting period and the balance in interest-bearing liabilities at the end of the previous year.
Forms BS1-2 and RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) are the source of data on income from interest-bearing assets and expenses on interest-bearing liabilities.

Figure 1.13 Weighted averages of bank monthly interest rates

The base for the calculation of the weighted averages of bank monthly interest rates on kuna and foreign currency loans are the amounts of loans disbursed during the reporting month at certain interest rates. Exempted are interest rates on giro and current account overdrafts, for which the weighted averages were calculated based on the balance of these loans at the end of the reporting month. Interest rates on kuna deposits not tied to a currency clause comprise interest rates on giro account and current account deposits, savings deposits and time deposits. The averages of interest rates on total kuna deposits not tied to a currency clause and total foreign currency deposits are weighted by the end-of-the period balances of all categories included in the calculation. The exceptions are kuna

and foreign currency time deposits, whose weighted averages are calculated on the basis of deposits received in the reporting month.
Data on interest rates of banks have been obtained from regular reports of banks and the source of data on interest rates of banks is the CNB statistics.

Figure 1.14 Bank assets per employee

The asset to employee ratio is shown for each bank peer group and for all banks combined.
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on bank assets. Up to 31 December 2009, the source of data on the number of employees was form PD3 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010 the source of data is reporting records delivered by banks in accordance with the Instructions for statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010 and 68/2011).

Figure 1.15 Bank operating expenses

The ratio of operating expenses (general administrative expenses and depreciation) and the sum of net interest and net non-interest income is shown for each bank peer group and for all banks combined. Form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on operating expenses, net interest and net non-interest income of banks.

Table 1.8 Classification of bank placements and assumed off-balance sheet liabilities by risk categories

This table shows the placements and assumed off-balance sheet liabilities of banks (gross) by risk categories and the relevant amounts of placement value adjustments and provisions for off-balance sheet items. The coverage is the ratio between value adjustments/provisions and placements and assumed off-balance sheet liabilities.
Up to 31 December 2009, the source of data on the classification of placements and assumed off-balance sheet liabilities were forms RS1 and PIV1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010 they are reports RS2 and PIV2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011 and 37/2012).

Figure 1.16 Structure of bank placements and assumed off-balance sheet liabilities

This figure shows the structure of exposure to credit risk (gross) of balance sheet (placements) and off-balance sheet items. The placements are divided into the loans and receivables category and into the category of financial assets held to maturity, with claims from interest and fees being covered under the item interest and fee receivables. The structure of the loans and receivables category is shown by instruments.
Report RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011 and 37/2012) is the source of data on the structure of placements and assumed off-balance sheet liabilities of banks.

Figure 1.17 Rates of change of bank loans

As regards loans to selected sectors and total loans (gross), the figure shows the rates of change relative to the balance at the end of the previous period. As of 31 March 2010, loans include exclusively

loans distributed in the loans and receivables category and household loans include loans to non-profit institutions serving households.
Up to 31 December 2009, the source of data on bank loans was form RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010, the source of data is report RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011 and 37/2012). As of 31 March 2010, the distribution of exposure by institutional sectors is conducted by the CNB in accordance with the European System of Accounts 1995 (ESA 95), based on reporting records delivered by banks in accordance with the Instructions for statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010 and 68/2011).

Table 1.9 Bank loans

This table shows the loan amounts (gross), the amounts of partly recoverable and fully irrecoverable loans (gross) and value adjustments of partly recoverable and fully irrecoverable loans for selected sectors and types of household loans. As of 31 March 2010, loans include exclusively loans distributed in the loans and receivables category and household loans include loans to non-profit institutions serving households.
Up to 31 December 2009, the source of data on bank loans and value adjustments was form RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010, the source of data is report RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011 and 37/2012). As of 31 March 2010, the distribution of exposure by institutional sectors is conducted by the CNB in accordance with the European System of Accounts 1995 (ESA 95), based on reporting records delivered by banks in accordance with the Instructions for statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010 and 68/2011).

Figure 1.18 Structure of bank loans by activities

This figure shows the structure of bank loans (gross) by activities at the end of the reporting period. The distribution of exposure by activities is conducted by the CNB in accordance with the National Classification of Economic Activities 2007, based on reporting records delivered by banks in accordance with the Instructions for statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010 and 68/2011).

Figure 1.19 Structure of bank partly recoverable and fully irrecoverable loans by activities

This figure shows the structure of partly recoverable and fully irrecoverable loans of banks (gross) by activities at the end of the reporting period. The distribution of exposure by activities is conducted by the CNB in accordance with the National Classification of Economic Activities 2007, based on reporting records delivered by banks in accordance with the Instructions for statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010 and 68/2011).

Figure 1.20 Share of bank partly recoverable and fully irrecoverable loans

The total partly recoverable and fully irrecoverable loans (gross) of bank peer groups and all banks combined are expressed as a share of total loans (gross) of bank peer groups and all banks combined. Shown are the selected sectors and total loans at the end of the reporting period. Loans include exclusively loans distributed in the loans and receivables portfolio and household loans include loans to non-profit institutions serving households.
Report RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011 and 37/2012) is the source of data on bank loans. The distribution of exposure by institutional sectors is conducted by the CNB in accordance with the European System of Accounts

1995 (ESA 95), based on reporting records delivered by banks in accordance with the Instructions for statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010 and 68/2011).

Table 1.10 Structure of bank sources of financing

The structure of the sources of financing is shown for each bank peer group and all banks combined by instruments. The share of deposits and received loans of the majority foreign owner are shown separately.
Forms BS1-2, BS/DEP1-8 and BS/OK1-9 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) are the source of data on the sources of bank financing.

Figure 1.21 Sectoral structure of received deposits

This figure shows the share of an individual institutional sector in giro account and current account deposits, savings deposits, time deposits and total deposits. Form BS/DEP1-8 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the received deposits.

Table 1.11 Sectoral structure of received loans

The amount of loans received from institutional sectors and their shares in total received loans are shown for all banks. The amount and the share of loans from the majority foreign owner in total received loans are shown separately.
Form BS/OKI-9 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the received loans of banks.

Figure 1.22 Bank loans granted/deposits received

This figure shows the ratio between total net loans granted by individual bank peer groups and all banks combined and total deposits received by individual bank peer groups and all banks combined at the end of the reporting period.
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on granted loans and received deposits.

Figure 1.23 Asset and liability maturity match or mismatch

The maturity match or mismatch between assets and liabilities is shown by remaining maturity and on a net basis. The structure of assets by remaining maturity is calculated as a ratio between assets classified by remaining maturity terms and total assets at the end of the reporting period. The liabilities by remaining maturity are calculated as a ratio between liabilities classified by remaining maturity terms and total assets at the end of the reporting period. The net balance sheet position (gap) shows the mismatch between the maturity structures of assets and liabilities and represents the difference between assets and liabilities classified by remaining maturity terms.
Form BS/ROC1-14 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the assets and liabilities classified by remaining maturity terms.

Figure 1.24 Minimum liquidity coefficient

Minimum liquidity coefficient (MLC) is calculated as the ratio between the expected inflows (readily negotiable assets included) and the expected outflows in two given periods (up to one week and up to one month). MLC is calculated for kuna, all convertible currencies combined and for each non-convertible currency separately (where outflows in an individual non-convertible currency account for over 1% of the total assets of a credit institution). MLC for periods up to one week and up to one month has to equal or be greater than 1 on each day. By way of exception, in the period from 1 May until 31 December 2012, credit institutions shall meet the minimum liquidity coefficient on a collective basis, i.e. for both kuna and all convertible currencies combined. During this period, the MLC on a collective basis may be 10 % lower than 1 (i.e. 0.9) for a maximum period of seven calendar days within a reporting month, irrespective of whether it is a period up to one week or up to one month. Form KL (Decision on liquidity risk management, OG 2/2010, 73/2011 and 47/2012) is the source of data on MLC.

Figure 1.25 Long foreign exchange position of banks

Each bank peer group ratio between its long foreign exchange position (f/c claims exceeding f/c liabilities) and its own funds is calculated by adding up first the quarterly average long foreign exchange positions of banks belonging to an individual bank peer group and then by adding up in the same manner own funds of all banks in the respective peer group. The sums thus calculated are mutually divided.

Form VR-2 (Decision on the limitation of bank exposure to foreign exchange risk, OG 17/2003, 39/2006, 130/2006 and 25/2009 and the Decision on the limitation of credit institution exposure to foreign exchange risk, OG 38/2010 and 62/2011) is the source of data on the long foreign exchange position. Up to 31 March 2010, the source of own funds data was form JK2 (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 201, it is form JKAP (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012).

Figure 1.26 Short foreign exchange position of banks

Each bank peer group ratio between its short foreign exchange position (f/c liabilities exceeding f/c claims) and its own funds is calculated by first adding up quarterly average short foreign exchange positions of banks belonging to an individual bank peer group and then by adding up own funds of all banks in the respective peer group. The sums thus calculated are mutually divided.

Form VR-2 (Decision on the limitation of bank exposure to foreign exchange risk, OG 17/2003, 39/2006, 130/2006 and 25/2009 and the Decision on the limitation of credit institution exposure to foreign exchange risk, OG 38/2010 and 62/2011) is the source of data on the short foreign exchange position of banks. Up to 31 March 2010, the source of own funds data was form JK2 (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 2010 it is form JKAP (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012).

Table 1.12 Interest rate risk in the non-trading book

Interest rate risk in the non-trading book is measured by a change in its economic value in the conditions of a standard interest rate shock. A standard interest rate shock is a parallel shift in interest rates of 200 basis points. A change in the economic value of the non-trading book is calculated as a sum total of net weighted positions across all time zones, for each major currency individually (a currency that constitutes over 5% of the total balance sheet assets) and for other currencies on an aggregate basis.

The ratio between the change in the economic value and bank own funds must not exceed 20%.

Forms EVKI-FKS, EVKI-PKS, EVKI-AKS and EVKI-ZBR (Decision on the management of interest rate risk in the non-trading book, OG 2/2010, 34/2010 and 37/2012) are the source of data on the interest rate risk in the non-trading book.

Figure 1.27 Bank capital adequacy ratio

The capital adequacy ratio is calculated as a ratio between total own funds of individual bank peer groups and total own funds of all banks combined and total risk exposure of individual bank peer groups and all banks combined. Up to 31 December 2009, the total risk exposure was calculated as the sum of assets weighted by credit risk (including risky and derivative off-balance sheet items weighted by credit risk), increased by total foreign exchange position exposure to currency risk, capital requirements for position risks (multiplied by 10), capital requirements for settlement risk and capital requirements for counterparty risk (multiplied by 10), and capital requirements for exceeding the permissible exposure limits (multiplied by 10). As of 31 March 2010, the total risk exposure is calculated as the sum of exposures to credit, counterparty credit and dilution risks and free deliveries, increased by the initial capital requirements for settlement/delivery risk (multiplied by 12.5), the initial capital requirements for position, foreign exchange and commodity risk (multiplied by 12.5), the initial capital requirements for exceeding the permissible exposure limits (multiplied by 12.5) and the initial capital requirements for operational risk (multiplied by 12.5). As of 31 March 2010, the banks have to maintain a minimum capital adequacy ratio of 12% (previously 10%).
Up to 31 December 2009, the source of data on the capital adequacy of banks was form SAK (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 2010 it is form SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012).

Table 1.13 Own funds, capital requirements and capital adequacy ratio of banks

This table shows the structure of own funds and capital requirements and the capital adequacy ratio at the end of the reporting period for each bank peer group and all banks combined.
Up to 31 December 2009, the source of data on the capital adequacy of banks was forms JK2 and SAK (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 2010 it is forms JKAP and SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012).

Figure 1.28 Bank own funds

The columns show the components of own funds at the end of the reporting period. Up to 31 December 2011, the item additional own funds also included the amount of ancillary own funds (after the application of the limits). As of 1 January 2012, it is no longer possible to include ancillary own funds (for market risk coverage) in the calculation of own funds.
Up to 31 December 2009, the source of data on the own funds of banks was form JK2 (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 2010 it is form JKAP (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012).

Table 1.14 Breakdown of net exposure to credit risk by risk weights

This table shows the net exposure to credit risk after the use of credit risk mitigation techniques. The net exposure is shown by approach used for assessment of the capital requirement for credit risk, by exposure classes and credit risk-weights. The line items total outflow and total inflow show the substitution effects of credit risk mitigation techniques, i.e. the effect of the method of risk weight substitution under the standardised approach, or of the method of the probability of default adjustment under the internal ratings based approach.
Forms SP and IRB by individual exposure classes (Decision on reports on own funds and capital

requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012) are the source of data on the net exposure of banks to credit risk.

Figure 1.29 Average credit risk weight

The average credit risk weight is calculated as a ratio between the weighted exposure and net exposure weighted for credit risk. The unused amount of own funds is the difference between own funds and the total capital requirement.
Up to 31 December 2009, the source of data on own funds of banks, net exposure of banks that is weighted for credit risk and weighted exposure was forms JK2, PBA1, PIRS1 and KOIRS (Instructions for the uniform implementation of the Decision on the capital adequacy of banks OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 2010 it is form JKAP and form SAJK (Decision on reports on own funds and capital requirements of credit institutions OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012).

Figure 1.30 Structure of bank total capital requirements

The total capital requirements of banks is the sum total of capital requirements for credit risk (including counterparty, dilution and free delivery risks), settlement/delivery risk, position, currency and commodity risk, the risk of exceeding the permissible exposure limits and operational risk.
Form SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012) is the source of data on the capital requirements.

Table 1.15 Breakdown of bank capital adequacy ratio

This table shows the number of banks and their share of assets in the total assets of banks by buckets of the capital adequacy ratio.
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank assets. Up to 31 December 2009, the source of data on the capital adequacy ratio of banks was form SAK (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 2010, it is form SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012).

