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1 Banking Institutions' Business Operations Indicators

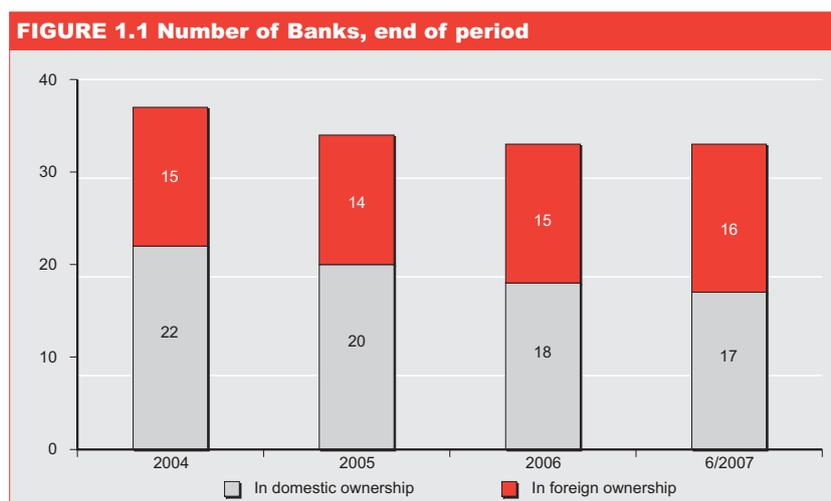
Data on the business operations of banks and housing savings banks for the first six months of 2007, shown below, are based on unconsolidated unaudited financial reports which banks and housing savings banks have submitted to the Croatian National Bank.

At the end of the first half of 2007, the banking sector of the Republic of Croatia comprised 33 banks and 5 housing savings banks. The banking sector's total assets were HRK 331.4bn. The share of banks' assets in the total assets of the banking sector was 98.1%, while housing savings banks' asset share was 1.9%.

1.1 Banks

1.1.1 Structure of Banks in the Republic of Croatia

Compared to the end of last year, the number of banks remains unchanged. At the end of the first half of 2007, 33 banks were operating in the Republic of Croatia (6 large banks, 4 medium-sized banks and 23 small banks).



The asset share of large banks in total bank assets was 79.8% at the end of the first half of 2007, decreasing by 0.4 percentage points over the end of 2006. In the same period, however, the asset share of medium-sized banks in total bank assets grew by the same percentage (Table 1.1). The reason for

this was a faster growth in the assets of medium-sized banks (10.1% in the first half of 2007) than in the assets of large banks (6.2% in the first half of 2007). Small banks also achieved asset growth (7.5%). Their share in total bank assets remained at the same level as at the end of last year, outstripping the growth in assets achieved by all banks (6.8%).

TABLE 1.1 Bank Peer Groups and Their Share in Total Bank Assets, end of period

	Dec. 2004		Dec. 2005		Dec. 2006		Jun. 2007	
	Number of banks	Share						
Large banks	6	81.7	6	81.9	6	80.2	6	79.8
Medium-sized banks	4	9.9	4	10.4	4	12.0	4	12.4
Small banks	27	8.4	24	7.7	23	7.8	23	7.8
Total	37	100.0	34	100.0	33	100.0	33	100.0

The number of banks in majority domestic ownership fell from 18 at the end of 2006 to 17 at the end of the first half of 2007 (Table 1.2), after one small bank was taken over by a foreign financial institution.¹ The number of banks in domestic state ownership remained unchanged.

All large, three medium-sized and seven small banks were in majority foreign ownership. Despite the growth in the number of banks in majority foreign ownership and the growth in these banks' assets (6.8%), their share in total bank assets fell at the end of the first half of 2007 compared to the end of 2006. This was the consequence of the increase in the share of assets of banks in domestic ownership, with the assets of banks in state ownership increasing by 14.7% and the assets of banks in private ownership decreasing by a negligible amount.

TABLE 1.2 Ownership Structure of Banks and Their Share in Total Bank Assets, end of period

	Dec. 2004		Dec. 2005		Dec. 2006		Jun. 2007	
	Number of banks	Share						
Domestic ownership	22	8.7	20	8.7	18	8.9	17	9.2
Domestic private ownership	20	5.6	18	5.3	16	4.9	15	4.7
Domestic state ownership	2	3.1	2	3.4	2	4.0	2	4.5
Foreign ownership	15	91.3	14	91.3	15	91.1	16	90.8
Total	37	100.0	34	100.0	33	100.0	33	100.0

In addition, within the banking sector, as at the end of 2006, eight banking groups, on whose business operations the superordinate banks reported to the Croatian National Bank, operated in line with the Decision on consolidated financial reports of a banking group.²

1 Cassa di Risparmio della Repubblica San Marino s.p.a. became a majority shareholder in Banka Kovanica d.d.

2 For the composition of individual banking groups see Attachment II, Banking Groups, as at 30 June 2007.

1.1.2 Territorial Distribution of Banking Business Networks and Concentration in the Banking Sector

At the end of the first half of 2007, banks operated through 1 151 operating units. Compared to the end of last year, the number of operating units grew by 33 and the number of ATMs by 125. Hence, at the end of June 2007, banks owned 2 258 ATMs, and their customers also used the services provided through 508 ATMs of other companies.³

TABLE 1.3 Territorial Distribution of Operating Units and ATMs, end of period

County	Dec. 2004		Dec. 2005		Dec. 2006		Jun. 2007	
	Operating units	ATMs						
County of Zagreb and City of Zagreb	201	552	224	656	229	740	240	780
County of Krapina-Zagorje	24	32	25	36	28	50	29	57
County of Sisak-Moslavina	29	47	35	59	35	80	37	81
County of Karlovac	27	42	25	50	24	61	24	59
County of Varaždin	38	67	40	82	40	93	42	98
County of Koprivnica-Križevci	31	35	51	40	36	44	37	47
County of Bjelovar-Bilogora	27	45	26	53	23	52	23	56
County of Primorje-Gorski Kotar	114	199	111	224	106	260	108	265
County of Lika-Senj	14	24	14	33	15	38	17	39
County of Virovitica-Podravina	26	19	25	25	27	36	28	36
County of Požega-Slavonia	24	22	25	24	25	32	25	32
County of SlavonSKI Brod-Posavina	23	31	28	38	27	49	28	55
County of Zadar	44	92	45	114	46	137	51	142
County of Osijek-Baranya	56	87	72	110	68	125	69	141
County of Šibenik-Knin	33	65	32	80	40	92	37	99
County of Vukovar-Srijem	22	38	23	51	24	57	24	59
County of Split-Dalmatia	121	214	124	251	131	279	137	291
County of Istria	103	170	107	218	109	234	108	236
County of Dubrovnik-Neretva	54	74	55	97	58	110	59	114
County of Međimurje	26	58	27	66	27	72	28	79
Total	1,037	1,913	1,114	2,307	1,118	2,641	1,151	2,766

Only in two counties did the concentration of bank operating units exceed 10%. In the County of Zagreb and the City of Zagreb, at the end of the first half of 2007, 27 banks operated through 240 operating units and made up 20.9% of the total number of operating units, which was the greatest concentration of operating units in all counties. In terms of concentration, the County of Split-Dalmatia followed with 11.9% of the total number of operating units. The smallest number of operating units was in the County of Lika-Senj (17), where the fewest banks operated (4).

The greatest concentration of ATMs was also in the County of Zagreb and the City of Zagreb. A total of 780 ATMs have been installed in this area at the end of the first half of 2007, which made up 28.2% of the total number of ATMs. Compared to the end of the previous year, the number of ATMs in the said area grew by 40. In contrast to this, in the County of Požega-Slavonija, only 32 ATMs have been installed. As at the end of 2006, six small banks did not have ATMs as part of their service offer.

In the first half of 2007, large banks increased their number of operating units to 684 or by 15 operating units, comprising 59.4% of the total number of operating units. Large banks also had the greatest number of ATMs (2 111), comprising 76.3% of the total number of ATMs (Figure 1.3 and

³ In 2006, Privredna banka Zagreb d.d. transferred its ownership of ATMs to PBZ Card d.o.o.

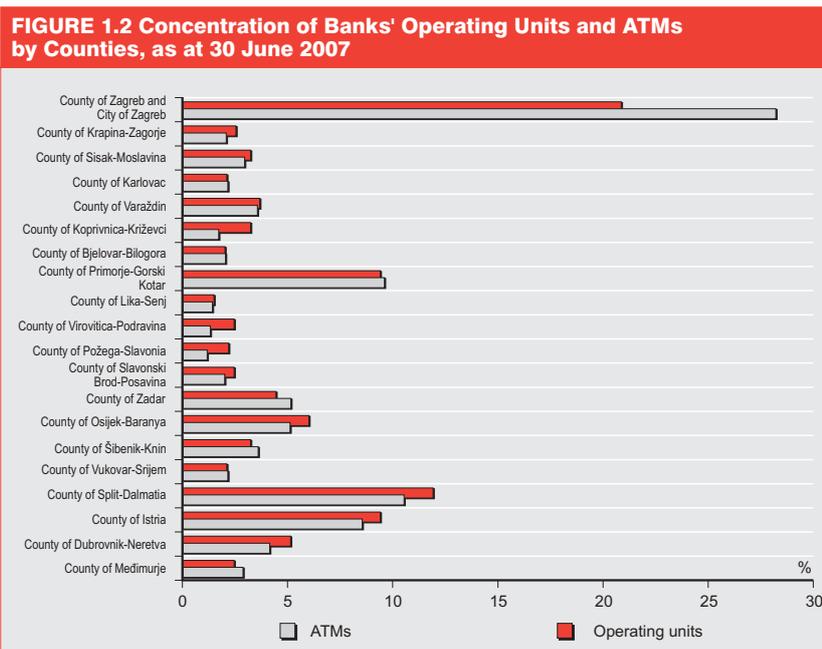


Figure 1.4). Medium-sized banks had 161 and small banks 306 operating units, increasing their number by 12 and 2 operating units respectively. The number of ATMs grew by 15 in medium-sized banks and by 6 in small banks.

For the purpose of analysing the concentration of shares of assets, loans and deposits in the banking sector, data on the asset levels of the ten largest banks are monitored. At the end of the first half of 2007, these belonged to the group of large and medium-sized banks. In the concentration analysis, banks are divided into three groups. The first group consists of the two largest banks, the second of the five largest banks, while the third group consists of the ten largest banks. Concentration is defined as the share of the amounts of assets, loans and deposits for individual bank groups in the total amount of the respective balance sheet items of all banks.