Table 1.16 Structure of housing savings bank assets

This table shows asset items of housing savings banks, the share of each item in total assets of all housing savings banks and the change in the balance relative to the balance at the end of the previous period.
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of assets of housing savings banks.

Figure 1.31 Assets, deposits and loans of housing savings banks

This figure shows the amount of assets, received deposits and granted home loans (gross) of housing savings banks.
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of assets and received deposits of housing savings banks. Up to 31 December 2009, the source of data on housing savings banks loans was form RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010 the source of data is form RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011 and 37/2012).

Table 1.17 Structure of housing savings bank liabilities and capital

This table shows liabilities and capital items of housing savings banks, the share of each item in total liabilities and capital of all housing savings banks and the change in the balance relative to the balance at the end of the previous period.
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of liabilities and capital of housing savings banks.

Table 1.18 Housing savings bank income statement

This table shows the amounts of income statement items of housing savings banks.
Form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on income statement of housing savings banks.

Table 1.19 Classification of housing savings bank placements and assumed off-balance sheet liabilities by risk categories

This table shows the classification of placements and assumed off-balance sheet liabilities (gross) of housing savings banks by risk categories and their share in the total placements and assumed off-balance sheet liabilities classified into risk categories.
Up to 31 December 2009, the source of data on the classification of placements and assumed off-balance sheet liabilities of housing savings banks was form RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010, the source of data is form RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011 and 37/2012).

Table 1.20 Coverage of housing savings bank total placements and assumed off-balance sheet liabilities by total value adjustments and provisions

The coverage is calculated by adding up placement value adjustments and provisions for assumed off-balance sheet liabilities (for categories B-1, B-2, B-3 and C) and collectively assessed placement value adjustments and provisions for assumed off-balance sheet liabilities for (for risk category A) and by dividing the amount thus obtained by the amount of total placements and assumed off-balance sheet liabilities.
Up to 31 December 2009, the source of data on the ratio of total housing savings bank value adjustments and provisions and total placements and assumed off-balance sheet liabilities was forms PIV1 and RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and as of 31 March 2010, it is reports RS2 and PIV2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011 and 37/2012).

3 List of credit institutions

The list of credit institutions contains contact data and data on members of management and supervisory boards, shareholders and auditors of credit institutions. The key financial data and capital adequacy ratios of each institution are also enclosed.

Data on shareholders who hold 3% or more of share in the share capital of an institution, and financial and capital adequacy data are as at 30 June 2012. They are based on unconsolidated preliminary reports submitted to the Croatian National Bank by credit institutions.

Data on members of management and supervisory boards are as at 1 September 2012.

Data on auditors relate to the audits performed in 2011.

BANCO POPOLARE CROATIA d.d.

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Management board

Goran Gazivoda – chairperson, Ivan Dujmović

Supervisory board

Giuseppe Malerbi – chairperson, Fausto Perlato, Paolo Taverna, Roberto Teso, Željko Perić

Shareholders	Share in share capital (%)
1. Banco Popolare Società Cooperativa	98.26

Audit firm for 2011:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	298,357
Money assets	46,175
Deposits with the CNB	252,182
Deposits with banking institutions	297,486
MoF treasury bills and CNB bills	79,483
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	18,338
Securities and other financial instruments held to maturity	82,291
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	45,807
Loans to other clients	1,727,182
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	488
Tangible assets (net of depreciation)	61,072
Interest, fees and other assets	41,970
Net of: Collectively assessed impairment provisions	20,898
TOTAL ASSETS	2,631,575

Liabilities and capital	
Loans from financial institutions	164,700
Short-term loans	3,500
Long-term loans	161,200
Deposits	2,037,614
Giro account and current account deposits	49,313
Savings deposits	44,071
Time deposits	1,944,230
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	89,167
TOTAL LIABILITIES	2,291,482
Capital	340,094
TOTAL LIABILITIES AND CAPITAL	2,631,575

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	57,311
Total interest income	99,251
Total interest expenses	41,940
Net income from fees and commissions	6,859
Total income from fees and commissions	8,288
Total expenses on fees and commissions	1,428
Net other non-interest income	3,771
Other non-interest income	5,042
Other non-interest expenses	1,271
Net non-interest income	10,630
General administrative expenses and depreciation	51,119
Net operating income before loss provisions	16,823
Total expenses on loss provisions	9,724
Expenses on value adjustments and provisions for identified losses	9,721
Expenses on collectively assessed impairment provisions	3
Income (loss) before taxes	7,099
Income tax	0
Current year profit (loss)	7,099

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	11,644
Uncovered letters of credit	100
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	7,290
Margin credit lines	0
Other credit lines and commitments	5,795
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	24,830

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 30 June 2012

15.11

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Management board

Gian Luigi Bonfe – chairperson, Darko Kosovec

Supervisory board

Pier Luigi Martelli – chairperson, Ivan Majdak, Vladimiro Renzi, Davor Štern, Gian Primo Gardi

Shareholders	Share in share capital (%)
1. Cassa di Risparmio della Repubblica di San Marino S.p.A.	99.58

Audit firm for 2011:
Grant Thornton revizija d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	122,734
Money assets	14,345
Deposits with the CNB	108,389
Deposits with banking institutions	98,373
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	4,432
Securities and other financial instruments held to maturity	1,997
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	38
Loans to financial institutions	27,177
Loans to other clients	763,676
Investments in subsidiaries and associates	141
Foreclosed and repossessed assets	13,268
Tangible assets (net of depreciation)	24,856
Interest, fees and other assets	32,153
Net of: Collectively assessed impairment provisions	8,763
TOTAL ASSETS	1,080,082

Liabilities and capital	
Loans from financial institutions	40,454
Short-term loans	0
Long-term loans	40,454
Deposits	832,889
Giro account and current account deposits	11,128
Savings deposits	46,769
Time deposits	774,991
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	34,562
Interest, fees and other liabilities	37,851
TOTAL LIABILITIES	945,756
Capital	134,326
TOTAL LIABILITIES AND CAPITAL	1,080,082

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	17,888
Total interest income	40,102
Total interest expenses	22,214
Net income from fees and commissions	2,383
Total income from fees and commissions	2,807
Total expenses on fees and commissions	424
Net other non-interest income	9,177
Other non-interest income	10,871
Other non-interest expenses	1,693
Net non-interest income	11,561
General administrative expenses and depreciation	26,125
Net operating income before loss provisions	3,323
Total expenses on loss provisions	11,374
Expenses on value adjustments and provisions for identified losses	11,818
Expenses on collectively assessed impairment provisions	–444
Income (loss) before taxes	–8,051
Income tax	0
Current year profit (loss)	–8,051

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	11,120
Uncovered letters of credit	5,566
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	19,502
Other standard risky off-balance sheet items	20,351
Total standard off-balance sheet items	56,538

Derivative financial instruments	
Options	0
Swaps	0
Forwards	28,457
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	28,457

Capital adequacy ratio, in %
as at 30 June 2012

14.89

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Management board

Ante Blažević – chairperson, Ivo Krolo

Supervisory board

Irena Kalebić Bašić – chairperson, Nediljko Ivančević, Ivan Filipović

Shareholders	Share in share capital (%)
1. Juroslav Buljubašić	36.43
2. Hypo Alpe-Adria-Bank d.d. (custody account)	9.71
3. Venči Čulić Meić	7.50
4. Irena Kalebić Bašić	7.24
5. Joško Dvornik	5.75
6. Mirko Vukušić	5.74
7. Blue Line International INC.	5.51
8. Nataša Vuković	4.98
9. own shares	4.44
10. Jakiša Medić	3.02

Audit firm for 2011:
Baševizor d.o.o., Split

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	47,405
Money assets	11,780
Deposits with the CNB	35,625
Deposits with banking institutions	39,448
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	4,929
Securities and other financial instruments available for sale	3,108
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	226,668
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	230
Tangible assets (net of depreciation)	15,535
Interest, fees and other assets	10,789
Net of: Collectively assessed impairment provisions	2,411
TOTAL ASSETS	345,700

Liabilities and capital	
Loans from financial institutions	2,011
Short-term loans	2,000
Long-term loans	11
Deposits	275,788
Giro account and current account deposits	6,815
Savings deposits	7,121
Time deposits	261,852
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	3,755
Interest, fees and other liabilities	14,800
TOTAL LIABILITIES	296,354
Capital	49,346
TOTAL LIABILITIES AND CAPITAL	345,700

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	9,845
Total interest income	15,799
Total interest expenses	5,954
Net income from fees and commissions	830
Total income from fees and commissions	1,176
Total expenses on fees and commissions	346
Net other non-interest income	460
Other non-interest income	1,595
Other non-interest expenses	1,135
Net non-interest income	1,290
General administrative expenses and depreciation	8,727
Net operating income before loss provisions	2,408
Total expenses on loss provisions	4,914
Expenses on value adjustments and provisions for identified losses	5,289
Expenses on collectively assessed impairment provisions	–375
Income (loss) before taxes	–2,507
Income tax	216
Current year profit (loss)	–2,723

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	914
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,594
Margin credit lines	0
Other credit lines and commitments	0
Other standard risky off-balance sheet items	106
Total standard off-balance sheet items	2,614

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 30 June 2012

16.18

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Shareholders	Share in share capital (%)
1. BKS Bank AG	100.00

Audit firm for 2011:
KPMG Croatia d.o.o., Zagreb

Management board

Goran Rameša – chairperson, Christian Peter Pettinger

Supervisory board

Herta Stockbauer – chairperson, Dieter Vinzenz Krassnitzer, Ludwig-Hubert Ankele, Josef Morak, Harald Richard Brunner

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	116,041
Money assets	6,083
Deposits with the CNB	109,958
Deposits with banking institutions	102,464
MoF treasury bills and CNB bills	14,844
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	1,376
Securities and other financial instruments held to maturity	36,532
Securities and other financial instruments not traded in active markets but carried at fair value	8,006
Derivative financial assets	0
Loans to financial institutions	4,486
Loans to other clients	738,442
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	993
Tangible assets (net of depreciation)	23,831
Interest, fees and other assets	15,428
Net of: Collectively assessed impairment provisions	8,969
TOTAL ASSETS	1,053,475

Liabilities and capital	
Loans from financial institutions	67,950
Short-term loans	16,400
Long-term loans	51,550
Deposits	545,629
Giro account and current account deposits	98,524
Savings deposits	18,000
Time deposits	429,105
Other loans	289,139
Short-term loans	105,141
Long-term loans	183,997
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	18,710
TOTAL LIABILITIES	921,428
Capital	132,046
TOTAL LIABILITIES AND CAPITAL	1,053,475

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	13,169
Total interest income	25,124
Total interest expenses	11,955
Net income from fees and commissions	1,664
Total income from fees and commissions	2,440
Total expenses on fees and commissions	777
Net other non-interest income	470
Other non-interest income	978
Other non-interest expenses	508
Net non-interest income	2,134
General administrative expenses and depreciation	14,610
Net operating income before loss provisions	692
Total expenses on loss provisions	3,227
Expenses on value adjustments and provisions for identified losses	3,336
Expenses on collectively assessed impairment provisions	–108
Income (loss) before taxes	–2,535
Income tax	0
Current year profit (loss)	–2,535

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	50,436
Uncovered letters of credit	720
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	17,320
Margin credit lines	0
Other credit lines and commitments	30,435
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	98,911

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 30 June 2012

15.06

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Management board

Ivo Markotić – chairperson, Borna Zane

Supervisory board

Dragutin Biondić – chairperson, Tomislav Marinac, Zoran Zemlić, Martin Pardupa, Maroje Matana

Shareholders	Share in share capital (%)
1. Alternative upravljanje d.o.o.	48.35
2. Heruc d.d.	31.33

Audit firm for 2011:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	93,737
Money assets	10,025
Deposits with the CNB	83,712
Deposits with banking institutions	73,289
MoF treasury bills and CNB bills	64,942
Securities and other financial instruments held for trading	28,003
Securities and other financial instruments available for sale	9,999
Securities and other financial instruments held to maturity	40,593
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	9
Loans to financial institutions	21,369
Loans to other clients	1,170,920
Investments in subsidiaries and associates	6,450
Foreclosed and repossessed assets	33,436
Tangible assets (net of depreciation)	5,683
Interest, fees and other assets	65,232
Net of: Collectively assessed impairment provisions	12,311
TOTAL ASSETS	1,601,352

Liabilities and capital	
Loans from financial institutions	431,794
Short-term loans	102,679
Long-term loans	329,115
Deposits	817,144
Giro account and current account deposits	81,162
Savings deposits	15,376
Time deposits	720,606
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	9
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	14,091
Interest, fees and other liabilities	56,656
TOTAL LIABILITIES	1,319,694
Capital	281,658
TOTAL LIABILITIES AND CAPITAL	1,601,352

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	22,272
Total interest income	53,761
Total interest expenses	31,489
Net income from fees and commissions	3,738
Total income from fees and commissions	5,683
Total expenses on fees and commissions	1,945
Net other non-interest income	1,333
Other non-interest income	1,956
Other non-interest expenses	623
Net non-interest income	5,071
General administrative expenses and depreciation	28,125
Net operating income before loss provisions	–783
Total expenses on loss provisions	41,632
Expenses on value adjustments and provisions for identified losses	42,168
Expenses on collectively assessed impairment provisions	–536
Income (loss) before taxes	–42,414
Income tax	0
Current year profit (loss)	–42,414

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	121,808
Uncovered letters of credit	11,012
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	2,119
Margin credit lines	0
Other credit lines and commitments	46,451
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	181,390

Derivative financial instruments	
Options	10,401
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	10,401

Capital adequacy ratio, in %
as at 30 June 2012

15.50

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Management board

Ivan Purgar – chairperson, Marko Gabela

Supervisory board

Marija Hrebac – chairperson, Branka Grabovac, Stanko Kršlović, Alen Kišić, Ivan Tomljenović

Shareholders	Share in share capital (%)
1. State Agency for Deposit Insurance and Bank Rehabilitation	100.00