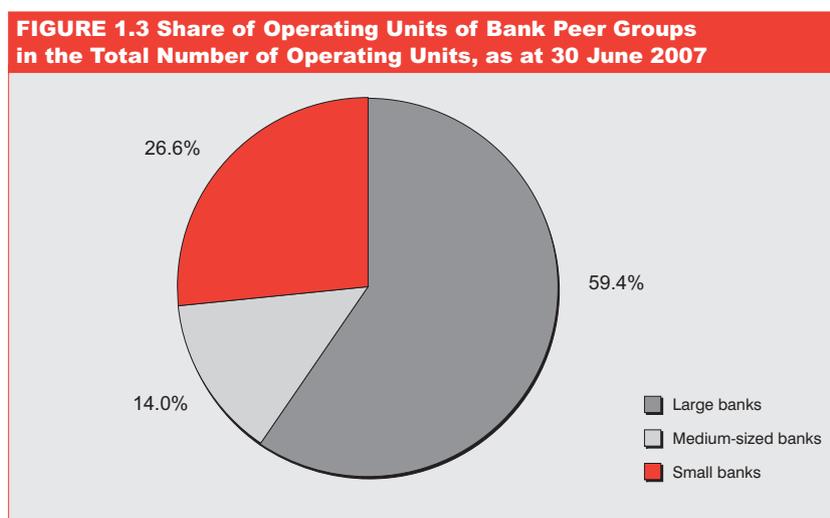
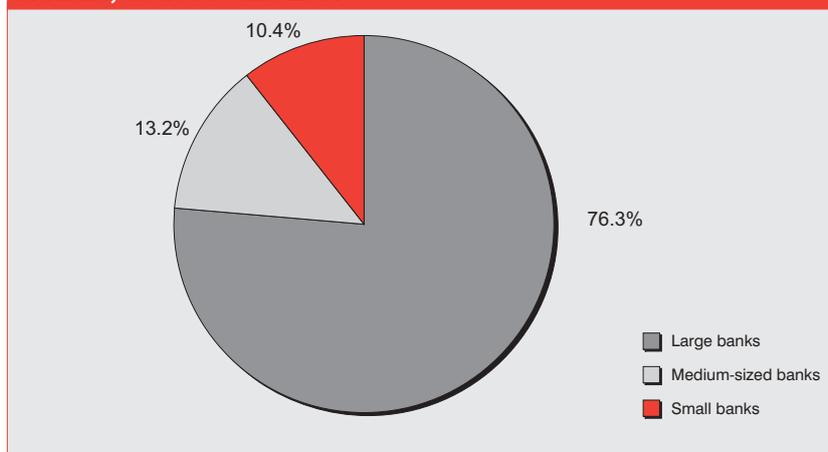


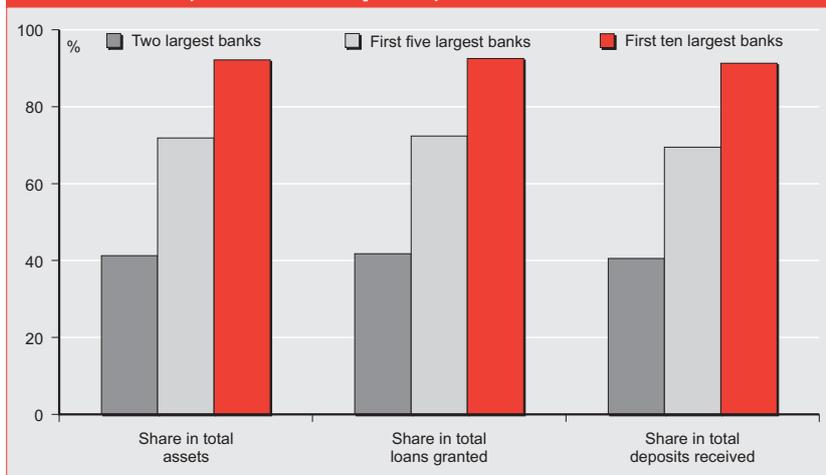
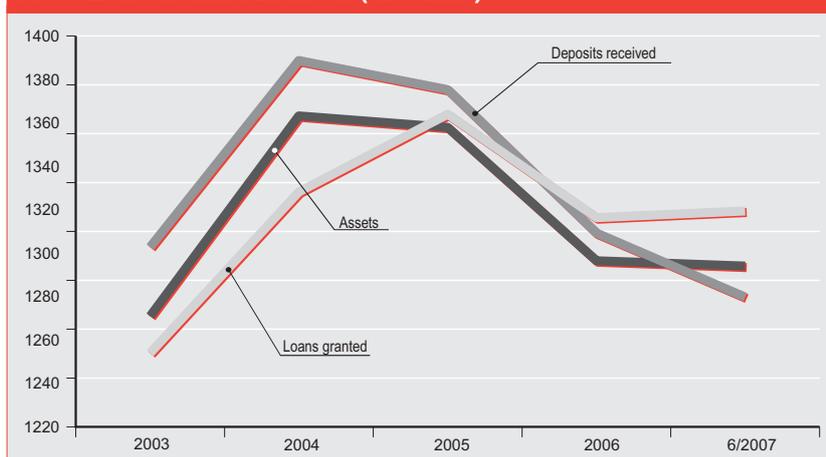
FIGURE 1.4 Share of ATMs of Bank Peer Groups in the Total Number of ATMs, as at 30 June 2007

At the end of June 2007, 42.1% of total assets, 41.8% of total net loans and 40.6% of total bank deposits belonged to the two largest banks (Figure 1.5). The decrease in the observed shares is attributed to the slower growth of these items in the two largest banks than in other bank peer groups and all banks combined at the end of June 2007 than at the end of 2006. The share of deposits of the two largest banks in total deposits of all banks fell most in the reference period (by 1.8 percentage points). Specifically, deposits of the two largest banks grew by only 3.4% at the end of June 2007 over the end of last year, while total deposits of all banks combined went up by 7.9%.

Compared to the end of 2006, the first five banks (in terms of asset level) also recorded a decrease in the share of all the three observed items in the total amount of these items of all banks. This is attributed to the lower growth of assets, net loans and deposits in the first five banks than in all banks combined. After these changes, at the end of the first half of 2007, these five banks held 71.9% of total assets, 72.4% of total net loans and 69.5% of total bank deposits.

The growth of assets, net loans and deposits of the ten largest banks, which was somewhat higher than that in all banks combined, resulted in a negligible change of the share of all the three observed items in the total amount of these items of all banks. At the end of June 2007, the first ten banks accounted for 92.2% of total assets, 92.5% of total net loans and 91.3% of total deposits. The growth of assets, net loans and deposits in medium-sized banks, which offset slower growth of all the three observed items in the first two banks and in the first five largest banks, helped the first ten largest banks to keep their shares of assets, net loans and deposits at end-2006 level.

At the end of June 2007, the value of the Herfindahl index for asset concentration was 1294 units, for deposit concentration 1280 units, and for loan concentration 1319 units (Figure 1.6). Asset and deposit concentration indicators, measured by the Herfindahl index, at the end of the first half of 2007 were lower compared to the balance at the end of 2006. In contrast, the loan concentration indicator rose slightly in the reference period. The above decrease in the concentration of the largest banks in the banking sector which, due to the high level of their assets and deposits, had the biggest effect on the value of the Herfindahl index, is the cause of the drop in the index value for the concentration of assets and deposits.

FIGURE 1.5 Shares of the Largest Banks' Assets, Loans and Deposits in Total Assets, Loans and Deposits, as at 30 June 2007**FIGURE 1.6 Herfindahl Index (all banks)**

1.1.3 Banks' Balance Sheet and Off-Balance Sheet Items

The total assets of banks, as at 30 June 2007, were HRK 325.2bn. Compared to the balance at the end of last year, total bank assets rose by HRK 20.6bn or 6.8%. In the reference period, four banks witnessed a decrease in their assets, ranging between 0.4% and 6.5%.

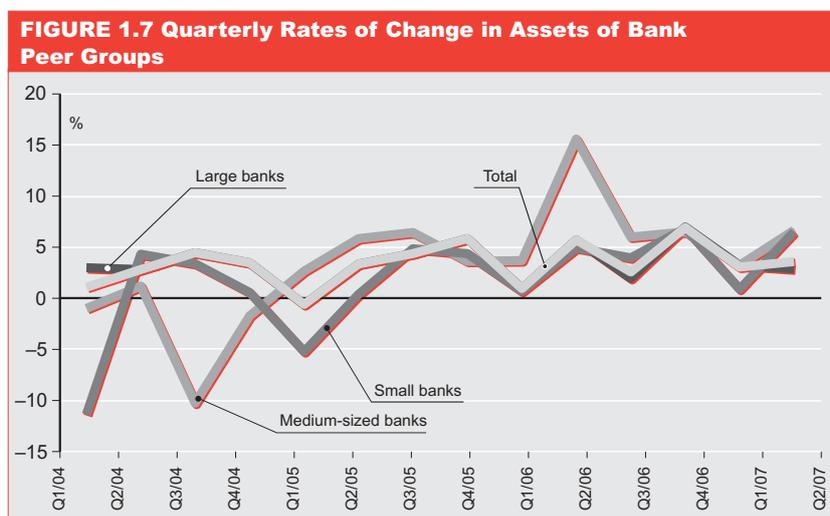
Medium-sized banks had the greatest relative influence on the half-yearly rate of change in bank assets, with their assets increasing by 10.1%. The assets of small banks grew at a rate of 7.5%, while the rate of change in the assets of large banks stood at 6.2% and was lower than that for all banks combined.

In the first half of 2007, the growth in assets of medium-sized banks was particularly pronounced in the second quarter, outstripping the growth in assets of other bank peer groups and all banks combined (Figure 1.7).

TABLE 1.4 Structure of Banks' Assets, end of period, in million HRK and %

	Dec. 2004		Dec. 2005			Dec. 2006			Jun. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	34,891.3	15.2	42,900.8	16.5	23.0	49,615.2	16.3	15.7	52,553.3	16.2	5.9
1.1. Money assets	3,062.1	1.3	3,347.1	1.3	9.3	3,931.0	1.3	17.4	4,506.8	1.4	14.6
1.2. Deposits with the CNB	31,829.2	13.9	39,553.7	15.2	24.3	45,684.2	15.0	15.5	48,046.5	14.8	5.2
2. Deposits with banking institutions	33,351.2	14.5	23,155.9	8.9	-30.6	26,005.6	8.5	12.3	24,948.0	7.7	-4.1
3. MoF treasury bills and CNB bills	3,580.6	1.6	7,007.2	2.7	95.7	8,077.2	2.7	15.3	8,699.0	2.7	7.7
4. Securities and other financial instruments held for trading	6,566.1	2.9	8,285.5	3.2	26.2	7,730.4	2.5	-6.7	7,533.6	2.3	-2.5
5. Securities and other financial instruments available for sale	9,918.6	4.3	11,820.8	4.5	19.2	12,678.2	4.2	7.3	11,896.8	3.7	-6.2
6. Securities and other financial instruments held to maturity	6,557.3	2.9	5,106.0	2.0	-22.1	3,311.9	1.1	-35.1	3,512.4	1.1	6.1
6.1. Securities and other financial instruments bought on issue directly from the issuer ^a	994.3	0.4	-	-	-	-	-	-	-	-	-
7. Securities and other financial instruments not traded in active markets but carried at fair value	-	-	1,101.4	0.4	-	460.1	0.2	-58.2	417.5	0.1	-9.3
8. Derivative financial assets	152.0	0.1	147.3	0.1	-3.1	280.9	0.1	90.7	398.3	0.1	41.8
9. Loans to financial institutions	3,289.5	1.4	3,867.3	1.5	17.6	4,035.4	1.3	4.3	5,276.8	1.6	30.8
10. Loans to other clients	121,912.6	53.2	148,089.7	56.9	21.5	183,743.9	60.3	24.1	201,033.9	61.8	9.4
11. Investments in subsidiaries and associates	1,687.5	0.7	1,601.8	0.6	-5.1	1,675.5	0.6	4.6	1,692.2	0.5	1.0
12. Foreclosed and repossessed assets	358.1	0.2	356.3	0.1	-0.5	445.6	0.1	25.1	389.2	0.1	-12.7
13. Tangible assets (net of depreciation)	3,786.9	1.7	4,198.8	1.6	10.9	4,434.1	1.5	5.6	4,407.6	1.4	-0.6
14. Interest, fees and other assets	4,255.4	1.9	4,901.6	1.9	15.2	4,788.2	1.6	-2.3	5,256.7	1.6	9.8
15. Net of: Collectively assessed impairment provisions	1,996.1	0.9	2,263.1	0.9	13.4	2,672.7	0.9	18.1	2,815.6	0.9	5.3
TOTAL ASSETS	229,305.2	100.0	260,277.2	100.0	13.5	304,609.4	100.0	17.0	325,199.7	100.0	6.8