Audit firm for 2011:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	214,335
Money assets	24,854
Deposits with the CNB	189,481
Deposits with banking institutions	227,149
MoF treasury bills and CNB bills	210,489
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	87,252
Securities and other financial instruments held to maturity	11,511
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	107
Loans to financial institutions	35,400
Loans to other clients	942,893
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	50,829
Tangible assets (net of depreciation)	22,603
Interest, fees and other assets	52,727
Net of: Collectively assessed impairment provisions	11,213
TOTAL ASSETS	1,844,083

Liabilities and capital	
Loans from financial institutions	268,164
Short-term loans	57,221
Long-term loans	210,944
Deposits	1,312,214
Giro account and current account deposits	172,050
Savings deposits	76,353
Time deposits	1,063,810
Other loans	22,540
Short-term loans	22,530
Long-term loans	10
Derivative financial liabilities and other financial liabilities held for trading	105
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	70,000
Interest, fees and other liabilities	79,084
TOTAL LIABILITIES	1,752,106
Capital	91,977
TOTAL LIABILITIES AND CAPITAL	1,844,083

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	21,451
Total interest income	48,186
Total interest expenses	26,735
Net income from fees and commissions	2,869
Total income from fees and commissions	5,065
Total expenses on fees and commissions	2,196
Net other non-interest income	4,730
Other non-interest income	6,456
Other non-interest expenses	1,726
Net non-interest income	7,600
General administrative expenses and depreciation	32,649
Net operating income before loss provisions	–3,598
Total expenses on loss provisions	22,123
Expenses on value adjustments and provisions for identified losses	23,103
Expenses on collectively assessed impairment provisions	–979
Income (loss) before taxes	–25,721
Income tax	0
Current year profit (loss)	–25,721

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	40,088
Uncovered letters of credit	1,102
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	26,941
Margin credit lines	0
Other credit lines and commitments	0
Other standard risky off-balance sheet items	33,081
Total standard off-balance sheet items	101,212

Derivative financial instruments	
Options	18,179
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	18,179

Capital adequacy ratio, in %
as at 30 June 2012

13.18

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Shareholders	Share in share capital (%)
1. ESB Holding GMBH	100.00

Audit firm for 2011:
Ernst & Young d.o.o., Zagreb

Management board

Petar Radaković – chairperson, Tomislav Vuić, Boris Centner, Slađana Jagar, Christoph Schoefboeck

Supervisory board

Herbert Juranek – chairperson, Sava Ivanov Dalbokov, Franz Kerber, Kristijan Schellander, Peter Nemschak, Reinhard Ortner, Ernst Gideon Loudon

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	7,173,810
Money assets	814,131
Deposits with the CNB	6,359,679
Deposits with banking institutions	1,045,874
MoF treasury bills and CNB bills	1,243,863
Securities and other financial instruments held for trading	8,570
Securities and other financial instruments available for sale	5,299,704
Securities and other financial instruments held to maturity	190,898
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	90,969
Loans to financial institutions	1,177,080
Loans to other clients	39,441,311
Investments in subsidiaries and associates	1,300,256
Foreclosed and repossessed assets	152,857
Tangible assets (net of depreciation)	403,337
Interest, fees and other assets	867,199
Net of: Collectively assessed impairment provisions	431,668
TOTAL ASSETS	57,964,061

Liabilities and capital	
Loans from financial institutions	2,790,005
Short-term loans	609,115
Long-term loans	2,180,890
Deposits	43,766,396
Giro account and current account deposits	3,541,537
Savings deposits	3,108,162
Time deposits	37,116,696
Other loans	2,137,735
Short-term loans	709,070
Long-term loans	1,428,665
Derivative financial liabilities and other financial liabilities held for trading	27,451
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	826,111
Hybrid instruments issued	0
Interest, fees and other liabilities	1,818,559
TOTAL LIABILITIES	51,366,256
Capital	6,597,805
TOTAL LIABILITIES AND CAPITAL	57,964,061

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	541,057
Total interest income	1,519,192
Total interest expenses	978,135
Net income from fees and commissions	145,289
Total income from fees and commissions	206,576
Total expenses on fees and commissions	61,287
Net other non-interest income	376,112
Other non-interest income	375,977
Other non-interest expenses	–135
Net non-interest income	521,401
General administrative expenses and depreciation	402,656
Net operating income before loss provisions	659,801
Total expenses on loss provisions	326,708
Expenses on value adjustments and provisions for identified losses	356,821
Expenses on collectively assessed impairment provisions	–30,113
Income (loss) before taxes	333,093
Income tax	61,044
Current year profit (loss)	272,049

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,448,302
Uncovered letters of credit	142,865
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	449,284
Margin credit lines	0
Other credit lines and commitments	1,336,026
Other standard risky off-balance sheet items	12,657
Total standard off-balance sheet items	3,389,133

Derivative financial instruments	
Options	109,764
Swaps	5,452,418
Forwards	27,649,669
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	33,211,851

Capital adequacy ratio, in %
as at 30 June 2012

17.60

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Management board

Čedo Maletić – chairperson, Dubravka Kolarić, Tanja Šimunović, Boženka Mostarčić

Supervisory board

Dražen Kobas – chairperson, Nada Karaman Aksentijević, Sanja Martinko, Niko Raič, Marin Palada

Shareholders	Share in share capital (%)
1. Republic of Croatia	51.46
2. Hrvatska pošta d.d.	27.49
3. Croatian Pension Insurance Administration	20.18

Audit firm for 2011:
Deloitte d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	1,973,017
Money assets	523,769
Deposits with the CNB	1,449,247
Deposits with banking institutions	642,255
MoF treasury bills and CNB bills	486,682
Securities and other financial instruments held for trading	401,674
Securities and other financial instruments available for sale	1,125,190
Securities and other financial instruments held to maturity	665,129
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	1,646
Loans to financial institutions	333,639
Loans to other clients	10,137,736
Investments in subsidiaries and associates	75,541
Foreclosed and repossessed assets	148,977
Tangible assets (net of depreciation)	155,175
Interest, fees and other assets	518,095
Net of: Collectively assessed impairment provisions	117,829
TOTAL ASSETS	16,546,927

Liabilities and capital	
Loans from financial institutions	1,153,744
Short-term loans	36,502
Long-term loans	1,117,242
Deposits	11,675,739
Giro account and current account deposits	2,527,070
Savings deposits	1,201,789
Time deposits	7,946,880
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	147
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	601,499
Interest, fees and other liabilities	1,773,758
TOTAL LIABILITIES	15,204,887
Capital	1,342,039
TOTAL LIABILITIES AND CAPITAL	16,546,927

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	229,744
Total interest income	446,863
Total interest expenses	217,118
Net income from fees and commissions	89,899
Total income from fees and commissions	276,668
Total expenses on fees and commissions	186,769
Net other non-interest income	46,391
Other non-interest income	57,686
Other non-interest expenses	11,296
Net non-interest income	136,289
General administrative expenses and depreciation	225,082
Net operating income before loss provisions	140,952
Total expenses on loss provisions	79,899
Expenses on value adjustments and provisions for identified losses	84,889
Expenses on collectively assessed impairment provisions	–4,990
Income (loss) before taxes	61,053
Income tax	0
Current year profit (loss)	61,053

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	540,779
Uncovered letters of credit	82,977
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	261,828
Margin credit lines	0
Other credit lines and commitments	948,974
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	1,834,558

Derivative financial instruments	
Options	0
Swaps	786,962
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	786,962

Capital adequacy ratio, in %
as at 30 June 2012

14.77

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Management board

Markus Ferstl – chairperson, Ivo Bilić, Brane Golubić, Tea Martinčić, Joško Mihić, Slawomir Roman Konias

Supervisory board

Gottwald Kranebitter – chairperson, Wolfgang Edelmüller, Neven Raić, Sebastian Firlinger, Goran Radman

Shareholders	Share in share capital (%)
1. Hypo Alpe-Adria-Bank International AG	100.00

Audit firm for 2011:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	4,677,264
Money assets	414,361
Deposits with the CNB	4,262,903
Deposits with banking institutions	704,666
MoF treasury bills and CNB bills	620,983
Securities and other financial instruments held for trading	16,764
Securities and other financial instruments available for sale	3,336,704
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	27,117
Loans to financial institutions	823,709
Loans to other clients	28,750,328
Investments in subsidiaries and associates	244,234
Foreclosed and repossessed assets	174,440
Tangible assets (net of depreciation)	333,571
Interest, fees and other assets	649,581
Net of: Collectively assessed impairment provisions	268,226
TOTAL ASSETS	40,091,136

Liabilities and capital	
Loans from financial institutions	1,258,715
Short-term loans	63,790
Long-term loans	1,194,925
Deposits	27,244,842
Giro account and current account deposits	2,088,253
Savings deposits	1,334,261
Time deposits	23,822,328
Other loans	1,956,697
Short-term loans	1,952,273
Long-term loans	4,425
Derivative financial liabilities and other financial liabilities held for trading	80,667
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	2,434,545
Interest, fees and other liabilities	1,560,005
TOTAL LIABILITIES	34,535,471
Capital	5,555,664
TOTAL LIABILITIES AND CAPITAL	40,091,136

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	362,579
Total interest income	988,703
Total interest expenses	626,124
Net income from fees and commissions	106,951
Total income from fees and commissions	144,014
Total expenses on fees and commissions	37,063
Net other non-interest income	44,139
Other non-interest income	66,210
Other non-interest expenses	22,071
Net non-interest income	151,090
General administrative expenses and depreciation	312,706
Net operating income before loss provisions	200,964
Total expenses on loss provisions	99,883
Expenses on value adjustments and provisions for identified losses	113,172
Expenses on collectively assessed impairment provisions	–13,289
Income (loss) before taxes	101,081
Income tax	21,314
Current year profit (loss)	79,767

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,586,969
Uncovered letters of credit	41,256
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	170,353
Margin credit lines	0
Other credit lines and commitments	910,595
Other standard risky off-balance sheet items	716,314
Total standard off-balance sheet items	3,425,487

Derivative financial instruments	
Options	0
Swaps	8,085,644
Forwards	691,864
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	8,777,508

Capital adequacy ratio, in %
as at 30 June 2012

26.05

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Management board

Branko Buljan – chairperson, Ružica Šarić

Supervisory board

Darko Medak – chairperson, Dubravka Ostojić, Slavka Petrov

Shareholders	Share in share capital (%)
1. Branko Buljan	77.98
2. Ivka Mijić	22.02

Audit firm for 2011:
Maran d.o.o., Split

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	219,546
Money assets	19,138
Deposits with the CNB	200,407
Deposits with banking institutions	202,802
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	1,399
Securities and other financial instruments available for sale	0
Securities and other financial instruments held to maturity	158,686
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	52,770
Loans to other clients	1,190,925
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	7,123
Tangible assets (net of depreciation)	39,762
Interest, fees and other assets	32,948
Net of: Collectively assessed impairment provisions	14,327
TOTAL ASSETS	1,891,635

Liabilities and capital	
Loans from financial institutions	122,887
Short-term loans	23,000
Long-term loans	99,887
Deposits	1,508,504
Giro account and current account deposits	89,120
Savings deposits	18,734
Time deposits	1,400,649
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	99,296
Interest, fees and other liabilities	39,577
TOTAL LIABILITIES	1,770,264
Capital	121,371
TOTAL LIABILITIES AND CAPITAL	1,891,635

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	28,226
Total interest income	67,776
Total interest expenses	39,549
Net income from fees and commissions	2,822
Total income from fees and commissions	3,736
Total expenses on fees and commissions	914
Net other non-interest income	–465
Other non-interest income	427
Other non-interest expenses	892
Net non-interest income	2,357
General administrative expenses and depreciation	16,151
Net operating income before loss provisions	14,432
Total expenses on loss provisions	12,569
Expenses on value adjustments and provisions for identified losses	13,820
Expenses on collectively assessed impairment provisions	–1,252
Income (loss) before taxes	1,864
Income tax	373
Current year profit (loss)	1,491

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	59,803
Uncovered letters of credit	7,930
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	15,458
Other standard risky off-balance sheet items	4
Total standard off-balance sheet items	83,196

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 30 June 2012

14.74

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Management board

Miro Dodić – chairperson, Marina Vidič, Klaudija Paljuh

Supervisory board

Milan Travan – chairperson, Edo Ivančić, Marijan Kovačić, Anton Belušić, Vlatko Reschner

Shareholders	Share in share capital (%)
1. Intercommerce d.o.o.	17.16
2. Tvornica cementa Umag d.o.o.	15.31
3. Serfin d.o.o.	9.84
4. Assicurazioni Generali S.p.A.	7.76
5. Marijan Kovačić	6.91
6. Branko Kovačić	3.64
7. Plava laguna d.d.	3.63
8. Nerio Perich	3.45
9. Milenko Opačić	3.40

Audit firm for 2011:
PricewaterhouseCoopers d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	330,021
Money assets	71,665
Deposits with the CNB	258,356
Deposits with banking institutions	243,517
MoF treasury bills and CNB bills	234,824
Securities and other financial instruments held for trading	361
Securities and other financial instruments available for sale	2,805
Securities and other financial instruments held to maturity	92,070
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	29
Loans to financial institutions	38,701
Loans to other clients	1,462,412
Investments in subsidiaries and associates	20
Foreclosed and repossessed assets	5,283
Tangible assets (net of depreciation)	55,352
Interest, fees and other assets	22,144
Net of: Collectively assessed impairment provisions	19,181
TOTAL ASSETS	2,468,357

Liabilities and capital	
Loans from financial institutions	68,882
Short-term loans	15,756
Long-term loans	53,126
Deposits	2,081,735
Giro account and current account deposits	242,072
Savings deposits	324,428
Time deposits	1,515,234
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	2
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	19,110
Interest, fees and other liabilities	51,405
TOTAL LIABILITIES	2,221,134
Capital	247,223
TOTAL LIABILITIES AND CAPITAL	2,468,357