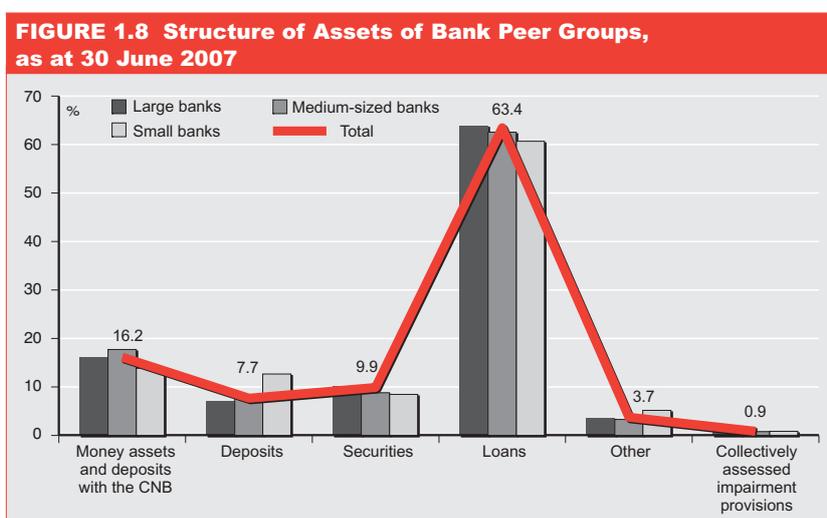
^a This category of financial assets is not stated in the revised IAS 39. It has been included in the above table due to its balance as at 31 December 2004.



The change in the currency structure of the banks' balance sheet, which was seen in the strengthening of the kuna-denominated assets and liabilities and in the decrease of foreign currency items and items with a currency clause, marked the first six months of 2007. Specifically, the kuna-denominated assets made up 39.5% of total bank assets at the end of June 2007, while they stood at 35.0% at the end of 2006. This is attributed to faster growth in the kuna-denominated assets (HRK 21.8bn or 20.4%) than in total bank assets (HRK 20.6bn or 6.8%) in the reference period. In

addition, the share of assets with a currency clause fell from 39.4% to 36.7% and the share of the foreign currency-denominated assets from 25.5% to 23.8% at the end of June 2007 over the end of 2006.

Total kuna-denominated liabilities and capital of banks went up by HRK 28.9bn (23.8%) at the end of June 2007 compared to the end of 2006, outstripping the growth in total bank liabilities. The foreign currency-denominated liabilities and capital and the liabilities and capital with a currency clause were HRK 8.3bn or 4.6% lower at the end of June 2007 than at the end of 2006. The share of the kuna-denominated items in the currency structure of total liabilities and capital grew from 39.9% to 46.3% at the end of June compared to the end of 2006. The share of items with a currency clause fell from 10.8% to 6.9% in the reference period, while the share of the foreign currency-denominated items dipped from 49.2% to 46.8%. These changes in bank liabilities were for the major part the result of the decrease in liabilities from received loans and the currency restructuring of received deposits.



Compared to the end of 2006, total loans granted, which grew by HRK 18.5bn (9.9%) and reached HRK 206.3bn at the end of June 2007, made the largest contribution to the growth in total assets. In addition, the share of loans granted in total assets rose from 61.6% at the end of 2006 to 63.4% at the end of June 2007, while loans granted in kuna grew more than total loans granted (by HRK 18.9bn or 35.6%).

Medium-sized banks had the highest growth rate of loans granted at the end of June 2007, due to the increase in the amount of these loans by 14.7%. As a result, the share of loans in the assets of medium-sized banks rose from 60.1% at the end of 2006 to 62.6% at the end of June 2007. Despite having the lowest growth rate of loans in the January-June period of 2007 (9.1%), large banks continued to have the largest share of loans in assets (63.8%). Loans granted by small banks grew by 10.6%, and their share in assets remained the lowest in the reference period (60.7%).

Compared to the end of 2006, money assets and deposits with the CNB went up by HRK 2.4bn or by 5.9%. The increase in deposits with the CNB at the end of June 2007 compared to the end of 2006 was to a large extent the result of a 27.0% growth in marginal reserve requirement deposits.

Banks' total investment in securities fell by a negligible 0.6% at the end of June 2007, ending the period at HRK 32.1bn. The fall in total investment in securities was for the major part the result of the decrease of investment in the portfolio of available-for-sale securities which, compared to the end of 2006, declined by 6.2%. Broken down by instruments, banks invested the largest amount of their assets (HRK 17.2bn) in bonds and other long-term debt instruments at the end of June 2007. These accounted for 53.6% of their total investment in securities. In terms of investments made in securities, banks' investment in MoF T-bills followed with a share of 27.1%.

Deposits placed by banks with other banking institutions dipped by 4.1% at the end of June 2007 over the end of 2006. This was due to a 9.4% fall in deposits placed with foreign banks.

TABLE 1.5 Structure of Banks' Liabilities, end of period, in million HRK and %

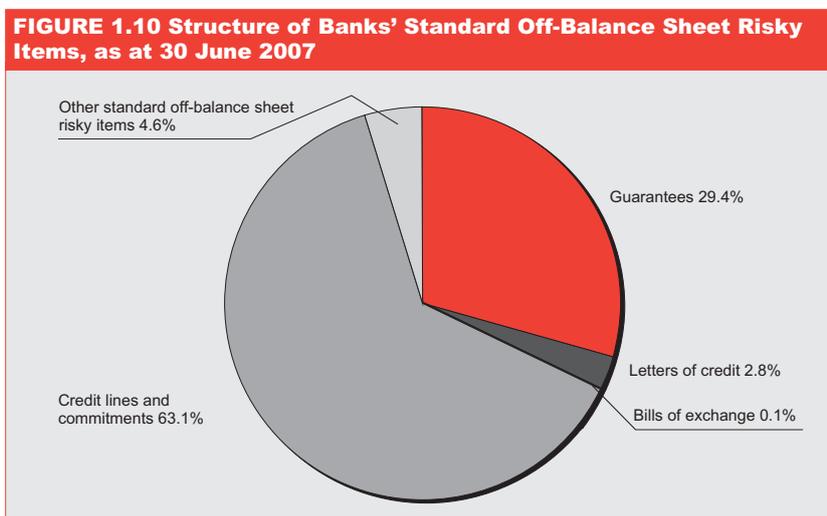
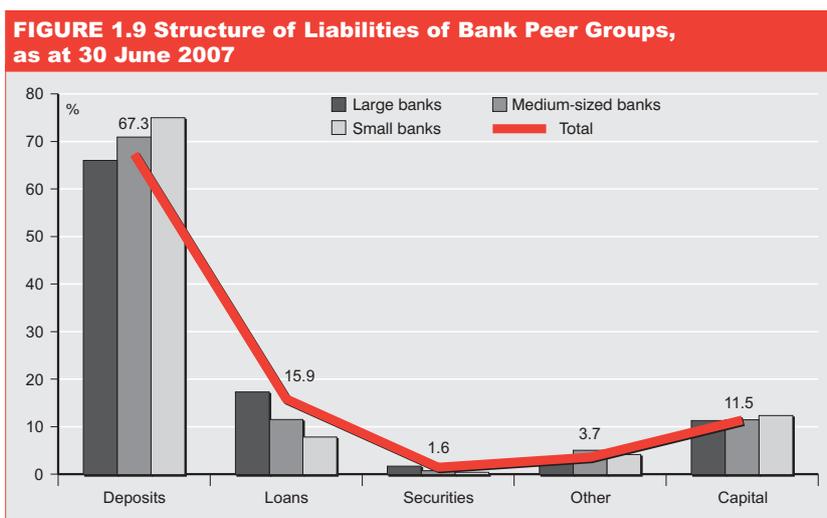
	Dec. 2004		Dec. 2005			Dec. 2006			Jan. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	8,462.0	3.7	13,844.2	5.3	63.6	15,102.5	5.0	9.1	20,160.5	6.2	33.5
1.1. Short-term loans	3,592.1	1.6	7,346.5	2.8	104.5	7,286.7	2.4	-0.8	11,790.9	3.6	61.8
1.2. Long-term loans	4,869.9	2.1	6,497.7	2.5	33.4	7,815.8	2.6	20.3	8,369.6	2.6	7.1
2. Deposits	155,277.9	67.7	171,742.0	66.0	10.6	202,949.0	66.6	18.2	219,015.8	67.3	7.9
2.1. Giro account and current account deposits	25,561.2	11.1	29,175.2	11.2	14.1	37,696.5	12.4	29.2	39,108.3	12.0	3.7
2.2. Savings deposits	25,223.3	11.0	26,124.5	10.0	3.6	26,601.4	8.7	1.8	26,284.9	8.1	-1.2
2.3. Time deposits	104,493.4	45.6	116,442.2	44.7	11.4	138,651.0	45.5	19.1	153,622.7	47.2	10.8
3. Other loans	31,368.3	13.7	36,191.2	13.9	15.4	39,762.9	13.1	9.9	31,634.7	9.7	-20.4
3.1. Short-term loans	5,265.3	2.3	8,213.9	3.2	56.0	10,028.1	3.3	22.1	6,323.0	1.9	-36.9
3.2. Long-term loans	26,103.0	11.4	27,977.3	10.7	7.2	29,734.8	9.8	6.3	25,311.7	7.8	-14.9
4. Derivative financial liabilities and other financial liabilities held for trading	238.8	0.1	223.7	0.1	-6.3	221.6	0.1	-0.9	375.7	0.1	69.5
5. Debt securities issued	3,535.1	1.5	3,396.9	1.3	-3.9	3,583.4	1.2	5.5	3,565.2	1.1	-0.5
5.1. 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
5.2. Long-term debt securities issued	3,535.1	1.5	3,396.9	1.3	-3.9	3,583.4	1.2	5.5	3,565.2	1.1	-0.5
6. Subordinated instruments issued	818.3	0.4	770.7	0.3	-5.8	758.1	0.2	-1.6	768.6	0.2	1.4
7. Hybrid instruments issued	1,642.8	0.7	886.6	0.3	-46.0	552.4	0.2	-37.7	752.7	0.2	36.3
8. Interest, fees and other liabilities	8,280.3	3.6	9,778.3	3.8	18.1	10,413.5	3.4	6.5	11,666.9	3.6	12.0
TOTAL LIABILITIES	209,623.4	91.4	236,833.6	91.0	13.0	273,343.4	89.7	15.4	287,940.1	88.5	5.3
TOTAL CAPITAL	19,681.8	8.6	23,443.6	9.0	19.1	31,266.0	10.3	33.4	37,259.6	11.5	19.2
TOTAL LIABILITIES AND CAPITAL	229,305.2	100.0	260,277.2	100.0	13.5	304,609.4	100.0	17.0	325,199.7	100.0	6.8

Deposits received by banks totalled HRK 219.0bn at the end of June 2007, increasing by 7.9% over the end of 2006. As their growth rate was higher than the growth rate of total liabilities, the share of deposits in total bank liabilities rose by 0.7 percentage points. The increase in total deposits is attributed to the growth in kuna deposits, by HRK 16.9bn or 23.6%, which, to a large extent, was the result of the increase in kuna time deposits. Concurrently, received deposits with a currency clause, which almost completely consisted of time deposits, fell by HRK 6.4bn or 28.7% at the end of June 2007 over the end of 2006. Medium-sized banks had the highest growth rate of received deposits (9.4%), while the growth rates of received deposits in large and small banks were lower than the average growth rate for all banks combined and stood at 7.8% and 6.6% respectively. In addition, deposits continued to account for the largest share in the structure of liabilities of small banks (75.0%). This share stood at 71.0% in medium-sized banks, while it was the lowest in large banks and accounted for 66.0% of their total liabilities.