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	33,401
Total interest income	63,620
Total interest expenses	30,219
Net income from fees and commissions	10,168
Total income from fees and commissions	11,854
Total expenses on fees and commissions	1,686
Net other non-interest income	6,236
Other non-interest income	7,314
Other non-interest expenses	1,078
Net non-interest income	16,404
General administrative expenses and depreciation	31,411
Net operating income before loss provisions	18,394
Total expenses on loss provisions	6,719
Expenses on value adjustments and provisions for identified losses	6,842
Expenses on collectively assessed impairment provisions	–124
Income (loss) before taxes	11,675
Income tax	2,329
Current year profit (loss)	9,346

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	53,735
Uncovered letters of credit	11,794
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	21,994
Margin credit lines	0
Other credit lines and commitments	50,606
Other standard risky off-balance sheet items	255
Total standard off-balance sheet items	138,384

Derivative financial instruments	
Options	4,111
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	4,111

Capital adequacy ratio, in %
as at 30 June 2012

15.20

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Management board

Ivo Šinko – chairperson, Marija Trlaja, Mirko Goreta

Supervisory board

Miro Petric – chairperson, Duje Stančić, Stipe Kuvač, Milivoj Paić, Petar Škender

Shareholders	Share in share capital (%)
1. Alfa d.d.	7.06
2. Croatia osiguranje d.d.	6.48
3. Josip Stojanović	4.80
4. Ugo grupa d.o.o.	4.58
5. Importanne d.o.o.	4.40
6. Tiskara Malenica d.o.o.	3.88
7. Marko Sarađen	3.61
8. Vodovod i odvodnja d.o.o.	3.39
9. Rivijera hoteli i kampovi d.d.	3.17

Audit firm for 2011:
Šibenski Revicon d.o.o., Šibenik

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	329,533
Money assets	64,593
Deposits with the CNB	264,940
Deposits with banking institutions	404,474
MoF treasury bills and CNB bills	14,735
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	20,646
Securities and other financial instruments held to maturity	280,460
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	81,748
Loans to other clients	1,550,796
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	167,695
Tangible assets (net of depreciation)	23,031
Interest, fees and other assets	69,309
Net of: Collectively assessed impairment provisions	19,189
TOTAL ASSETS	2,923,237

Liabilities and capital	
Loans from financial institutions	288,225
Short-term loans	114,900
Long-term loans	173,325
Deposits	2,212,467
Giro account and current account deposits	199,631
Savings deposits	330,959
Time deposits	1,681,877
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	53
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	15,232
Hybrid instruments issued	0
Interest, fees and other liabilities	77,799
TOTAL LIABILITIES	2,593,776
Capital	329,461
TOTAL LIABILITIES AND CAPITAL	2,923,237

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	21,892
Total interest income	70,465
Total interest expenses	48,572
Net income from fees and commissions	7,881
Total income from fees and commissions	9,627
Total expenses on fees and commissions	1,745
Net other non-interest income	8,987
Other non-interest income	13,894
Other non-interest expenses	4,907
Net non-interest income	16,869
General administrative expenses and depreciation	29,676
Net operating income before loss provisions	9,085
Total expenses on loss provisions	3,308
Expenses on value adjustments and provisions for identified losses	3,048
Expenses on collectively assessed impairment provisions	259
Income (loss) before taxes	5,777
Income tax	0
Current year profit (loss)	5,777

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	59,852
Uncovered letters of credit	6,130
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	128,253
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	194,235

Derivative financial instruments	
Options	5,054
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	5,054

Capital adequacy ratio, in %
as at 30 June 2012

14.25

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Management board

Goran Vukšić – chairperson (deputy chairperson), Ivica Horvat (deputy management board member)

Supervisory board

Danijel Žamboki – chairperson, Josip Paladino, Darko Tipurić

Shareholders		Share in share capital (%)
1.	Sandi Šola	17.16
2.	Mate Šarić	7.59
3.	Jaime Ivan Guerrero Devlahovich	6.69
4.	GIP Pionir d.o.o.	4.96
5.	Paron d.o.o.	4.96
6.	Europatrade d.o.o.	4.61
7.	Marijan Šarić	3.89
5.	Société Générale-Splitska banka d.d. (custody account)	3.20
6.	Dario Šimić	3.12

Audit firm for 2011:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	218,019
Money assets	26,153
Deposits with the CNB	191,866
Deposits with banking institutions	169,944
MoF treasury bills and CNB bills	36,964
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	13,523
Securities and other financial instruments held to maturity	253,597
Securities and other financial instruments not traded in active markets but carried at fair value	88,807
Derivative financial assets	15
Loans to financial institutions	0
Loans to other clients	804,084
Investments in subsidiaries and associates	32,046
Foreclosed and repossessed assets	92,657
Tangible assets (net of depreciation)	84,188
Interest, fees and other assets	40,873
Net of: Collectively assessed impairment provisions	11,412
TOTAL ASSETS	1,823,305

Liabilities and capital	
Loans from financial institutions	209,580
Short-term loans	64,500
Long-term loans	145,080
Deposits	1,398,911
Giro account and current account deposits	212,978
Savings deposits	209,122
Time deposits	976,811
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	13
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	67,501
Interest, fees and other liabilities	48,699
TOTAL LIABILITIES	1,724,704
Capital	98,601
TOTAL LIABILITIES AND CAPITAL	1,823,305

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	12,043
Total interest income	41,690
Total interest expenses	29,647
Net income from fees and commissions	6,077
Total income from fees and commissions	9,426
Total expenses on fees and commissions	3,349
Net other non-interest income	6,109
Other non-interest income	8,275
Other non-interest expenses	2,166
Net non-interest income	12,186
General administrative expenses and depreciation	30,935
Net operating income before loss provisions	–6,706
Total expenses on loss provisions	–8,835
Expenses on value adjustments and provisions for identified losses	–8,512
Expenses on collectively assessed impairment provisions	–323
Income (loss) before taxes	2,129
Income tax	0
Current year profit (loss)	2,129

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	129,363
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	12,862
Margin credit lines	0
Other credit lines and commitments	141,807
Other standard risky off-balance sheet items	3,211
Total standard off-balance sheet items	287,242

Derivative financial instruments	
Options	2,577
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	2,577

Capital adequacy ratio, in %
as at 30 June 2012

13.01

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Management board

Mehmet Murat Sabaz - chairperson, Mićo Tomičić

Supervisory board

Burak Tashkinov Ekmekchiev - chairperson, Mehmet Koçak, Boris Zenić

Shareholders	Share in share capital (%)
1. Eksen Holding A.Ş.	92.36

Audit firm for 2011:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	99,887
Money assets	18,305
Deposits with the CNB	81,582
Deposits with banking institutions	84,379
MoF treasury bills and CNB bills	91,379
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	38,511
Securities and other financial instruments held to maturity	37,740
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	16
Loans to financial institutions	3,517
Loans to other clients	221,918
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	1,018
Tangible assets (net of depreciation)	8,405
Interest, fees and other assets	14,414
Net of: Collectively assessed impairment provisions	3,933
TOTAL ASSETS	597,252

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	464,779
Giro account and current account deposits	11,736
Savings deposits	11,833
Time deposits	441,211
Other loans	256
Short-term loans	0
Long-term loans	256
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	23,998
TOTAL LIABILITIES	489,033
Capital	108,219
TOTAL LIABILITIES AND CAPITAL	597,252

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	9,698
Total interest income	20,426
Total interest expenses	10,728
Net income from fees and commissions	2,363
Total income from fees and commissions	3,259
Total expenses on fees and commissions	896
Net other non-interest income	741
Other non-interest income	1,933
Other non-interest expenses	1,193
Net non-interest income	3,103
General administrative expenses and depreciation	17,848
Net operating income before loss provisions	–5,047
Total expenses on loss provisions	9,299
Expenses on value adjustments and provisions for identified losses	8,994
Expenses on collectively assessed impairment provisions	305
Income (loss) before taxes	–14,345
Income tax	0
Current year profit (loss)	–14,345

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	4,646
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	119
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	4,765

Derivative financial instruments	
Options	1,444
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	1,444

Capital adequacy ratio, in %
as at 30 June 2012

30.47

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Management board

Emil Mihalina – chairperson, Ivan Dropulić, Stjepan Anić

Supervisory board

Nadira Eror – chairperson, Branka Klopović, Josip Rubić, Irena Severin

Shareholders	Share in share capital (%)
1. Agram životno osiguranje d.d.	17.86
2. Euroherc osiguranje d.d.	17.52
3. Jadransko osiguranje d.d.	16.24
4. Euroleasing d.o.o.	14.39
5. Euro daus d.d.	4.99
6. Euroagram Tis d.o.o.	4.85
7. Privredna banka Zagreb d.d. (custody account)	4.38
8. Euroduhan d.d.	4.32
8. Automehanika servisi d.d.	4.19
9. Sunce osiguranje d.d.	3.58
10. Eurodom d.o.o.	3.09

Audit firm for 2011:
Grant Thornton revizija d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	419,190
Money assets	62,963
Deposits with the CNB	356,227
Deposits with banking institutions	176,798
MoF treasury bills and CNB bills	56,206
Securities and other financial instruments held for trading	1,646
Securities and other financial instruments available for sale	198,225
Securities and other financial instruments held to maturity	91,377
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	321
Loans to financial institutions	221,365
Loans to other clients	1,577,098
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	14,204
Tangible assets (net of depreciation)	42,285
Interest, fees and other assets	68,956
Net of: Collectively assessed impairment provisions	20,318
TOTAL ASSETS	2,847,354

Liabilities and capital	
Loans from financial institutions	147,464
Short-term loans	104,790
Long-term loans	42,674
Deposits	2,229,979
Giro account and current account deposits	269,924
Savings deposits	53,849
Time deposits	1,906,206
Other loans	37,551
Short-term loans	37,551
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	60
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	60,000
Hybrid instruments issued	0
Interest, fees and other liabilities	81,716
TOTAL LIABILITIES	2,556,770
Capital	290,583
TOTAL LIABILITIES AND CAPITAL	2,847,354

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	39,031
Total interest income	95,377
Total interest expenses	56,346
Net income from fees and commissions	8,401
Total income from fees and commissions	12,734
Total expenses on fees and commissions	4,333
Net other non-interest income	3,155
Other non-interest income	4,993
Other non-interest expenses	1,838
Net non-interest income	11,556
General administrative expenses and depreciation	33,770
Net operating income before loss provisions	16,817
Total expenses on loss provisions	7,807
Expenses on value adjustments and provisions for identified losses	6,016
Expenses on collectively assessed impairment provisions	1,791
Income (loss) before taxes	9,010
Income tax	1,802
Current year profit (loss)	7,208

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	71,305
Uncovered letters of credit	5,450
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	52,932
Margin credit lines	0
Other credit lines and commitments	8,013
Other standard risky off-balance sheet items	19,265
Total standard off-balance sheet items	156,966

Derivative financial instruments	
Options	13,724
Swaps	0
Forwards	118,718
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	132,443

Capital adequacy ratio, in %
as at 30 June 2012

16.37

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Management board

Nenad Jeđud – chairperson, Davor Vodanović, Tihomir Gluić

Supervisory board

Ivan Krolo – chairperson, Siniša Špoljarec, Ivanka Petrović, Dajana Kobeščak, Đurđica Ognjenović

Shareholders	Share in share capital (%)
1. Privredna banka Zagreb d.d.	100.00

Audit firm for 2011:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	340,540
Money assets	68,479
Deposits with the CNB	272,061
Deposits with banking institutions	375,749
MoF treasury bills and CNB bills	429,434
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	81,430
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	22
Loans to financial institutions	290,109
Loans to other clients	1,338,552
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	11,486
Tangible assets (net of depreciation)	29,089
Interest, fees and other assets	19,806
Net of: Collectively assessed impairment provisions	24,776
TOTAL ASSETS	2,891,440

Liabilities and capital	
Loans from financial institutions	112,464
Short-term loans	16,200
Long-term loans	96,264
Deposits	2,318,312
Giro account and current account deposits	358,665
Savings deposits	445,804
Time deposits	1,513,843
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	22
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	69,825
TOTAL LIABILITIES	2,500,624
Capital	390,816
TOTAL LIABILITIES AND CAPITAL	2,891,440

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	40,979
Total interest income	73,411
Total interest expenses	32,432
Net income from fees and commissions	14,717
Total income from fees and commissions	16,506
Total expenses on fees and commissions	1,789
Net other non-interest income	1,755
Other non-interest income	4,312
Other non-interest expenses	2,557
Net non-interest income	16,472
General administrative expenses and depreciation	32,768
Net operating income before loss provisions	24,684
Total expenses on loss provisions	3,947
Expenses on value adjustments and provisions for identified losses	2,237
Expenses on collectively assessed impairment provisions	1,710
Income (loss) before taxes	20,737
Income tax	4,154
Current year profit (loss)	16,582

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	59,427
Uncovered letters of credit	346
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	28,029
Margin credit lines	0
Other credit lines and commitments	216,760
Other standard risky off-balance sheet items	250
Total standard off-balance sheet items	304,812

Derivative financial instruments	
Options	5,323
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	5,323

Capital adequacy ratio, in %
as at 30 June 2012

21.70

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Management board

Stipan Pamuković – chairperson, Janko Hrnjak

Supervisory board

Jakov Gelo – chairperson, Višnjica Mališa, Ivan Gudelj, Daniel Hrnjak, Anđelko Ivančić

Shareholders	Share in share capital (%)
1. GIP Pionir d.o.o.	29.88
2. Paron d.o.o.	19.73
3. Gradko d.o.o.	9.84
4. Munis d.o.o.	9.82
5. Kemika d.d.	9.08
6. Tehnikagradnja d.o.o.	3.36