Loans received by banks fell by HRK 3.1bn or 5.6% at the end of June 2007 over the end of 2006. While liabilities to domestic financial institutions rose by HRK 5.0bn or 33.5%, liabilities to foreign financial institutions went down by HRK 8.1bn or 20.5%. Although more than a half of the

decrease in loans received from foreign financial institutions was accounted for by the fall in liabilities to the majority foreign owners of banks, the share of loans received from the majority foreign owners continued to make up more than one-third of total loans (36.3%). The non-resident sector remained the main creditor for domestic banks, with its share in total loans accounting for 60.6%. In addition, large banks accounted for as much as 87.1% of total loans received by all banks.

The total debt securities issued by banks fell negligibly at the end of June 2007 over the end of 2006. In addition, compared to the end of 2006, hybrid instruments grew by 36.3%, while a small increase was observed in issued subordinated instruments.



Banks' standard off-balance sheet risky items at the end of June 2007 amounted to HRK 64.8bn. Compared to the balance at the end of 2006, these items increased by HRK 3.6bn or by 5.9%. To a large extent, this was the result of the increase in guarantees and the increase in credit lines and commitments, which stood at 8.3% and 7.0% respectively. In addition, the share of credit lines and commitments and the share of guarantees in the standard off-balance sheet risky items grew each

by 0.7 percentage points, accounting for 63.1% and 29.4% respectively of total standard off-balance sheet risky items (Figure 1.10).

The total contracted value of derivative financial instruments was 45.8% greater at the end of June 2007 than at the end of 2006, amounting to HRK 108.7bn. Above all, this is attributed to a 48.9% increase in the amount of instruments contracted with non-residents. Broken down by instruments, swaps grew by 51.7% and forwards by 49.7%, while the value of other instruments went down in the reference period. The structure of the total contracted value of derivative financial instruments did not change significantly in the January-July period of 2007, with forwards accounting for the largest share in total derivative financial instruments (54.7%).

At the end of June 2007, large banks, medium-sized banks and small banks accounted for 86.7%, 8.4% and 4.9% respectively of total standard off-balance sheet risky items. Moreover, the share of large banks in the total contracted value of derivative financial instruments grew further in the reference period, standing at 94.1%. The shares of medium-sized banks and small banks in the total contracted value of derivative financial instruments stood at 5.3% and 0.6% respectively.

1.1.4 Banks' Capital

In the first half of 2007, banks increased their total capital by HRK 6.0bn or 19.2%. After the attribution of the current year profit and bank recapitalisations, it reached a total of HRK 37.3bn (Table 1.6). Hence, its share in total bank liabilities grew from 10.3% at the end of 2006 to 11.5% at the end of June 2007. Medium-sized banks had the highest growth rate of total capital – 32.1%. In large and small banks, however, this rate stood at 18.8% and 7.2% respectively.

Banks managed to allocate the majority of their profits, reported at the end of 2006, until the end of June 2007. Specifically, HRK 2.0bn were allocated to reserves and HRK 0.5bn to retained earnings, while HRK 0.7bn were paid as dividends to shareholders. The remaining HRK 0.2bn of the profit reported at the end of 2006 remained unallocated at the end of June 2007.

Compared to its balance at the end of 2006, the share capital of banks increased by HRK 4.7bn or 28.2%, and five banks recapitalised in the first half of 2007. The majority of this increase went to large banks, which rose their share capital by HRK 3.5bn or 30.2%. The recapitalisations of medium-sized banks (HRK 1.0bn) contributed to a considerable increase in their share capital (38.4%). The share capital of small banks went up by HRK 0.1bn or 5.2%.

The increase in share capital affected the change in the structure of total capital. Specifically, share capital again made up more than a half of total capital, i.e. 57.1%, and grew by 4.0 percentage points over the end of 2006. The largest change in the structure of total capital was seen in large banks where, after substantial recapitalisations, the share capital went up by 4.5 percentage points and accounted for 51.9% of their capital. However, despite these changes, they had the smallest share of share capital in the structure of their total capital. The share of share capital in medium-sized and small banks was significantly greater and amounted to 79.3% and 73.0% respectively of banks' total capital. Moreover, compared to the end of 2006, this share grew in medium-sized banks and fell in small banks.

Total capital of large banks accounted for the largest share of total capital of banks at the end of June 2007. It constituted 79.1% of total banks' capital. This was followed by medium-sized banks' total capital of 12.5% and small banks' total capital of 8.5%.

TABLE 1.6 Structure of Banks' Total Capital, end of period, in million HRK and %

	Dec. 2004		Dec. 2005			Dec. 2006			Jun. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	10,113.1	51.4	11,523.3	49.2	13.9	16,584.2	53.0	43.9	21,263.8	57.1	28.2
2. Current year profit/loss	3,036.8	15.4	3,247.8	13.9	6.9	3,400.5	10.9	4.7	2,050.4	5.5	-39.7
3. Retained earnings (loss)	1,899.0	9.6	2,499.9	10.7	31.6	3,716.8	11.9	48.7	4,221.2	11.3	13.6
4. Legal reserves	718.1	3.6	798.4	3.4	11.2	882.4	2.8	10.5	1,053.6	2.8	19.4
5. Total reserves provided for by the articles of association and other capital reserves	3,915.5	19.9	5,374.0	22.9	37.3	6,684.9	21.4	24.4	8,499.0	22.8	27.1
5.1. Reserves provided for by the articles of association and other capital reserves	3,918.2	19.9	5,350.4	22.8	36.6	6,662.0	21.3	24.5	8,493.6	22.8	27.5
5.2. Unrealised gains/losses on value adjustments of financial assets available for sale	-2.8	0.0	23.7	0.1	0.0	14.6	0.0	-38.2	-5.9	0.0	0.0
5.3. Reserves arising from hedging transactions	0.0	0.0	0.0	0.0	0.0	8.3	0.0	0.0	11.3	0.0	35.9
6. Previous year profit/loss	-0.7	0.0	0.2	0.0	0.0	-2.7	0.0	0.0	171.6	0.5	0.0
TOTAL CAPITAL	19,681.8	100.0	23,443.6	100.0	19.1	31,266.0	100.0	33.4	37,259.6	100.0	19.2

The total regulatory capital of all banks at the end of June 2007 was HRK 36.9bn and, compared to the balance at the end of 2006, increased by 14.6% (Table 1.7). Compared to the end of 2006, regulatory capital grew most strongly in medium-sized banks (32.9%), while large and small banks increased their regulatory capital by 13.0% and 5.4% respectively. Thus, at the end of June 2007, large banks participated in total regulatory capital with a 78.3% share, medium-sized banks with a 13.3% share and small banks with an 8.4% share.

TABLE 1.7 Changes in Banks' Regulatory Capital, end of period, in million HRK and %

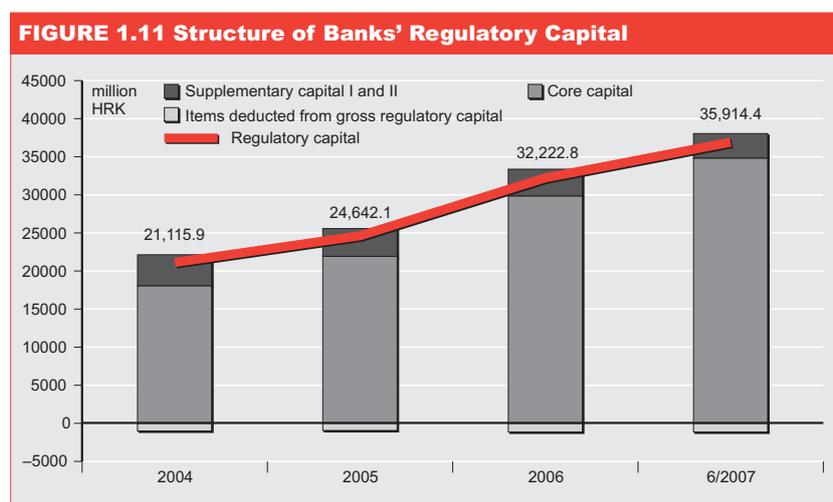
	Dec. 2004		Dec. 2005			Dec. 2006			Jan. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Large banks	15,870.3	75.2	19,160.5	77.8	20.7	25,577.9	79.4	33.5	28,894.0	78.3	13.0
Medium-sized banks	2,569.7	12.2	2,888.8	11.7	12.4	3,693.6	11.5	27.9	4,908.4	13.3	32.9
Small banks	2,675.9	12.7	2,580.7	10.5	-3.6	2,951.4	9.2	14.4	3,112.0	8.4	5.4
Total	21,115.9	100.0	24,630.0	100.0	16.6	32,222.8	100.0	30.8	36,914.4	100.0	14.6

The increase in regulatory capital was caused by an increase in core capital which, after deductions, compared to the balance at the end of 2006, was HRK 4.9bn, i.e. 16.6% greater. The increase in core capital in the first half of 2007 was the result of the above-mentioned recapitalisations of banks. As a result, the share of core capital, reduced by deductions, in the structure of gross regulatory capital reached 91.5% at the end of the first half of 2007, up 2.0 percentage points over the end of 2006.

Supplementary capital I, which is included in regulatory capital, fell by 7.8% at the end June 2007 compared to the end of 2006. Hence, its share in gross regulatory capital went down by 2 percentage points, reaching 8.5% at the end of June 2007. Notwithstanding the strong increase in hybrid instruments (36.7%), the growth in items deducted from gross supplementary capital I (76.6%), which was the result of the exclusion of a portion of collectively assessed impairment provisions from regulatory capital, was the major contributor to the decrease in supplementary capital I. In accordance with the amended Instruction, banks were allowed to include up to 0.75% of the sum of total credit risk-weighted assets, off-balance sheet items and other off-balance sheet risky items in regulatory capital

on 30 June 2007.⁴ At the end of June 2007, banks allocated HRK 3.2bn to the collectively assessed impairment provisions and HRK 1.8bn to the regulatory capital.