Audit firm for 2011:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	24,988
Money assets	2,220
Deposits with the CNB	22,768
Deposits with banking institutions	12,934
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	15,872
Securities and other financial instruments held to maturity	10,915
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	195,181
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	10,745
Tangible assets (net of depreciation)	1,844
Interest, fees and other assets	7,693
Net of: Collectively assessed impairment provisions	1,658
TOTAL ASSETS	278,514

Liabilities and capital	
Loans from financial institutions	9,850
Short-term loans	9,850
Long-term loans	0
Deposits	220,658
Giro account and current account deposits	27,151
Savings deposits	59,827
Time deposits	133,679
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	19,007
Interest, fees and other liabilities	7,443
TOTAL LIABILITIES	256,959
Capital	21,556
TOTAL LIABILITIES AND CAPITAL	278,514

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	1,263
Total interest income	7,167
Total interest expenses	5,903
Net income from fees and commissions	394
Total income from fees and commissions	726
Total expenses on fees and commissions	333
Net other non-interest income	–192
Other non-interest income	386
Other non-interest expenses	577
Net non-interest income	202
General administrative expenses and depreciation	5,005
Net operating income before loss provisions	–3,540
Total expenses on loss provisions	1,058
Expenses on value adjustments and provisions for identified losses	1,228
Expenses on collectively assessed impairment provisions	–170
Income (loss) before taxes	–4,598
Income tax	0
Current year profit (loss)	–4,598

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	28,866
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	3,275
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	32,141

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 30 June 2012

14.58

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Management board

Balazs Pal Bekeffy – chairperson, Zorislav Vidović, Helena Banjad

Supervisory board

Antal Pongrácz – chairperson, Szabolcs Annus, Branko Mikša, László Kecskés, Balázs Fábián, Anita Szórád, Zsolt Szabó

Shareholders	Share in share capital (%)
1. OTP Bank NYRT	100.00

Audit firm for 2011:
Deloitte d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	1,534,956
Money assets	214,268
Deposits with the CNB	1,320,688
Deposits with banking institutions	611,858
MoF treasury bills and CNB bills	281,045
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	1,080,954
Securities and other financial instruments held to maturity	23,003
Securities and other financial instruments not traded in active markets but carried at fair value	10,555
Derivative financial assets	6,782
Loans to financial institutions	152,247
Loans to other clients	8,621,871
Investments in subsidiaries and associates	83,626
Foreclosed and repossessed assets	5,919
Tangible assets (net of depreciation)	204,973
Interest, fees and other assets	207,580
Net of: Collectively assessed impairment provisions	86,983
TOTAL ASSETS	12,738,387

Liabilities and capital	
Loans from financial institutions	839,895
Short-term loans	35,370
Long-term loans	804,526
Deposits	10,066,306
Giro account and current account deposits	1,267,215
Savings deposits	1,285,406
Time deposits	7,513,684
Other loans	2,707
Short-term loans	0
Long-term loans	2,707
Derivative financial liabilities and other financial liabilities held for trading	410
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	38,399
Hybrid instruments issued	0
Interest, fees and other liabilities	346,749
TOTAL LIABILITIES	11,294,466
Capital	1,443,921
TOTAL LIABILITIES AND CAPITAL	12,738,387

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	199,496
Total interest income	360,279
Total interest expenses	160,783
Net income from fees and commissions	54,761
Total income from fees and commissions	69,722
Total expenses on fees and commissions	14,961
Net other non-interest income	–3,356
Other non-interest income	21,027
Other non-interest expenses	24,384
Net non-interest income	51,405
General administrative expenses and depreciation	153,755
Net operating income before loss provisions	97,145
Total expenses on loss provisions	63,251
Expenses on value adjustments and provisions for identified losses	64,981
Expenses on collectively assessed impairment provisions	–1,730
Income (loss) before taxes	33,894
Income tax	6,775
Current year profit (loss)	27,119

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	210,142
Uncovered letters of credit	20,606
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	115,642
Margin credit lines	0
Other credit lines and commitments	989,316
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	1,335,705

Derivative financial instruments	
Options	72,224
Swaps	1,982,988
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	2,055,212

Capital adequacy ratio, in %
as at 30 June 2012

15.11

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Management board

Ivan Ćurković – chairperson, Petar Repušić

Supervisory board

Božo Čulo – chairperson, Ivan Miloloža, Jako Andabak

Shareholders	Share in share capital (%)
1. Metroholding d.d.	99.99

Audit firm for 2011:
Kráko-Revizija d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	91,158
Money assets	12,100
Deposits with the CNB	79,059
Deposits with banking institutions	59,454
MoF treasury bills and CNB bills	62,982
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	82,115
Securities and other financial instruments held to maturity	6,153
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	38
Loans to financial institutions	4,082
Loans to other clients	906,709
Investments in subsidiaries and associates	197
Foreclosed and repossessed assets	14,557
Tangible assets (net of depreciation)	30,072
Interest, fees and other assets	40,071
Net of: Collectively assessed impairment provisions	8,641
TOTAL ASSETS	1,288,947

Liabilities and capital	
Loans from financial institutions	341,535
Short-term loans	137,275
Long-term loans	204,260
Deposits	749,821
Giro account and current account deposits	100,809
Savings deposits	25,512
Time deposits	623,499
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	32
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	21,417
TOTAL LIABILITIES	1,112,805
Capital	176,142
TOTAL LIABILITIES AND CAPITAL	1,288,947

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	23,770
Total interest income	43,907
Total interest expenses	20,136
Net income from fees and commissions	3,162
Total income from fees and commissions	4,570
Total expenses on fees and commissions	1,408
Net other non-interest income	2,909
Other non-interest income	3,780
Other non-interest expenses	871
Net non-interest income	6,071
General administrative expenses and depreciation	22,484
Net operating income before loss provisions	7,357
Total expenses on loss provisions	6,661
Expenses on value adjustments and provisions for identified losses	7,493
Expenses on collectively assessed impairment provisions	–832
Income (loss) before taxes	697
Income tax	0
Current year profit (loss)	697

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	72,417
Uncovered letters of credit	4,932
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	5,844
Margin credit lines	0
Other credit lines and commitments	6,373
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	89,567

Derivative financial instruments	
Options	9,211
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	9,211

Capital adequacy ratio, in %
as at 30 June 2012

14.22

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Management board

Julio Kuruc – chairperson, Davorka Jakir, Marijan Marušić

Supervisory board

Miljan Todorović – chairperson, Sigilfredo Montinari, Dario Montinari, Jurica (Đuro) Predović, Dolly Predović, Maurizio Dallocchio, Filippo Disertori

Shareholders	Share in share capital (%)
1. Lorenzo Gorgoni	9.87
2. Antonia Gorgoni	9.77
3. Assicurazioni Generali S.p.A.	9.54
4. Cerere S.R.L.	9.53
5. Miljan Todorović	8.33
6. Andrea Montinari	5.76
7. Dario Montinari	5.76
8. Piero Montinari	5.76
9. Sigilfredo Montinari	5.76
10. Giovanni Semeraro	4.11

Audit firm for 2011:
Deloitte d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	348,831
Money assets	39,310
Deposits with the CNB	309,520
Deposits with banking institutions	132,743
MoF treasury bills and CNB bills	28,398
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	347,667
Securities and other financial instruments held to maturity	91,770
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	19,161
Loans to other clients	1,650,476
Investments in subsidiaries and associates	3,570
Foreclosed and repossessed assets	6,692
Tangible assets (net of depreciation)	94,573
Interest, fees and other assets	77,823
Net of: Collectively assessed impairment provisions	20,540
TOTAL ASSETS	2,781,164

Liabilities and capital	
Loans from financial institutions	114,755
Short-term loans	10,726
Long-term loans	104,029
Deposits	2,115,856
Giro account and current account deposits	320,001
Savings deposits	208,593
Time deposits	1,587,262
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	75,101
Interest, fees and other liabilities	91,504
TOTAL LIABILITIES	2,397,216
Capital	383,948
TOTAL LIABILITIES AND CAPITAL	2,781,164

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	47,798
Total interest income	87,206
Total interest expenses	39,408
Net income from fees and commissions	11,731
Total income from fees and commissions	17,199
Total expenses on fees and commissions	5,468
Net other non-interest income	5,420
Other non-interest income	8,778
Other non-interest expenses	3,358
Net non-interest income	17,151
General administrative expenses and depreciation	49,801
Net operating income before loss provisions	15,148
Total expenses on loss provisions	3,342
Expenses on value adjustments and provisions for identified losses	3,342
Expenses on collectively assessed impairment provisions	0
Income (loss) before taxes	11,807
Income tax	2,362
Current year profit (loss)	9,444

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	96,815
Uncovered letters of credit	29,338
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	12,845
Margin credit lines	437
Other credit lines and commitments	235,748
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	375,183

Derivative financial instruments	
Options	1
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	1

Capital adequacy ratio, in %
as at 30 June 2012

17.63

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Management board

Anto Pekić – chairperson, Zdenko Šošić, Marko Čičin-Šain

Supervisory board

Jože Perić – chairperson, Gordana Pavletić, Franco Brunati

Shareholders	Share in share capital (%)
1. C.I.M. Banque SA	49.40
2. Francesco Signorio	28.37
3. Domenico Petrella	6.17
4. Svetlana Signorio	4.98
5. Cofisi S.A.	4.25

Audit firm for 2011:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	36,559
Money assets	3,661
Deposits with the CNB	32,899
Deposits with banking institutions	16,306
MoF treasury bills and CNB bills	18,414
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	46,458
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	7,512
Loans to other clients	53,905
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	137
Tangible assets (net of depreciation)	1,198
Interest, fees and other assets	4,636
Net of: Collectively assessed impairment provisions	888
TOTAL ASSETS	184,238

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	132,967
Giro account and current account deposits	5,661
Savings deposits	8,737
Time deposits	118,568
Other loans	1,493
Short-term loans	1,493
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	8,680
Interest, fees and other liabilities	5,108
TOTAL LIABILITIES	148,248
Capital	35,991
TOTAL LIABILITIES AND CAPITAL	184,238

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	2,273
Total interest income	5,339
Total interest expenses	3,066
Net income from fees and commissions	319
Total income from fees and commissions	680
Total expenses on fees and commissions	361
Net other non-interest income	391
Other non-interest income	477
Other non-interest expenses	87
Net non-interest income	710
General administrative expenses and depreciation	6,169
Net operating income before loss provisions	–3,187
Total expenses on loss provisions	2,720
Expenses on value adjustments and provisions for identified losses	2,849
Expenses on collectively assessed impairment provisions	–129
Income (loss) before taxes	–5,907
Income tax	0
Current year profit (loss)	–5,907

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,486
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	1,481
Other standard risky off-balance sheet items	1,878
Total standard off-balance sheet items	4,845

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 30 June 2012

43.46

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Management board

Božo Prka – chairperson, Ivan Gerovac, Gabriele Pace, Darko Drozdek, Draženko Kopljar, Dinko Lucić, Andrea Pavlović

Supervisory board

György Surányi – chairperson, Nora Kocsis, Ivan Šramko, Beata Kisné Földi, Branko Jeren, Giampiero Trevisan, Massimo Pierdicchi

Shareholders	Share in share capital (%)
1. Intesa Bci Holding International S.A.	76.59
2. European Bank for Reconstruction and Development (EBRD)	20.88

Audit firm for 2011:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	8,483,856
Money assets	1,472,837
Deposits with the CNB	7,011,019
Deposits with banking institutions	4,383,516
MoF treasury bills and CNB bills	2,636,988
Securities and other financial instruments held for trading	22,420
Securities and other financial instruments available for sale	103,882
Securities and other financial instruments held to maturity	562,319
Securities and other financial instruments not traded in active markets but carried at fair value	1,244,664
Derivative financial assets	42,579
Loans to financial institutions	1,234,382
Loans to other clients	46,565,352
Investments in subsidiaries and associates	374,031
Foreclosed and repossessed assets	24,872
Tangible assets (net of depreciation)	656,721
Interest, fees and other assets	957,000
Net of: Collectively assessed impairment provisions	539,806
TOTAL ASSETS	66,752,776

Liabilities and capital	
Loans from financial institutions	2,763,729
Short-term loans	1,516,357
Long-term loans	1,247,372
Deposits	45,630,407
Giro account and current account deposits	7,482,600
Savings deposits	6,208,421
Time deposits	31,939,386
Other loans	5,449,513
Short-term loans	6
Long-term loans	5,449,507
Derivative financial liabilities and other financial liabilities held for trading	3,148
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	1,877,815
TOTAL LIABILITIES	55,724,613
Capital	11,028,163
TOTAL LIABILITIES AND CAPITAL	66,752,776

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	1,099,922
Total interest income	1,810,745
Total interest expenses	710,823
Net income from fees and commissions	230,787
Total income from fees and commissions	357,487
Total expenses on fees and commissions	126,700
Net other non-interest income	31,961
Other non-interest income	120,272
Other non-interest expenses	88,311
Net non-interest income	262,747
General administrative expenses and depreciation	596,562
Net operating income before loss provisions	766,107
Total expenses on loss provisions	259,663
Expenses on value adjustments and provisions for identified losses	225,563
Expenses on collectively assessed impairment provisions	34,100
Income (loss) before taxes	506,444
Income tax	105,117
Current year profit (loss)	401,328

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	2,810,148
Uncovered letters of credit	282,928
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	3,487,666
Margin credit lines	0
Other credit lines and commitments	6,006,202
Other standard risky off-balance sheet items	58,878
Total standard off-balance sheet items	12,645,822

Derivative financial instruments	
Options	55,960
Swaps	5,655,832
Forwards	525,703
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	6,237,495

Capital adequacy ratio, in %
as at 30 June 2012

21.02

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Management board

Zdenko Adrović – chairperson, Vlasta Žubrinić-Pick, Jasna Širola, Zoran Košćak, Vesna Ciganek Vuković, Mario Žižek

Supervisory board

Peter Lennkh – chairperson, Razvan Munteanu, Peter Bazil, František Ježek, Paul Alan Kocher, Franz Rogi, Lovorka Penavić

Shareholders	Share in share capital (%)
1. Raiffeisen SEE Region Holding GmbH	75.00
2. Raiffeisenbank-Zagreb Beteiligungs GmbH, Graz	25.00

Audit firm for 2011:
Deloitte d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	4,128,361
Money assets	509,651
Deposits with the CNB	3,618,710
Deposits with banking institutions	1,502,913
MoF treasury bills and CNB bills	1,624,647
Securities and other financial instruments held for trading	248,223
Securities and other financial instruments available for sale	3,933
Securities and other financial instruments held to maturity	601,911
Securities and other financial instruments not traded in active markets but carried at fair value	1,192,501
Derivative financial assets	80,936
Loans to financial institutions	1,400,067
Loans to other clients	24,106,515
Investments in subsidiaries and associates	210,745
Foreclosed and repossessed assets	25,209
Tangible assets (net of depreciation)	466,680
Interest, fees and other assets	815,745
Net of: Collectively assessed impairment provisions	308,468
TOTAL ASSETS	36,099,919

Liabilities and capital	
Loans from financial institutions	1,767,060
Short-term loans	714,343
Long-term loans	1,052,717
Deposits	22,908,667
Giro account and current account deposits	4,810,609
Savings deposits	2,762,088
Time deposits	15,335,970
Other loans	4,053,902
Short-term loans	9,931
Long-term loans	4,043,970
Derivative financial liabilities and other financial liabilities held for trading	757,379
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	992,755
TOTAL LIABILITIES	30,479,762
Capital	5,620,158
TOTAL LIABILITIES AND CAPITAL	36,099,919

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	591,998
Total interest income	1,051,525
Total interest expenses	459,527
Net income from fees and commissions	145,499
Total income from fees and commissions	202,504
Total expenses on fees and commissions	57,005
Net other non-interest income	198,634
Other non-interest income	202,975
Other non-interest expenses	4,341
Net non-interest income	344,133
General administrative expenses and depreciation	408,974
Net operating income before loss provisions	527,157
Total expenses on loss provisions	194,857
Expenses on value adjustments and provisions for identified losses	209,354
Expenses on collectively assessed impairment provisions	–14,497
Income (loss) before taxes	332,300
Income tax	2,380
Current year profit (loss)	329,920

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	3,694,478
Uncovered letters of credit	223,989
Guaranteed bills of exchange	368
Accepted bills of exchange	0
Revolving loans	514,306
Margin credit lines	0
Other credit lines and commitments	1,827,907
Other standard risky off-balance sheet items	1,726,633
Total standard off-balance sheet items	7,987,680

Derivative financial instruments	
Options	202,678
Swaps	26,830,655
Forwards	2,583,888
Futures	190,757
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	29,807,977

Capital adequacy ratio, in %
as at 30 June 2012

18.65

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Management board

Marijan Kantolić – chairperson, Verica Ljubičić

Supervisory board

Dragutin Plahutar – chairperson, Želimir Kodrić, Milan Penava, Martina Crljen, Martin Jazbec

Shareholders	Share in share capital (%)
1. Aquae Vivae d.d.	83.54
2. Samoborka d.d.	5.15
3. Tigra d.o.o.	3.13

Audit firm for 2011:
HLB Revidicon d.o.o., Varaždin

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	52,761
Money assets	11,496
Deposits with the CNB	41,265
Deposits with banking institutions	128,888
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	258
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	876
Loans to financial institutions	2,539
Loans to other clients	199,415
Investments in subsidiaries and associates	47
Foreclosed and repossessed assets	9,667
Tangible assets (net of depreciation)	30,033
Interest, fees and other assets	5,597
Net of: Collectively assessed impairment provisions	3,314
TOTAL ASSETS	426,766

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	331,904
Giro account and current account deposits	64,767
Savings deposits	55,207
Time deposits	211,930
Other loans	42
Short-term loans	42
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	8,274
TOTAL LIABILITIES	340,220
Capital	86,546
TOTAL LIABILITIES AND CAPITAL	426,766

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	5,155
Total interest income	9,731
Total interest expenses	4,576
Net income from fees and commissions	1,147
Total income from fees and commissions	2,034
Total expenses on fees and commissions	887
Net other non-interest income	481
Other non-interest income	683
Other non-interest expenses	202
Net non-interest income	1,628
General administrative expenses and depreciation	6,067
Net operating income before loss provisions	716
Total expenses on loss provisions	–93
Expenses on value adjustments and provisions for identified losses	–313
Expenses on collectively assessed impairment provisions	220
Income (loss) before taxes	809
Income tax	162
Current year profit (loss)	647

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	8,083
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	15,613
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	23,697

Derivative financial instruments	
Options	37,623
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	37,623

Capital adequacy ratio, in %
as at 30 June 2012

26.16

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Management board

Angelina Horvat – chairperson, Elvis Mališ, Marko Krajina, Marko Brnić

Supervisory board

Ružica Vađić – chairperson, Tomislav Rosandić, Blaženka Eror Matić, Hrvoje Markovinović, Denis Smolar

Shareholders	Share in share capital (%)
1. Hypo-Alpe-Adria-Bank d.d. (custody account)	13.33
2. State Agency for Deposit Insurance and Bank Rehabilitation	8.32
3. Dragutin Sokačić	7.89
4. Zagrebačka banka d.d. (custody account)	5.47
5. Raiffeisenbank Austria d.d. (custody account)	4.38
6. Vaba d.d. banka	3.81
7. Hrvatska poštanska banka d.d. (custody account)	3.78
8. Josip Galić	3.26
9. Milivoj Mrkoci	3.26
10. Finesa Credos d.d.	3.16
11. Croatia Lloyd d.d.	3.02

Audit firm for 2011:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	210,588
Money assets	25,436
Deposits with the CNB	185,152
Deposits with banking institutions	122,323
MoF treasury bills and CNB bills	85,002
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	66,989
Securities and other financial instruments held to maturity	94,240
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	5
Loans to financial institutions	12,738
Loans to other clients	714,471
Investments in subsidiaries and associates	5,737
Foreclosed and repossessed assets	7,399
Tangible assets (net of depreciation)	27,395
Interest, fees and other assets	22,662
Net of: Collectively assessed impairment provisions	9,712
TOTAL ASSETS	1,359,837

Liabilities and capital	
Loans from financial institutions	97,297
Short-term loans	21,500
Long-term loans	75,797
Deposits	1,027,567
Giro account and current account deposits	82,789
Savings deposits	73,056
Time deposits	871,722
Other loans	13,509
Short-term loans	0
Long-term loans	13,509
Derivative financial liabilities and other financial liabilities held for trading	7
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	46,753
TOTAL LIABILITIES	1,185,133
Capital	174,704
TOTAL LIABILITIES AND CAPITAL	1,359,837

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	18,230
Total interest income	41,543
Total interest expenses	23,313
Net income from fees and commissions	5,228
Total income from fees and commissions	6,680
Total expenses on fees and commissions	1,452
Net other non-interest income	1,172
Other non-interest income	2,924
Other non-interest expenses	1,752
Net non-interest income	6,400
General administrative expenses and depreciation	19,952
Net operating income before loss provisions	4,678
Total expenses on loss provisions	2,717
Expenses on value adjustments and provisions for identified losses	2,501
Expenses on collectively assessed impairment provisions	216
Income (loss) before taxes	1,961
Income tax	555
Current year profit (loss)	1,407

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	9,553
Uncovered letters of credit	841
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	7,509
Margin credit lines	0
Other credit lines and commitments	59,019
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	76,922

Derivative financial instruments	
Options	2,373
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	2,373

Capital adequacy ratio, in %
as at 30 June 2012

18.26

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Management board

Andre Marc Prudent-Toccanier – chairperson, Nelsi Rončević, Frederique Guin, Zvonimir Akrap

Supervisory board

Patrick Renouvin – chairperson, Patrick Pierre Gelin, Didier Colin

Shareholders	Share in share capital (%)
1. Société Générale	100.00

Audit firm for 2011:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	3,685,244
Money assets	367,209
Deposits with the CNB	3,318,034
Deposits with banking institutions	2,055,252
MoF treasury bills and CNB bills	709,094
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	625,068
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	4,040
Loans to financial institutions	552,980
Loans to other clients	17,802,972
Investments in subsidiaries and associates	36,369
Foreclosed and repossessed assets	3,315
Tangible assets (net of depreciation)	189,514
Interest, fees and other assets	613,230
Net of: Collectively assessed impairment provisions	198,745
TOTAL ASSETS	26,078,332

Liabilities and capital	
Loans from financial institutions	1,035,840
Short-term loans	9,858
Long-term loans	1,025,982
Deposits	14,287,013
Giro account and current account deposits	2,573,646
Savings deposits	1,742,231
Time deposits	9,971,136
Other loans	5,536,156
Short-term loans	0
Long-term loans	5,536,156
Derivative financial liabilities and other financial liabilities held for trading	8,275
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	437,579
Hybrid instruments issued	0
Interest, fees and other liabilities	1,246,711
TOTAL LIABILITIES	22,551,574
Capital	3,526,759
TOTAL LIABILITIES AND CAPITAL	26,078,332

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	379,660
Total interest income	686,121
Total interest expenses	306,460
Net income from fees and commissions	116,232
Total income from fees and commissions	141,839
Total expenses on fees and commissions	25,607
Net other non-interest income	41,278
Other non-interest income	43,234
Other non-interest expenses	1,956
Net non-interest income	157,511
General administrative expenses and depreciation	329,208
Net operating income before loss provisions	207,963
Total expenses on loss provisions	124,311
Expenses on value adjustments and provisions for identified losses	147,350
Expenses on collectively assessed impairment provisions	–23,039
Income (loss) before taxes	83,652
Income tax	21,287
Current year profit (loss)	62,366

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,919,407
Uncovered letters of credit	245,061
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,185,020
Margin credit lines	0
Other credit lines and commitments	1,223,073
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	4,572,561

Derivative financial instruments	
Options	1,856
Swaps	1,975,070
Forwards	59,359
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	2,036,285

Capital adequacy ratio, in %
as at 30 June 2012

17.01

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Management board

Ante Babić – chairperson, Christian Panjol-Tuflija

Supervisory board

Ivo Andrijanić – chairperson, Đuro Benček, Petar Ćurković

Shareholders	Share in share capital (%)
1. Šted-Nova d.o.o.	80.74
2. Željko Udovičić	9.87
3. Šted-invest d.o.o.	6.35
4. Redip d.o.o.	3.04

Audit firm for 2011:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	115,118
Money assets	3,137
Deposits with the CNB	111,981
Deposits with banking institutions	100,618
MoF treasury bills and CNB bills	21,273
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	30,427
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	1,514
Loans to financial institutions	51,565
Loans to other clients	894,084
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	14,369
Tangible assets (net of depreciation)	3,493
Interest, fees and other assets	15,880
Net of: Collectively assessed impairment provisions	10,278
TOTAL ASSETS	1,238,062

Liabilities and capital	
Loans from financial institutions	85,394
Short-term loans	19,000
Long-term loans	66,394
Deposits	747,017
Giro account and current account deposits	29,873
Savings deposits	56,102
Time deposits	661,042
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	1,356
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	49,998
Interest, fees and other liabilities	35,128
TOTAL LIABILITIES	918,891
Capital	319,170
TOTAL LIABILITIES AND CAPITAL	1,238,062

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	17,967
Total interest income	39,637
Total interest expenses	21,670
Net income from fees and commissions	2,614
Total income from fees and commissions	3,462
Total expenses on fees and commissions	848
Net other non-interest income	3,431
Other non-interest income	4,692
Other non-interest expenses	1,261
Net non-interest income	6,046
General administrative expenses and depreciation	7,708
Net operating income before loss provisions	16,304
Total expenses on loss provisions	4,635
Expenses on value adjustments and provisions for identified losses	5,218
Expenses on collectively assessed impairment provisions	–584
Income (loss) before taxes	11,669
Income tax	3,576
Current year profit (loss)	8,093

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	131,441
Uncovered letters of credit	8,291
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	10,555
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	150,287

Derivative financial instruments	
Options	217,208
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	41
Total notional amount of derivative financial instruments	217,249

Capital adequacy ratio, in %
as at 30 June 2012

34.22

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Management board

Zvonko Agičić – chairperson, Dubravka Filipčić

Supervisory board

Milorad Pupovac – chairperson, Biljana Jovanović, Zoran Pavlović

Shareholders	Share in share capital (%)
1. Development Fund of the Republic of Serbia	33.02
2. Development Fund of the Autonomous Province of Vojvodina	29.44
3. Zvijezda d.d.	12.22
4. Končar-elektroindustrija d.d.	10.69
5. Sladorana d.d.	6.11

Audit firm for 2011:
HLB Revidicon d.o.o., Varaždin

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	2,446
Money assets	114
Deposits with the CNB	2,332
Deposits with banking institutions	104
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	9,978
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	1,000
Loans to other clients	13,775
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	694
Interest, fees and other assets	795
Net of: Collectively assessed impairment provisions	238
TOTAL ASSETS	28,555

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	2,202
Giro account and current account deposits	667
Savings deposits	15
Time deposits	1,520
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	4,214
Interest, fees and other liabilities	926
TOTAL LIABILITIES	7,342
Capital	21,213
TOTAL LIABILITIES AND CAPITAL	28,555

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	837
Total interest income	920
Total interest expenses	83
Net income from fees and commissions	18
Total income from fees and commissions	64
Total expenses on fees and commissions	46
Net other non-interest income	8
Other non-interest income	17
Other non-interest expenses	9
Net non-interest income	27
General administrative expenses and depreciation	3,851
Net operating income before loss provisions	–2,987
Total expenses on loss provisions	99
Expenses on value adjustments and provisions for identified losses	144
Expenses on collectively assessed impairment provisions	–45
Income (loss) before taxes	–3,086
Income tax	0
Current year profit (loss)	–3,086