Supplementary capital II, which is included in regulatory capital, was reduced by 74.2% in the observed period, and therefore its already insignificant share in the structure of gross regulatory capital was additionally reduced and amounted to less than 0.01%.



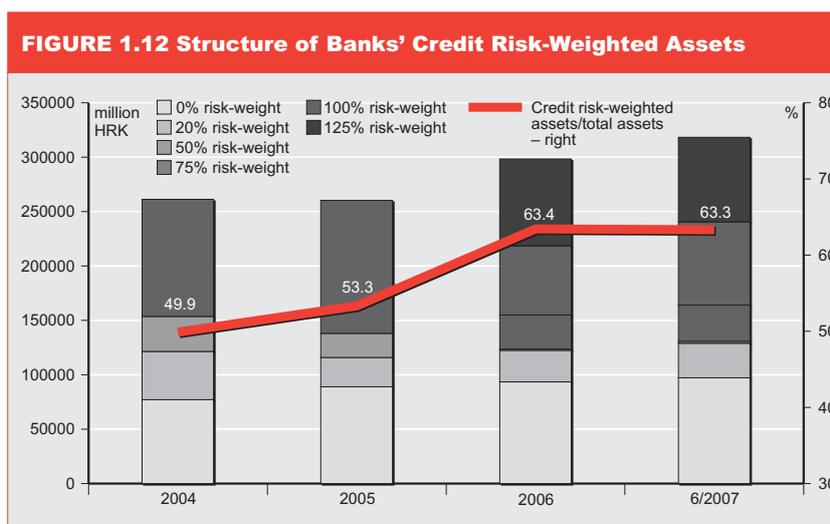
The net value of banks' assets weighted by risk in the observed half-yearly period increased by HRK 20.0bn (or 6.7%), while the weighted assets amount increased by HRK 12.7bn (or 6.6%). To a large extent, the increase in the net value of assets was the result of the growth in assets weighted by a 100% risk weighting, which went up by HRK 13.1bn or 20.7% at the end of June 2007 compared to the end of 2006.

The net value of assets weighted by a 0% risk weighting increased by HRK 3.9bn (or 4.2%) in the reference period, due largely to the growth in reserve requirement deposits with the CNB. The growth in claims on domestic financial institutions resulted in a HRK 2.5bn (8.7%) increase in the assets weighted by a 20% risk weighting. In addition, the assets weighted by a 50% risk weighting rose by HRK 0.6bn or 44.1% and those weighted by a 75% risk weighting grew by HRK 2.0bn or 6.6%.

As a result of the changes in the currency structure of bank assets, the assets weighted by a 125% risk weighting went down by HRK 2.2bn or 2.8% at the end of June 2007 compared to the end of 2006. As this portion of net assets includes the inadequately insured placements which banks have approved to debtors with non-adjusted foreign exchange positions, it can be concluded that the above-mentioned decrease and the concurrent increase in the share of assets weighted by a 100% risk weighting were to a large extent the result of the currency restructuring of banks' loan portfolios.

Compared to the end of 2006, slight changes were observed in the structure of credit risk-weighted assets, predominately in the shares of assets weighted by risk weightings of 100% and 125% (Figure

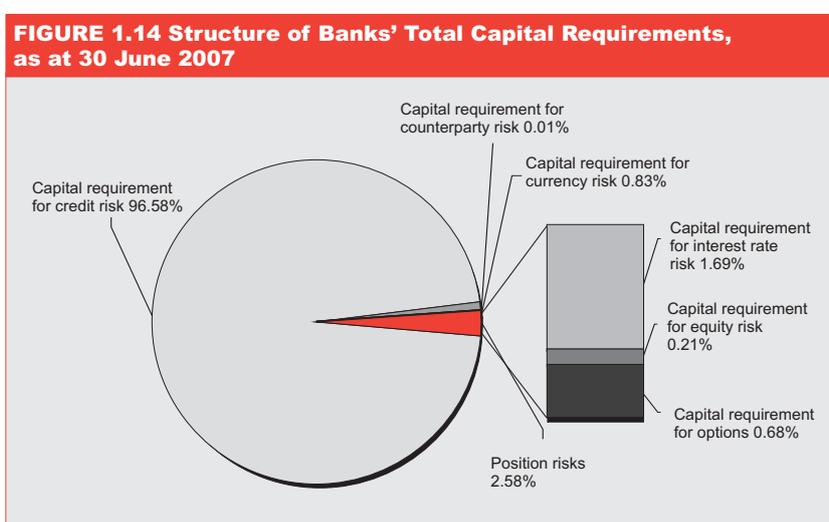
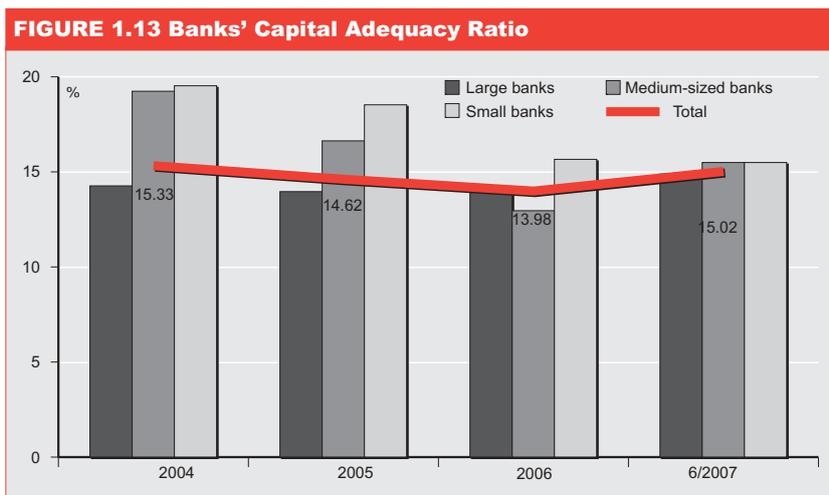
⁴ Decision on amendments to the Instruction for the uniform implementation of the decision on the capital adequacy of banks (Official Gazette 41/2006).



1.12). Specifically, the observed nominal changes in the net value of assets contributed to the decrease in the share of assets weighted by a 125% risk weighting, from 26.8% at the end of 2006 to 24.4% at the end of June 2007, while the share of assets weighted by a 100% risk weighting rose from 21.2% to 24.0%. At the end of the first half of 2007, the non-risky assets (i.e. those weighted by a 0% risk weighting) accounted for a significant 30.6% of total assets. In addition, 9.9% of assets were weighted by a 20% risk weighting, 0.6% by a 50% risk weighting and 10.5% by a 75% risk weighting. The nominal decrease in the share of the most risky assets (i.e. those weighted by a 125% risk weighting) reduced the ratio between the credit risk-weighted assets and total assets to 63.3% at the end of June 2007.

Bank recapitalisations and the increase in regulatory capital pushed the capital adequacy ratio of banks from 13.98% at the end of 2006 to 15.02% at the end of the first half of 2007 (Figure 1.13). Medium-sized banks declared the highest capital adequacy ratio at the end of June 2007. Compared to the end of 2006, the capital adequacy ratio of this peer group of banks grew from 12.96% to 15.50%. The recapitalisations of large banks also contributed to the growth of the capital adequacy ratio of this peer group of banks, from 13.97% at the end of 2006 to 14.89% at the end of June 2007. However, the capital adequacy ratio of small banks fell from 15.66% to 15.49%, reflecting slower growth in regulatory capital than in exposures to risks.

Total capital requirements at the end of the first half of 2007 amounted to HRK 24.6bn and were 6.7% greater than at the end of 2006. The share of capital requirement for credit risk in total capital requirements amounted to 96.6% at the end of June 2007, decreasing only minimally relative to its balance at the end of 2006 (Figure 1.14). Position risks held second position with their share in total capital requirements (2.6%). The most significant among these was the capital requirement for interest risk. The capital requirement for currency risk had a share of 0.8%, and the capital requirement for counterparty risk accounted for only 0.01% of total capital requirements. Total capital requirements increased the most in medium-sized banks (by 11.1%), while total capital requirements in small and large banks grew at the rates that were the same or lower than the average growth rate (by 6.7% and 6.0% respectively). Compared to the end of 2006, no significant changes were observed in the shares of capital requirements of the individual peer groups of banks in total capital requirements. Specifically, the largest part of banks' total capital requirements belonged to large banks (78.8%), while the shares of medium-sized and small banks stood at 12.9% and 8.2% respectively.



1.1.5 Banks' Income Statement

At the end of the first half of 2007, income before taxes was HRK 2,485.7m and was 20.3% greater than in the same period last year (Table 1.8). Thirty-one bank achieved a total income before taxes to the amount of HRK 2,505.6m. Two small banks declared a loss of HRK 19.9m in total. The share of assets of these banks in the assets of all banks on the date of the report was 0.3%.

Compared to the first half of 2006, large banks increased their income before taxes by 26.6%, while the income before taxes of medium-sized and small banks fell by 19.0% and 1.2% respectively due to the increase in their provision expenses.

Net other non-interest income was, in nominal and relative terms, by far the fastest growing item among the three major components of banks' net income (net interest income, net income from fees and commissions and net other non-interest income). It went up by a total of HRK 378.0m (or 111.3%) due to the increase in other non-interest income by 50.2% and the decrease in other non-

TABLE 1.8 Banks' Income Statement, in million HRK

	Large banks		Medium-sized banks		Small banks		Total	
	Jan.-Jun. 2006	Jan.-Jun. 2007	Jan.-Jun. 2006	Jan.-Jun. 2007	Jan.-Jun. 2006	Jan.-Jun. 2007	Jan.-Jun. 2006	Jan.-Jun. 2007
1. Net interest income	2,859.1	3,165.3	475.5	523.4	405.7	426.0	3,740.3	4,114.7
1.1. Total interest income	5,568.0	6,694.1	789.6	1,037.0	709.6	795.7	7,067.3	8,526.8
1.2. Total interest expenses	2,708.8	3,528.8	314.2	513.5	304.0	369.8	3,327.0	4,412.1
2. Net income from fees and commissions	827.6	1,042.5	118.7	142.9	90.8	103.7	1,037.1	1,289.0
2.1. Total income from fees and commissions	1,164.0	1,384.4	390.0	398.6	144.8	155.1	1,698.8	1,938.1
2.2. Total expenses on fees and commissions	336.5	341.9	271.3	255.8	54.0	51.4	661.7	649.1
3. Net other non-interest income	271.0	600.8	18.7	34.5	49.8	82.1	339.5	717.5
3.1. Other non-interest income	531.6	815.5	68.3	91.2	92.4	133.2	692.2	1,039.8
3.2. Other non-interest expenses	260.6	214.7	49.6	56.6	42.6	51.0	352.7	322.3
4. Net non-interest income	1,098.6	1,643.3	137.4	177.4	140.6	185.8	1,376.6	2,006.5
5. General administrative expenses and depreciation	2,043.9	2,307.0	403.2	448.6	366.2	417.6	2,813.3	3,173.2
6. Net operating income before loss provisions	1,913.8	2,501.6	209.7	252.2	180.0	194.2	2,303.6	2,948.0
7. Total expenses on loss provisions	196.9	327.8	21.9	100.1	18.3	34.4	237.1	462.3
7.1. Expenses on value adjustments and provisions for identified losses	10.6	208.5	-42.0	67.9	1.8	21.6	-29.5	298.0
7.2. Collectively assessed impairment provisions	186.2	119.3	63.9	32.2	16.4	12.8	266.6	164.4
8. Income/loss before taxes	1,717.0	2,173.8	187.8	152.1	161.7	159.8	2,066.5	2,485.7
9. Income tax	328.1	388.3	20.4	21.2	21.7	25.8	370.2	435.2
10. Current year profit/loss	1,388.9	1,785.5	167.4	130.9	140.0	134.0	1,696.3	2,050.4

interest expenses by 8.6%. In addition, the growth in other non-interest income may to a large extent be ascribed to the increase in income earned from trading activities (155.6%), with the largest portion of the said increase being accounted for by the income from trading in derivatives (73.2%). The share of other non-interest income in total income of banks grew from 7.3% to 9.0%.

The share of interest income in total income of banks continued to decline, reaching 74.1% at the end of the first half of 2007 (Table 1.9). Interest expenses continued to grow at a faster rate than interest income (32.6% vs. 20.7%). However, despite this, net interest income grew by a solid 10.0%. Higher interest expenses in the first six months of 2007 than in the same period last year were primarily the product of the growth in interest expenses on household deposits (mostly time deposits) and deposits received from foreign legal persons (mostly foreign financial institutions). Interest expenses on household time deposits went up by 22.7%, while interest expenses on deposits received from foreign financial institutions rose by 71.0%. Interest income from loans granted grew by 20.0%, and accounted for 62.1% of total income. The increase in interest income may be attributed to the growth in interest income from loans granted to enterprises (HRK 563.8m or 27.3%) and to the growth in interest income from loans granted to households (HRK 529.9m or 15.6%). As for loans granted to households, interest income from other loans grew the most or by HRK 327.8m or 8.19%, and was followed by the increase in interest income from housing loans, up by HRK 192.0m or 22.0%. In addition, interest income from deposits rose by HRK 244.3m or 64.6%, due to the increase in interest income from deposits with foreign financial institutions (78.4%). Interest income from debt securities rose by 9.4%, with one-half of this income being accounted for by debt securities of the Republic of Croatia and other government units.

Net income from fees and commissions rose by 24.3% in the reference period. The reason for this was the increase in income from fees and commissions (14.1%) and the decrease in expenses on fees and commissions (-1.9%). Although the income from fees and commission increased in the reference period, its share in total income went down from 18.0% to 16.8%. The increase in income from fees and commissions is attributed to the growth in income from fees for other banking services

(HRK 201.5m or 25.1%). The share of income from fees for other banking services in total income rose thus to 8.7% and for the first time exceeded the share of income from fees for payment operations services (8.1%). Income from fees for payment operations services also rose in the reference period, by HRK 37.5m or 4.2%.

TABLE 1.9 Structure of Banks' Income, in %

	Large banks		Medium-sized banks		Small banks		Total	
	Jan.-Jun. 2006	Jan.-Jun. 2007	Jan.-Jun. 2006	Jan.-Jun. 2007	Jan.-Jun. 2006	Jan.-Jun. 2007	Jan.-Jun. 2006	Jan.-Jun. 2007
1. INTEREST INCOME	76.7	75.3	63.3	67.9	75.0	73.4	74.7	74.1
1.1. Interest income from loans granted	64.7	63.0	52.0	56.7	64.5	62.3	63.0	62.1
1.2. Interest income from deposits	3.9	5.2	4.4	5.9	4.2	6.1	4.0	5.4
1.3. Interest income from debt securities	7.1	6.6	6.9	5.2	6.2	4.9	7.0	6.3
1.4. Interest income from interest rate swaps	0.4	0.2	0.0	0.0	0.0	0.0	0.3	0.1
1.5. Net balances on exchange rate fluctuations related to interest income	-0.2	0.0	-0.1	-0.1	0.0	0.0	-0.2	0.0
1.6. Interest income from previous years	0.7	0.2	0.1	0.1	0.1	0.1	0.6	0.2
2. INCOME FROM FEES AND COMMISSIONS	16.0	15.6	31.3	26.1	15.3	14.3	18.0	16.8
2.1. Income from fees for payment operations services	7.3	6.5	23.6	18.4	7.7	6.7	9.5	8.1
2.2. Income from fees for other banking services	8.8	9.0	7.7	7.7	7.6	7.6	8.5	8.7
2.3. Net balances on exchange rate fluctuations related to claims based on fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. OTHER NON-INTEREST INCOME	7.3	9.2	5.5	6.0	9.8	12.3	7.3	9.0
TOTAL INCOME	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

General administrative expenses and depreciation increased by HRK 359.9m or 12.8% in the reference period, while their share in total expenses declined to 35.2% at the end of June 2007 over the end of 2006 (Table 1.10). Expenses on employees rose the most, by HRK 174.4m or 12.1%, and were followed by the increase in other administrative expenses of HRK 144.7m or 14.7%. Moreover, expenses on employees accounted for more than one-half of total general administrative expenses and depreciation (51.0%).

Compared to the first half of 2006, expenses on loss provisions went up by a considerable HRK 225.3m or 95.0%. Collectively assessed impairment provisions went down by HRK 102.2m, while the increase in total expenses on loss provisions was accounted for by the growth in expenses on value adjustments and provisions for identified losses (HRK 327.5m).

16 banks (inclusive of three banks from the peer group of large banks) reported lower income before taxes at the end June 2007 compared to the end of June 2006. However, thanks to the growth in income of the three largest banks (accounting for 69.8% of total income of all banks), only large banks reported the increase in income.

To a large part, the increase in income before taxes of large banks may be attributed to the growth in net other non-interest income (121.7%) and to the growth in net interest income and net income from fees and commissions. These three categories of income grew in large banks at the rates that were higher than the average growth rates for all banks. Interest income accounted for 75.3% of total income of large banks, and interest expenses accounted for 52.5% of their total interest expenses. At the same time, these were the highest values reported among all bank peer groups.

In terms of income statement structure, net interest income of medium-sized banks grew at the

TABLE 1.10 Structure of Banks' Expenses, in %

	Large banks		Medium-sized banks		Small banks		Total	
	Jan.-Jun. 2006	Jan.-Jun. 2007	Jan.-Jun. 2006	Jan.-Jun. 2007	Jan.-Jun. 2006	Jan.-Jun. 2007	Jan.-Jun. 2006	Jan.-Jun. 2007
1. INTEREST EXPENSES	48.8	52.5	29.6	37.4	38.7	40.0	45.0	48.9
1.1. Interest expenses on loans received	12.5	13.0	4.5	4.9	3.2	3.5	10.4	10.8
1.2. Interest expenses on deposits	31.5	35.4	23.1	30.5	33.3	34.2	30.5	34.5
1.3. Interest expenses on debt securities	1.9	1.6	0.3	0.3	0.4	0.5	1.5	1.3
1.4. Interest expenses on interest rate swaps	0.9	0.9	0.0	0.0	0.0	0.0	0.7	0.6
1.5. Savings deposits insurance premiums	1.9	1.7	1.7	1.5	2.0	1.8	1.9	1.7
1.6. Net balances on exchange rate fluctuations related to interest expenses	-0.4	-0.1	-0.2	-0.1	-0.2	-0.1	-0.3	-0.1
1.7. Interest expenses from previous years	0.4	0.0	0.3	0.3	0.1	0.1	0.3	0.1
2. EXPENSES ON FEES AND COMMISSIONS	6.1	5.1	25.6	18.6	6.9	5.6	9.0	7.2
2.1. Expenses on fees/commissions for banking services of residents	5.1	4.2	24.9	17.9	6.6	5.4	8.1	6.4
2.2. Expenses on fees/commissions for banking services of non-residents	1.0	0.9	0.6	0.7	0.2	0.2	0.9	0.8
2.3. Net balances on exchange rate fluctuations related to liabilities based on fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. OTHER NON-INTEREST EXPENSES	4.7	3.2	4.7	4.1	5.4	5.5	4.8	3.6
4. GENERAL ADMINISTRATIVE EXPENSES AND DEPRECIATION	36.8	34.3	38.0	32.6	46.7	45.2	38.1	35.2
5. LOSS PROVISION EXPENSES	3.5	4.9	2.1	7.3	2.3	3.7	3.2	5.1
5.1. Expenses on value adjustments and provisions for identified losses	0.2	3.1	-4.0	4.9	0.2	2.3	-0.4	3.3
5.2. Collectively assessed impairment provisions	3.4	1.8	6.0	2.3	2.1	1.4	3.6	1.8
TOTAL EXPENSES	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

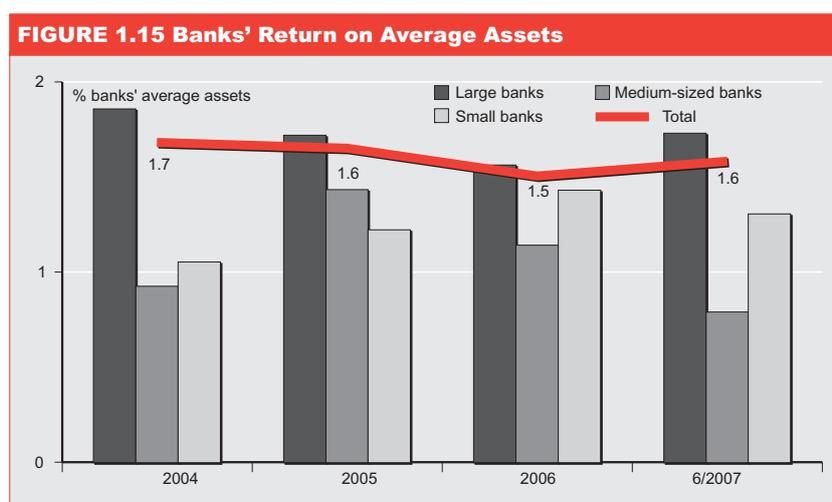
highest rate in the reference period (10.1% in relative terms). However, their share of interest income (67.9%) in total income remained the lowest among bank peer groups. The share of income from fees and commissions of medium-sized banks exceeded the average for all banks (26.1% vs. 16.8%). In addition, their share of other non-interest income stood at a low 6.0%. Medium-sized banks reported the smallest share of interest expenses in total expenses (37.4%) and large expenses on fees and commissions (accounting for 18.6% of their total expenses).

Notwithstanding a loss reported by two small banks in the first six months of 2007, the overall operating results of small banks remained positive in that period. The growth in net other non-interest income of 64.9% was the major generator of income for small banks. The share of other non-interest income of small banks in total income was larger than the average share of all banks combined (12.3% vs. 9.0%), while the shares of interest income and income from fees and commissions were lower than the average shares. Fixed expenses, such general administrative expenses and depreciation, place the greatest burden on small banks' operations (in the reference period, these expenses accounted for 45.2% of their total expenses). The increase in provision expenses, both in small and medium-sized banks, resulted in the reporting of lower income at the end of June 2007 over the same period last year. However, while the net operating income before loss provisions grew by 20.3% in medium-sized banks, it rose by only 7.9% in small banks. The latter was the consequence of low growth of net interest income in this peer group of banks (5.0%).