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	700
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	110
Margin credit lines	100
Other credit lines and commitments	296
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	1,206

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 30 June 2012

137.32

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Management board

Stanko Kežman – chairperson, Natalija Jambrečić

Supervisory board

Vladimir Košćec – chairperson, Ivana Jagačić, Marinko Benić, Zdenko Franić, Zlatan Kuljiš, Tomáš Hlávač

Shareholders	Share in share capital (%)
1. Validus d.d.	29.09
2. Balkan Financial Sector Equity Fund CV	16.54
3. Pluris d.d.	8.99
4. Gara Secundus d.o.o.	4.31
5. Finesa Conceptus d.o.o.	3.53
6. Jozo Kalem	3.53
7. Inter Finance d.o.o.	3.53

Audit firm for 2011:
Grant Thornton revizija d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	115,050
Money assets	19,138
Deposits with the CNB	95,912
Deposits with banking institutions	9,144
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	216,904
Securities and other financial instruments held to maturity	13,873
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	6,883
Loans to other clients	730,286
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	17,488
Tangible assets (net of depreciation)	24,436
Interest, fees and other assets	52,133
Net of: Collectively assessed impairment provisions	6,867
TOTAL ASSETS	1,179,329

Liabilities and capital	
Loans from financial institutions	102,505
Short-term loans	89,422
Long-term loans	13,083
Deposits	818,685
Giro account and current account deposits	46,091
Savings deposits	12,929
Time deposits	759,666
Other loans	100,569
Short-term loans	81,793
Long-term loans	18,775
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	3,004
Interest, fees and other liabilities	25,221
TOTAL LIABILITIES	1,049,983
Capital	129,346
TOTAL LIABILITIES AND CAPITAL	1,179,329

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	14,262
Total interest income	37,053
Total interest expenses	22,791
Net income from fees and commissions	2,335
Total income from fees and commissions	3,193
Total expenses on fees and commissions	859
Net other non-interest income	2,152
Other non-interest income	3,384
Other non-interest expenses	1,232
Net non-interest income	4,487
General administrative expenses and depreciation	23,030
Net operating income before loss provisions	–4,281
Total expenses on loss provisions	1,186
Expenses on value adjustments and provisions for identified losses	1,686
Expenses on collectively assessed impairment provisions	–500
Income (loss) before taxes	–5,466
Income tax	0
Current year profit (loss)	–5,466

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	49,842
Uncovered letters of credit	475
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	9,485
Margin credit lines	0
Other credit lines and commitments	30,544
Other standard risky off-balance sheet items	1,536
Total standard off-balance sheet items	91,881

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 30 June 2012

12.74

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Management board

Michele Romano – chairperson, Fernando Zavatarelli, Leonardo Iannotta, Boris Kalajdžić

Supervisory board

Gian-Quinto Perissinotto – chairperson, Pierluigi Ronzani, Carraro Diego, Paruzzolo Antonio, Atos Varusio

Shareholders	Share in share capital (%)
1. Veneto Banca Holding S.C.P.A.	100.00

Audit firm for 2011:
PricewaterhouseCoopers d.o.o. za reviziju i konzalting, Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	115,914
Money assets	15,540
Deposits with the CNB	100,374
Deposits with banking institutions	33,607
MoF treasury bills and CNB bills	29,523
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	130,188
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	277
Loans to financial institutions	2,874
Loans to other clients	589,889
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	4,174
Tangible assets (net of depreciation)	32,284
Interest, fees and other assets	44,120
Net of: Collectively assessed impairment provisions	6,236
TOTAL ASSETS	976,613

Liabilities and capital	
Loans from financial institutions	40,894
Short-term loans	21,561
Long-term loans	19,333
Deposits	620,061
Giro account and current account deposits	30,337
Savings deposits	28,677
Time deposits	561,047
Other loans	109,984
Short-term loans	48,816
Long-term loans	61,169
Derivative financial liabilities and other financial liabilities held for trading	34
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	52,422
TOTAL LIABILITIES	823,396
Capital	153,217
TOTAL LIABILITIES AND CAPITAL	976,613

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	10,781
Total interest income	26,177
Total interest expenses	15,396
Net income from fees and commissions	2,164
Total income from fees and commissions	2,719
Total expenses on fees and commissions	555
Net other non-interest income	57
Other non-interest income	1,272
Other non-interest expenses	1,214
Net non-interest income	2,221
General administrative expenses and depreciation	23,989
Net operating income before loss provisions	–10,987
Total expenses on loss provisions	182
Expenses on value adjustments and provisions for identified losses	–937
Expenses on collectively assessed impairment provisions	1,118
Income (loss) before taxes	–11,169
Income tax	0
Current year profit (loss)	–11,169

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	58,037
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	19,632
Other standard risky off-balance sheet items	251
Total standard off-balance sheet items	77,920

Derivative financial instruments	
Options	16,541
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	16,541

Capital adequacy ratio, in %
as at 30 June 2012

16.75

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Management board

Andrea Kovacs-Wöhry – chairperson, Igor Repin, Dieter Hornbacher, Dubravka Lukić, Gerhard Kriegler (deputy management board member)

Supervisory board

Marina Bykova – chairperson, David Krepelka, Dragutin Bohuš, Gerhard Wöber, Natalia Revina, Armin Huber

Shareholders	Share in share capital (%)
1. VB International AG	100.00

Audit firm for 2011:
KPMG Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	1,273,470
Money assets	68,303
Deposits with the CNB	1,205,167
Deposits with banking institutions	670,786
MoF treasury bills and CNB bills	254,023
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	138,746
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	8,804
Loans to financial institutions	149,959
Loans to other clients	5,306,804
Investments in subsidiaries and associates	1,950
Foreclosed and repossessed assets	26,837
Tangible assets (net of depreciation)	11,230
Interest, fees and other assets	135,850
Net of: Collectively assessed impairment provisions	58,478
TOTAL ASSETS	7,919,981

Liabilities and capital	
Loans from financial institutions	305,262
Short-term loans	173,880
Long-term loans	131,382
Deposits	5,646,432
Giro account and current account deposits	429,805
Savings deposits	510,848
Time deposits	4,705,779
Other loans	127,672
Short-term loans	0
Long-term loans	127,672
Derivative financial liabilities and other financial liabilities held for trading	3,676
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	248,902
TOTAL LIABILITIES	6,331,944
Capital	1,588,038
TOTAL LIABILITIES AND CAPITAL	7,919,981

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	98,353
Total interest income	185,805
Total interest expenses	87,452
Net income from fees and commissions	15,983
Total income from fees and commissions	20,418
Total expenses on fees and commissions	4,435
Net other non-interest income	9,914
Other non-interest income	16,594
Other non-interest expenses	6,680
Net non-interest income	25,898
General administrative expenses and depreciation	82,775
Net operating income before loss provisions	41,476
Total expenses on loss provisions	25,423
Expenses on value adjustments and provisions for identified losses	21,921
Expenses on collectively assessed impairment provisions	3,502
Income (loss) before taxes	16,053
Income tax	0
Current year profit (loss)	16,053

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	118,430
Uncovered letters of credit	4,747
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	8,288
Margin credit lines	0
Other credit lines and commitments	271,593
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	403,058

Derivative financial instruments	
Options	7,812
Swaps	0
Forwards	2,914,043
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	2,921,855

Capital adequacy ratio, in %
as at 30 June 2012

27.39

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Management board

Franjo Luković – chairperson, Milivoj Goldštajn, Sanja Rendulić, Miljenko Živaljić, Marko Remenar, Daniela Roguljić Novak, Nikolaus Maximilian Linarić

Supervisory board

Erich Hampel – chairperson, Jakša Barbić, Franco Andretta, Robert Zadrazil, Fabrizio Onida, Lyubomir Ignatov Punchev, Francesco Giordano, Gianfranco Bisagni, Massimiliano Fossati, Bruce Anthony Bowers, Harold Michael Thomas Langley-Poole

Shareholders	Share in share capital (%)
1. UniCredit Bank Austria AG	84.50
2. Allianz SE	11.72

Audit firm for 2011:
KPMG Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	14,421,297
Money assets	1,827,834
Deposits with the CNB	12,593,464
Deposits with banking institutions	6,706,960
MoF treasury bills and CNB bills	2,372,138
Securities and other financial instruments held for trading	103,524
Securities and other financial instruments available for sale	5,022,883
Securities and other financial instruments held to maturity	717,755
Securities and other financial instruments not traded in active markets but carried at fair value	83,181
Derivative financial assets	775,931
Loans to financial institutions	1,958,206
Loans to other clients	69,283,801
Investments in subsidiaries and associates	917,890
Foreclosed and repossessed assets	33,763
Tangible assets (net of depreciation)	1,287,228
Interest, fees and other assets	2,185,017
Net of: Collectively assessed impairment provisions	758,515
TOTAL ASSETS	105,111,059

Liabilities and capital	
Loans from financial institutions	1,828,262
Short-term loans	417,011
Long-term loans	1,411,251
Deposits	74,156,743
Giro account and current account deposits	9,990,487
Savings deposits	5,708,046
Time deposits	58,458,209
Other loans	10,093,682
Short-term loans	11,455
Long-term loans	10,082,227
Derivative financial liabilities and other financial liabilities held for trading	659,902
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	2,933,647
TOTAL LIABILITIES	89,672,236
Capital	15,438,822
TOTAL LIABILITIES AND CAPITAL	105,111,059

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	1,358,745
Total interest income	2,921,098
Total interest expenses	1,562,353
Net income from fees and commissions	417,817
Total income from fees and commissions	482,020
Total expenses on fees and commissions	64,202
Net other non-interest income	155,864
Other non-interest income	201,955
Other non-interest expenses	46,091
Net non-interest income	573,681
General administrative expenses and depreciation	794,162
Net operating income before loss provisions	1,138,265
Total expenses on loss provisions	424,611
Expenses on value adjustments and provisions for identified losses	449,332
Expenses on collectively assessed impairment provisions	–24,721
Income (loss) before taxes	713,653
Income tax	131,733
Current year profit (loss)	581,920

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	5,327,772
Uncovered letters of credit	269,576
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,902,163
Margin credit lines	0
Other credit lines and commitments	9,220,977
Other standard risky off-balance sheet items	349,798
Total standard off-balance sheet items	17,070,285

Derivative financial instruments	
Options	212,650
Swaps	43,756,719
Forwards	6,676,214
Futures	0
Warrants	0
Other derivative financial instruments	118,072
Total notional amount of derivative financial instruments	50,763,655

Capital adequacy ratio, in %
as at 30 June 2012

22.14

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Management board

Damir Šprem – chairperson, Tanja Šantek

Supervisory board

Čedo Maletić – chairperson, Dubravka Kolarić, Mato Filipović, Alen Stojanović, Boženka Mostarčić

Shareholders	Share in share capital (%)
1. Hrvatska poštanska banka d.d.	100.00

Audit firm for 2011:
Deloitte d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with banking institutions	36,941
MoF treasury bills and CNB bills	8,282
Securities and other financial instruments held for trading	66,181
Securities and other financial instruments available for sale	69,580
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	99,474
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	94
Interest, fees and other assets	17,525
Net of: Collectively assessed impairment provisions	1,395
TOTAL ASSETS	296,681

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	245,863
Giro account and current account deposits	0
Savings deposits	0
Time deposits	245,863
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	22,295
TOTAL LIABILITIES	268,158
Capital	28,522
TOTAL LIABILITIES AND CAPITAL	296,681

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	2,900
Total interest income	6,766
Total interest expenses	3,866
Net income from fees and commissions	2,058
Total income from fees and commissions	2,517
Total expenses on fees and commissions	460
Net other non-interest income	3,215
Other non-interest income	3,371
Other non-interest expenses	156
Net non-interest income	5,272
General administrative expenses and depreciation	3,789
Net operating income before loss provisions	4,383
Total expenses on loss provisions	440
Expenses on value adjustments and provisions for identified losses	123
Expenses on collectively assessed impairment provisions	318
Income (loss) before taxes	3,943
Income tax	0
Current year profit (loss)	3,943

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	1,328
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	1,328

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 30 June 2012

22.98

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Management board

Mirko Brozović – chairperson, Branimir Čosić

Supervisory board

Dinko Lucić – chairperson, Dražen Kovačić, Nenad Štimac, Andrea Pavlović, Damir Novotny

Shareholders	Share in share capital (%)
1. Privredna banka Zagreb d.d.	100.00

Audit firm for 2011:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with banking institutions	267,724
MoF treasury bills and CNB bills	99,161
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	0
Securities and other financial instruments held to maturity	205,384
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	783,056
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	110
Interest, fees and other assets	30,455
Net of: Collectively assessed impairment provisions	10,861
TOTAL ASSETS	1,375,030

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	1,190,912
Giro account and current account deposits	0
Savings deposits	107,215
Time deposits	1,083,698
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	10,000
Interest, fees and other liabilities	27,468
TOTAL LIABILITIES	1,228,381
Capital	146,650
TOTAL LIABILITIES AND CAPITAL	1,375,030

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	11,077
Total interest income	35,173
Total interest expenses	24,096
Net income from fees and commissions	3,202
Total income from fees and commissions	4,033
Total expenses on fees and commissions	831
Net other non-interest income	72
Other non-interest income	1,015
Other non-interest expenses	944
Net non-interest income	3,274
General administrative expenses and depreciation	6,977
Net operating income before loss provisions	7,374
Total expenses on loss provisions	–3,709
Expenses on value adjustments and provisions for identified losses	0
Expenses on collectively assessed impairment provisions	–3,709
Income (loss) before taxes	11,083
Income tax	1,993
Current year profit (loss)	9,089

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	1,739
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	1,739

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 30 June 2012

58.60

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Management board

Katarina Šobat – chairperson, Marija Posavec

Supervisory board

Daniela Roguljić Novak – chairperson, Davor Pavlić, Danimir Gulin

Shareholders	Share in share capital (%)
1. Zagrebačka banka d.d.	100.00

Audit firm for 2011:
KPMG Croatia d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with banking institutions	383,338
MoF treasury bills and CNB bills	654,669
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	110,831
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	6,008
Loans to other clients	1,132,538
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	657
Interest, fees and other assets	86,538
Net of: Collectively assessed impairment provisions	14,493
TOTAL ASSETS	2,360,086

Liabilities and capital	
Loans from financial institutions	42
Short-term loans	0
Long-term loans	42
Deposits	2,056,353
Giro account and current account deposits	0
Savings deposits	31
Time deposits	2,056,321
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	103,308
TOTAL LIABILITIES	2,159,702
Capital	200,385
TOTAL LIABILITIES AND CAPITAL	2,360,086

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	15,485
Total interest income	55,727
Total interest expenses	40,242
Net income from fees and commissions	7,415
Total income from fees and commissions	8,829
Total expenses on fees and commissions	1,414
Net other non-interest income	–1,720
Other non-interest income	140
Other non-interest expenses	1,860
Net non-interest income	5,695
General administrative expenses and depreciation	6,329
Net operating income before loss provisions	14,851
Total expenses on loss provisions	–1,466
Expenses on value adjustments and provisions for identified losses	–1
Expenses on collectively assessed impairment provisions	–1,465
Income (loss) before taxes	16,317
Income tax	3,353
Current year profit (loss)	12,964

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	14,620
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	14,620

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 30 June 2012

16.70

RAIFFEISEN STAMBENA ŠTEDIONICA d.d.