1.1.6 Indicators of Banks' Returns

The return on the average assets of all banks stood at 1.6% (Figure 1.15) at the end of the first half of 2007, which is an increase of 0.1 percentage point compared with the first half of 2006. The significant increase in banks' income in the first six months of 2007, accompanied by a slower growth rate in their assets, contributed to the growth of banks' return on assets. These developments were above all the result of the changes in the group of large banks, which was the only group to report the increase in income at the end of June 2007 over the same period last year. In addition, its growth rate of assets was lower than the average growth rate for all banks combined. As a result, the return on assets of large banks went up from 1.6% at the end of June 2006 to 1.7% at the end of June 2007, which was the highest value of this indicator among all bank groups.

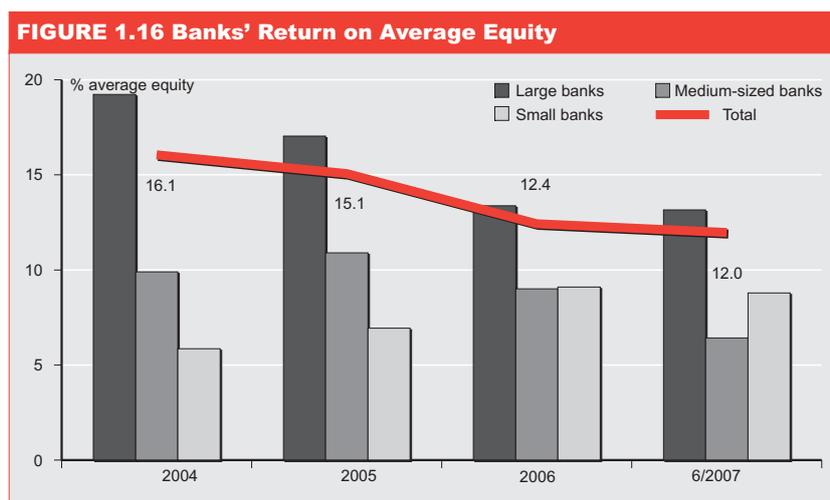
The return on assets of medium-sized and small banks fell in the reference period owing to their income being lower at the end of June 2007 than at end of the same period last year and their assets growing at an above-average rate. Medium-sized banks reported a significant decrease in their income which, combined with their highest growth rates of assets among all bank peer groups, resulted in a considerable decrease in their return on assets: from 1.3% at the end of June 2006 to 0.8% at the end of June 2007. Similar, although less pronounced, trends (the decrease in income and the above-average growth in assets) reduced the return on assets of small banks to 1.3% or by 0.3 percentage points.



The return on the average equity of all banks was 12.0% at the end of June 2007 (Figure 1.16), down 1.7 percentage points over the end of June 2006. The reason for this was an increase in total capital in a number of banks (or, more precisely, the increase in share capital through the issue of new shares and, in part, the conversion of hybrid and subordinated instruments into ordinary shares), which was the result of the implementation of prudential and monetary measures of the CNB. Hence, the achieved increase in income was not large enough to offset the growth in capital and curb the downward trend in the return on equity.

The rate of return on equity fell in all bank peer groups. It fell considerably in the groups of medium-sized and small banks and stood at below 10%. The largest decrease in the return on equity (4.6

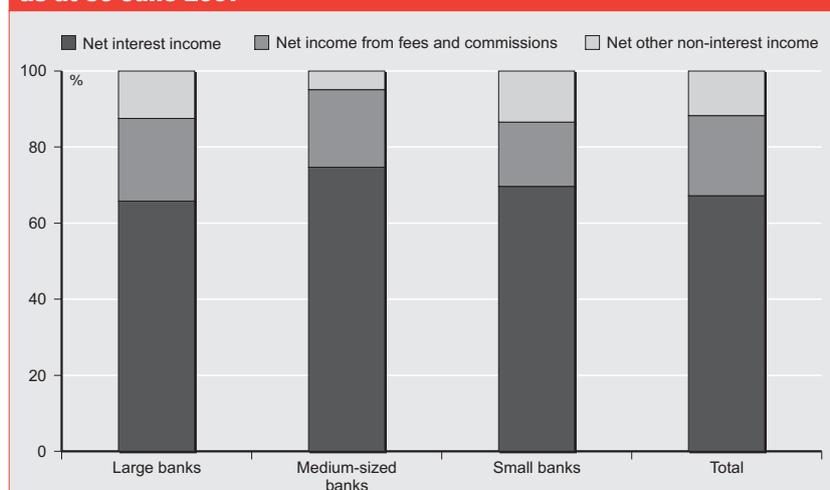
percentage points) and the lowest value of the indicator (6.4%) were reported by medium-sized banks. The decrease in the indicator was the consequence of the increase in total capital and a significant decrease in income. The rate of return of small banks fell to 8.8, or by 2.1 percentage points, also due to the decrease in income and the increase in total capital. The rate of return of large banks fell by 1.3 percentage points and amounted to 13.2% in the reference period. At the same time, this decrease was the lowest one among all bank groups as the increase in capital, which contributed to the fall in this indicator, was accompanied by a concurrent increase in income.



The share of net interest income changed the most within the structure of net income of banks in the observed one-year period. The share of this most significant source of bank income fell by 5.1 percentage points, accounting for 67.2% of net income of banks at the end of June 2007 (Figure 1.17). Concurrently, the share of net other non-interest income grew from 6.6% to 11.7%, and the share of net income from fees and commissions rose to 21.1%.

The structure of income of large banks determined the structure of income of all banks combined. The share of net interest income in total income fell in all bank peer groups. This decrease was most pronounced in the group of large banks where the share of net interest income in total income was the smallest among all bank peer groups (65.8%). In addition, the structure of income of small banks resembled the structure of the banking sector's income, with a significant divergence from the average being only observed in the share of net income from fees and commissions (16.9%). The structure of income of medium-sized banks differentiated the most from the structure of income of all banks combined and the other two peer groups – this group had the largest share of net interest income (74.7%) and by far the lowest share of net other non-interest income (4.9%).

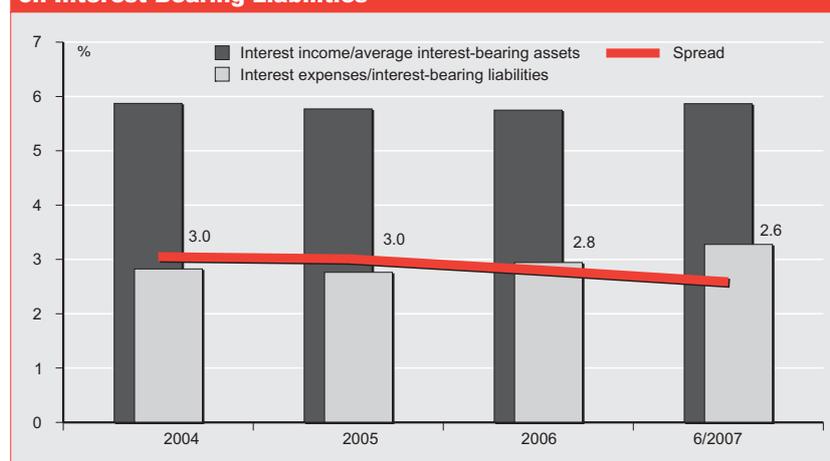
Compared to the end of June 2006, the average interest income grew by a modest 0.2 percentage points. In addition, after trending downward for several years, the average interest income per asset unit grew for the first time at the end of June 2007, reaching 5.9%. The average interest income grew the most in large banks where it also remained the lowest (5.7%). The average interest income went down only in small banks (by 0.5 percentage points), but continued to have the largest value among all bank peer groups (7.0%).

FIGURE 1.17 Structure of Banks' Net Income, as at 30 June 2007

After growing modestly in 2006, the average expenses on interest-bearing liabilities continued to grow in the first half of 2007, but at a faster pace than in the same period last year, standing at 3.3% at the end of June 2007. The average interest expenses grew in all groups of banks in the reference period. At the end of June 2007, they amounted to 3.6% in small banks, 3.3% in large banks and 3.2% in medium-sized banks.

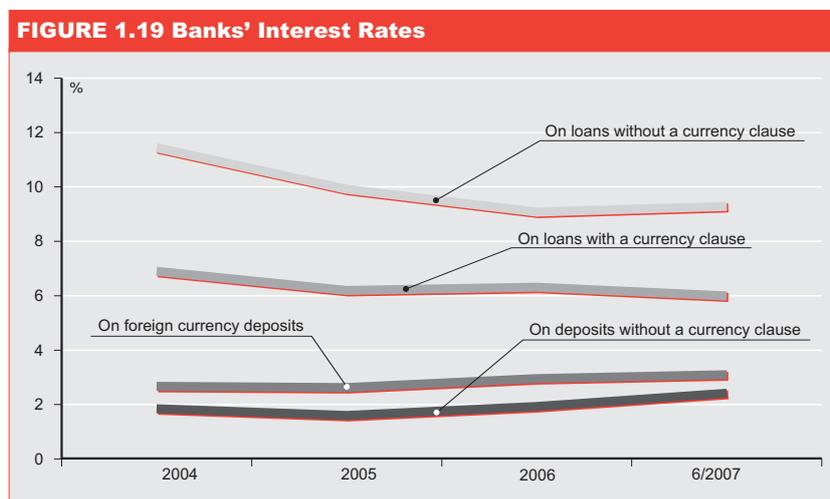
As the average interest expenses grew more than the average interest income, the spread⁵ declined to 2.6% at the end of June 2007 (Figure 1.18).

The interest rate on kuna deposits without a currency clause rose on average by 0.7 percentage points in the observed one-year period, amounting to an average of 2.4% at the end of June. The growth in

FIGURE 1.18 Income from Interest-Bearing Assets and Expenses on Interest-Bearing Liabilities

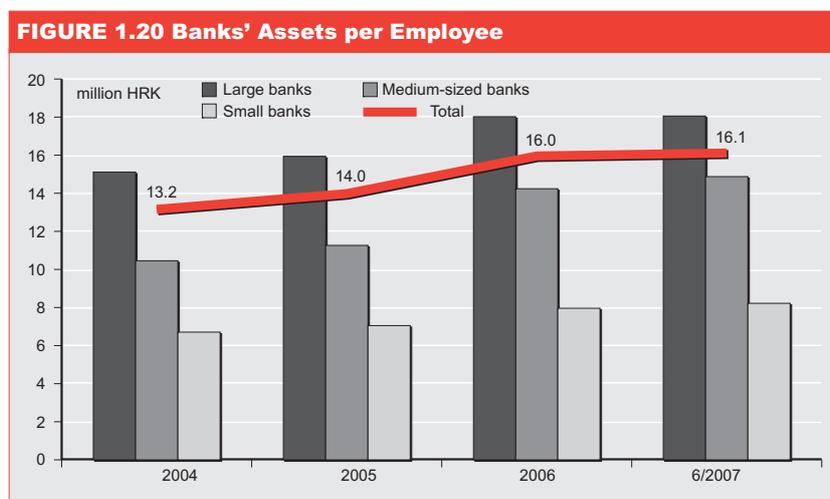
⁵ Spread was calculated as the difference between interest income earned on average interest-bearing assets and interest expenses incurred on average interest-bearing liabilities.