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Management board

Hans Christian Vallant – chairperson, Franjo Franjić

Supervisory board

Johann Ertl – chairperson, Neven Vranković, Christian Ratz

Shareholders	Share in share capital (%)
1. Raiffeisen Bausparkasse GmbH	100.00

Audit firm for 2011:
Deloitte d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	5
Money assets	5
Deposits with the CNB	0
Deposits with banking institutions	36,245
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	22,762
Securities and other financial instruments held to maturity	324,070
Securities and other financial instruments not traded in active markets but carried at fair value	12,285
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	1,143,031
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	2,545
Interest, fees and other assets	95,950
Net of: Collectively assessed impairment provisions	13,620
TOTAL ASSETS	1,623,273

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	1,399,797
Giro account and current account deposits	0
Savings deposits	0
Time deposits	1,399,797
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	51,283
Interest, fees and other liabilities	93,052
TOTAL LIABILITIES	1,544,132
Capital	79,141
TOTAL LIABILITIES AND CAPITAL	1,623,273

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	16,812
Total interest income	43,207
Total interest expenses	26,394
Net income from fees and commissions	6,462
Total income from fees and commissions	8,376
Total expenses on fees and commissions	1,914
Net other non-interest income	–3,098
Other non-interest income	175
Other non-interest expenses	3,273
Net non-interest income	3,364
General administrative expenses and depreciation	21,637
Net operating income before loss provisions	–1,461
Total expenses on loss provisions	2,628
Expenses on value adjustments and provisions for identified losses	1,620
Expenses on collectively assessed impairment provisions	1,008
Income (loss) before taxes	–4,088
Income tax	0
Current year profit (loss)	–4,088

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	13,714
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	13,714

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 30 June 2012

17.93

WÜSTENROT STAMBENA ŠTEDIONICA d.d.

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Management board

Zdravko Anđel – chairperson, Ivan Ostojić

Supervisory board

Franz Meingast – chairperson, Marlies Wiest-Jetter, Werner Wabscheg, Sigmund Raugust, Rainer Hager

Shareholders	Share in share capital (%)
1. Bausparkasse Wüstenrot AG	100.00

Audit firm for 2011:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 30 June 2012, in thousand HRK

Assets	
Money assets and deposits with the CNB	5
Money assets	5
Deposits with the CNB	0
Deposits with banking institutions	13,826
MoF treasury bills and CNB bills	104,076
Securities and other financial instruments held for trading	137,832
Securities and other financial instruments available for sale	3,760
Securities and other financial instruments held to maturity	111,266
Securities and other financial instruments not traded in active markets but carried at fair value	6,502
Derivative financial assets	0
Loans to financial institutions	8,000
Loans to other clients	1,248,281
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	2,926
Interest, fees and other assets	16,940
Net of: Collectively assessed impairment provisions	11,808
TOTAL ASSETS	1,641,607

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	1,403,200
Giro account and current account deposits	0
Savings deposits	0
Time deposits	1,403,200
Other loans	93,876
Short-term loans	0
Long-term loans	93,876
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	36,236
Interest, fees and other liabilities	30,915
TOTAL LIABILITIES	1,564,228
Capital	77,379
TOTAL LIABILITIES AND CAPITAL	1,641,607

Income statement
as at 30 June 2012, in thousand HRK

Net interest income	21,113
Total interest income	42,639
Total interest expenses	21,525
Net income from fees and commissions	8,815
Total income from fees and commissions	8,964
Total expenses on fees and commissions	149
Net other non-interest income	6,954
Other non-interest income	9,999
Other non-interest expenses	3,044
Net non-interest income	15,770
General administrative expenses and depreciation	25,706
Net operating income before loss provisions	11,177
Total expenses on loss provisions	80
Expenses on value adjustments and provisions for identified losses	140
Expenses on collectively assessed impairment provisions	-60
Income (loss) before taxes	11,097
Income tax	0
Current year profit (loss)	11,097

Off-balance sheet items
as at 30 June 2012, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	8,341
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	8,341

Derivative financial instruments	
Options	0
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	0

Capital adequacy ratio, in %
as at 30 June 2012

13.81

Attachment I

List of credit institutions by peer groups, end of period

Ordinal no. as at 30 June 2012	Name of credit institution and its registered office	Peer group identifier				
		Dec. 2008	Dec. 2009	Dec. 2010	Dec. 2011	June 2012
1.	Banco Popolare Croatia d.d., Zagreb[1)]	S	S	S	S	S
2.	Banka Kovanica d.d., Varaždin	S	S	S	S	S
3.	Banka Splitsko-dalmatinska d.d., Split	S	S	S	S	S
4.	BKS Bank d.d., Rijeka[2)]	S	S	S	S	S
5.	Centar banka d.d., Zagreb	S	S	S	S	S
	Credo banka d.d., Split[3)]	S	S	S	–	–
6.	Croatia banka d.d., Zagreb	S	S	S	S	S
7.	Erste & Steiermärkische Bank d.d., Rijeka	L	L	L	L	L
8.	Hrvatska poštanska banka d.d., Zagreb	MS	MS	MS	MS	MS
9.	Hypo Alpe-Adria-Bank d.d., Zagreb	L	L	L	L	L
10.	Imex banka d.d., Split	S	S	S	S	S
11.	Istarska kreditna banka Umag d.d., Umag	S	S	S	S	S
12.	Jadranska banka d.d., Šibenik	S	S	S	S	S
13.	Karlovačka banka d.d., Karlovac	S	S	S	S	S
14.	KentBank d.d., Zagreb[4)]	S	S	S	S	S
15.	Kreditna banka Zagreb d.d., Zagreb	S	S	S	S	S
16.	Međimurska banka d.d., Čakovec	S	S	S	S	S
17.	Nava banka d.d., Zagreb	S	S	S	S	S
	Obrtnička štedna banka d.d., Zagreb[5)]	S	S	–	–	–
18.	OTP banka Hrvatska d.d., Zadar	MS	MS	MS	MS	MS
19.	Partner banka d.d., Zagreb	S	S	S	S	S
20.	Podravska banka d.d., Koprivnica	S	S	S	S	S
21.	Primorska banka d.d., Rijeka	S	S	S	S	S
22.	Privredna banka Zagreb d.d., Zagreb	L	L	L	L	L
23.	Raiffeisenbank Austria d.d., Zagreb	L	L	L	L	L
24.	Samoborska banka d.d., Samobor	S	S	S	S	S
25.	Slatinska banka d.d., Slatina	S	S	S	S	S
	Slavonska banka d.d., Osijek[6)]	MS	–	–	–	–
26.	Société Générale-Splitska banka d.d., Split[7)]	L	L	L	L	L
27.	Štedbanka d.d., Zagreb	S	S	S	S	S
28.	Tesla štedna banka d.d., Zagreb[8)]	–	S	S	S	S
29.	Vaba d.d. banka Varaždin, Varaždin	S	S	S	S	S
30.	Veneto banka d.d., Zagreb[9)]	S	S	S	S	S
31.	Volksbank d.d., Zagreb	MS	MS	MS	MS	MS
32.	Zagrebačka banka d.d., Zagreb	L	L	L	L	L
1.	HPB stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB
2.	PBZ stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB
3.	Prva stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB
4.	Raiffeisen stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB
5.	Wüstenrot stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB

[1)] Banka Sonic d.d., Zagreb changed its name to Banco Popolare Croatia d.d., Zagreb on 23 April 2007. [2)] Kvarner banka d.d., Rijeka changed its name to BKS Bank d.d., Rijeka on 22 August 2008. [3)] Credo banka d.d., Split had its authorisation withdrawn on 22 November 2011. [4)] Banka Brod d.d., Slavonski Brod, changed its name to KentBank d.d., Zagreb on 6 July 2012. [5)] Obrtnička štedna banka d.d., Zagreb, had begun operating on 17 July 2008 and had its authorisation withdrawn on 22 December 2010. [6)] Slavonska banka d.d., Osijek, merged with Hypo Alpe-Adria-Bank d.d., Zagreb on 1 March 2009. [7)] HVB Splitska banka d.d., Split, changed its name to Société Générale-Splitska banka d.d., Split on 10 July 2006. [8)] A štedna banka malog poduzetništva d.d., Zagreb, had begun operating on 1 April 2009 and changed its name to Tesla štedna banka d.d., Zagreb on 23 May 2011. [9)] Gospodarsko-kreditna banka d.d., Zagreb, changed its name to Veneto banka d.d., Zagreb on 6 April 2007.

Note:
L – large bank (share in total bank assets above 5%)
MS – medium-sized bank (share in total bank assets between 1% and 5%)
S – small bank (share in total bank assets below 1%)
HSB – housing savings bank

Attachment II

Credit institution groups subject to reporting to the CNB on a consolidated basis, as at 30 June 2012

	Credit institution group	Superordinate credit institution	Group members
1.	ERSTE & STEIERMÄRKISCHE BANK	Erste & Steiermärkische Bank d.d., Rijeka	Erste bank AD, Podgorica
			Erste Card Club d.d., Zagreb
			Erste d.o.o. za upravljanje obveznim mirovinskim fondom, Zagreb
			Erste DMD d.o.o. za upravljanje dobrovoljnim mirovinskim fondom, Zagreb
			Erste delta d.o.o., Zagreb
			Erste factoring d.o.o., Zagreb
			Erste nekretnine d.o.o., Zagreb
			S Immorent leasing Zeta d.o.o. za poslovanje nekretnina-ma, Zagreb
			Immokor Buzin d.o.o., Zagreb
			Diners Club BIH d.o.o., Sarajevo
			s IT Solutions HR d.o.o., Bjelovar
2.	HRVATSKA POŠTANSKA BANKA	Hrvatska poštanska banka d.d., Zagreb	HPB-Stambena štedionica d.d., Zagreb
3.	HYPO ALPE-ADRIA-BANK	Hypo Alpe-Adria-Bank d.d., Zagreb	Hypo Alpe-Adria-Invest d.d., Zagreb
			Hypo Alpe-Adria-Leasing d.o.o., Zagreb
			Hypo Alpe-Adria-Nekretnine d.o.o., Zagreb
4.	PRIVREDNA BANKA ZAGREB	Privredna banka Zagreb d.d., Zagreb	Međimurska banka d.d., Čakovec
			PBZ CARD d.o.o., Zagreb
			PBZ Croatia osiguranje d.d. za upravljanje obveznim mirovinskim fondom, Zagreb
			PBZ Invest d.o.o., Zagreb
			PBZ Leasing d.o.o., Zagreb
			PBZ stambena štedionica d.d., Zagreb
			PBZ-NEKRETNINE d.o.o., Zagreb
5.	RAIFFEISENBANK AUSTRIA	Raiffeisenbank Austria d.d., Zagreb	Raiffeisen Consulting d.o.o., Zagreb
			Raiffeisen Factoring d.o.o., Zagreb
			Raiffeisen Invest d.o.o., Zagreb
			Raiffeisen Leasing d.o.o., Zagreb
			Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondom d.o.o., Zagreb
			Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb
6.	SOCIÉTÉ GÉNÉRALE-SPLITSKA BANKA	Société Générale-Splitska banka d.d., Split	SG Consumer Finance d.o.o., Zagreb
			SG Leasing d.o.o., Zagreb
7.	ZAGREBAČKA BANKA	Zagrebačka banka d.d., Zagreb	Allianz ZB društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o., Zagreb
			Allianz ZB društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb
			Pominvest d.d., Split
			Prva stambena štedionica d.d., Zagreb
			UniCredit Bank d.d., Mostar
			Zagreb nekretnine d.o.o., Zagreb
			ZANE BH d.o.o. za poslovanje nekretninama, Sarajevo
			ZB Invest d.o.o., Zagreb

Abbreviations

BAN	– bank account number
BIS	– Bank for International Settlements
bn	– billion
CBRD	– Croatian Bank for Reconstruction and Development
CBS	– Croatian Bureau of Statistics
CICR	– currency-induced credit risk
CNB	– Croatian National Bank
ECB	– European Central Bank
EU	– European Union
HHI	– Herfindahl-Hirschman index
HRK	– kuna
m	– million
MLC	– minimum liquidity coefficient
MoF	– Ministry of Finance
OG	– Official Gazette
RC	– Republic of Croatia
ROAA	– return on average assets
ROAE	– return on average equity

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