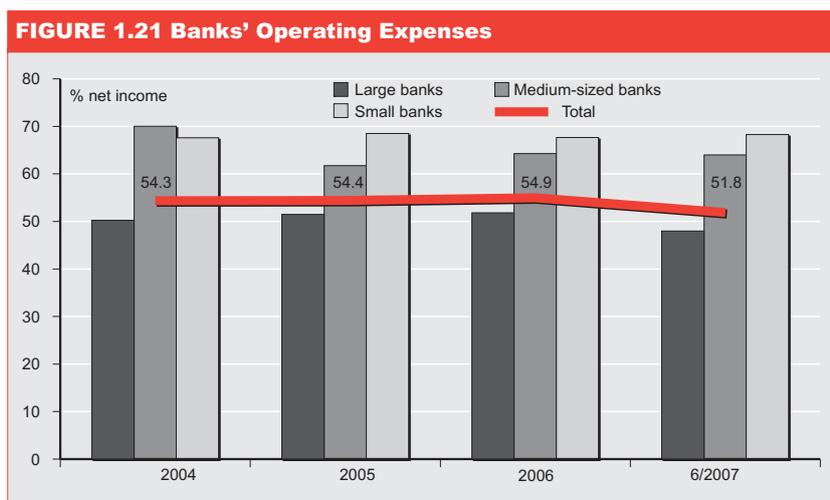
interest rates on foreign currency deposits was somewhat less pronounced (on average, it stood at 0.4 percentage points), reaching 3.1% at the end of reference period. Interest rates on loans declined during the same period, with interest rates on kuna loans without a currency clause falling on average from 9.9% to 9.3% and interest rates on kuna loans with a currency clause from 6.2% to 6.0%.



The number of employees in banks grew by 1 207 in the observed one-year period, i.e. by 6.4%. Large banks had the largest number of employees (806 or 5.9%), while the most significant change in the number of employees was observed in the group of medium-sized banks (up 9.4% or 233). The number of employees in small banks went up by 168 or 5.7%.

Assets per employee stood at HRK 16.1m at the end of June 2007, continuing on their upward trend from the previous period (Figure 1.20). Notwithstanding a significant increase in the number of their employees, medium-sized banks saw the largest improvement in their efficiency. Specifically, their assets per employee rose from HRK 13.1m to HRK 14.9m. Large banks retained their position as the most efficient peer group of banks with assets per employee amounting to HRK 18.1m. Small banks occupied third place with HRK 8.2m assets per employee.





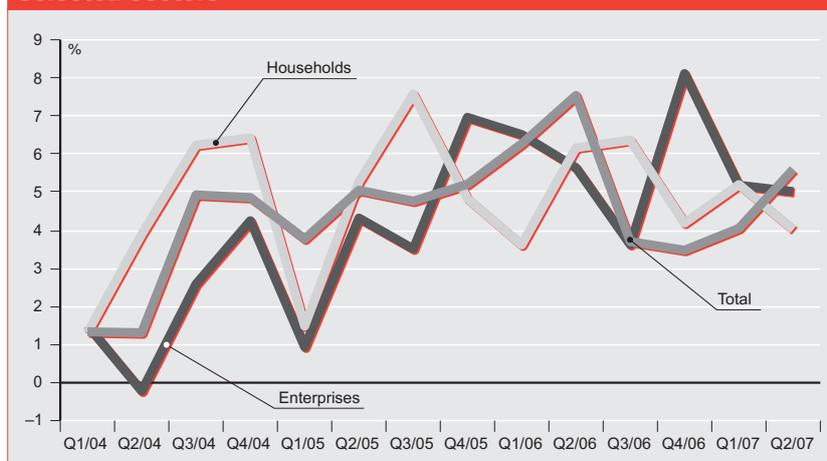
The cost to income ratio of all banks fell significantly in the reference period, from 55.0% at the end of June 2006 to 51.8% at the end of June 2007 (Figure 1.21). The decline in the ratio (i.e. the improvement of the cost efficiency) was observed in the group of large banks and in the group of medium-sized banks. By contrast, this ratio grew in the group of small banks. Operating expenses affected most the income of small banks (68.3%). In medium-sized and large banks, they stood at 64.0% and 48.0% respectively.

1.1.7 Banks' Exposure to Credit Risk

During the first half of 2007, total placements and contingent liabilities grew by HRK 23.8bn (6.8%) and reached the amount of HRK 373.4bn as at 30 June 2007 (Table 1.11). Placements accounted for 82.6% and contingent liabilities for 17.4% of total placements and contingent liabilities. Gross loans, as the most important item of total placements and contingent liabilities, grew by HRK 18.7bn or 9.6%. At the end of June 2007, they stood at HRK 212.2bn and accounted for 56.8% of total placements and contingent liabilities. After falling modestly in the reference period, the share of deposits and the share of assets available for sale stood at 19.5% and 4.1% respectively. The shares of other items in total placements and contingent liabilities remained the same as at the end of 2006, with debt securities and other assets held to maturity amounting to 1.1%, claims on revenues to 0.6% and other claims to 0.5%.

After slowing down in the last two quarters of 2006, total gross loans continued to grow dynamically in the first two quarters of 2007. Loans to enterprises grew faster than loans to households, or by HRK 7.8bn (9.9%) and HRK 8.9bn (9.4%) respectively. As a result, their half-year rate of growth was higher than that for loans to households.

At the end of June 2007, fully recoverable placements (category A) accounted for 96.7% of total placements and contingent liabilities. Compared to their balance at the end of 2006, category A placements rose by 6.7%, while their share fell by 0.1 percentage point. Concurrently, the share of partly recoverable placements (category B) grew by 0.2 percentage points, which is attributed to a 13.0% increase in these placements. Irrecoverable placements (category C) grew at the rate that was

FIGURE 1.22 Quarterly Rates of Change in Gross Loans in Selected Sectors

lower than the average growth rate, while their share fell by 0.1 percentage point. Following these changes, the share of bad placements and contingent liabilities⁶ in total placements and contingent liabilities went up from 3.2% to 3.3%.

The growth in bad placements and contingent liabilities of all banks was the result of the growth in bad placements and contingent liabilities of large banks – by 19.3%. Almost the entire increase in bad placements and contingent liabilities of large banks (94.1%) was accounted for by one bank from the group of large banks. Placements grew by a modest 0.6% in the group of medium-sized banks but fell by 0.5% in the group of small banks. Despite the growth in bad placements, the ratio of bad placements to total placements remained the most favourable in the group of large banks (2.9%) and stood at 3.9% and 6.4% in the group of medium-sized and the group of small banks respectively.

TABLE 1.11 Classification of Banks' Placements and Contingent Liabilities by Risk Categories, in million HRK and %

	Dec. 2004		Dec. 2005		Dec. 2006		Jun. 2007	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements (category A)	231,225.3	95.4	267,835.4	96.0	338,327.5	96.8	361,062.2	96.7
2. Partly recoverable placements (category B)	6,722.6	2.8	6,801.6	2.4	7,129.1	2.0	8,052.6	2.2
3. Irrecoverable placements (category C)	4,386.2	1.8	4,238.5	1.5	4,173.1	1.2	4,271.9	1.1
Total	242,334.1	100.0	278,875.5	100.0	349,629.8	100.0	373,386.8	100.0

At the end of June 2007, the coverage of placements and contingent liabilities with value adjustments and provisions remained at its end-2006 level of 2.6% (Table 1.12). Of the total increase in value adjustments and provisions (HRK 281.0m or 3.0%), HRK 116.8m was accounted for by placement value adjustments and provisions for contingent liabilities and HRK 164.2m by collectively assessed impairment provisions. The 6.7% growth in category A placements, i.e. in the allocation base, effected the 5.4% growth in collectively assessed impairment provisions. By contrast, the growth in placements classified in categories B and C of 9.0% corresponded with the growth in placement

⁶ Bad placements and contingent liabilities classified into risk categories B and C.

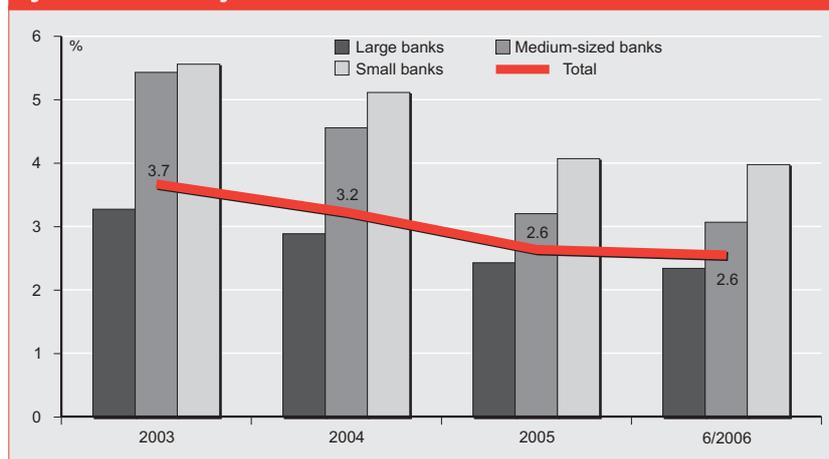
value adjustments and provisions for contingent liabilities of 1.9%. As a result, the coverage of bad placements fell from 54.8% at the end of 2006 to 51.2% at the end of June 2007.

TABLE 1.12 Ratio of Banks' Total Value Adjustments and Provisions to Total Placements and Contingent Liabilities, end of period, in million HRK and %

Placements	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007
1. Total value adjustments against placements and provisions for contingent liabilities	8,909.9	9,002.3	9,246.9	9,528.0
1.1. Value adjustments against placements and provisions for contingent liabilities	6,672.5	6,427.8	6,195.9	6,312.8
1.2. Collectively assessed impairment provisions	2,237.3	2,574.5	3,051.0	3,215.2
2. Total placements and contingent liabilities	242,334.1	278,875.5	349,629.8	373,386.8
3. Relative ratio: total value adjustments and provisions/total placements and contingent liabilities	3.7	3.2	2.6	2.6

Large banks had the smallest share of value adjustments and provisions in total placements and contingent liabilities (2.4%), and were followed by medium-sized banks (3.1%). By contrast, standing at 4.0%, this share was the largest in the group of small banks.

FIGURE 1.23 Coverage of Total Placements and Contingent Liabilities by Total Value Adjustments and Provisions



Net loans granted grew by HRK 18.5bn or 9.9% in the first half of 2007 (Table 1.13). Their half-year rate of growth was the highest in the group of medium-sized banks (14.7%) and stood at 10.6% in the group of small banks. In the group of large banks, this rate stood at 9.1% and was lower than the average rate of growth.

Net loans granted to households rose the most in the reference period. Specifically, compared to their balance at the end of 2006, they went up by HRK 8.7bn (9.4%). In addition, as this growth rate was lower than the average growth rate, the share of loans to households in total net loans granted declined to 49.2% at the end of the June 2007. Concurrently, net loans granted to enterprises grew by HRK 7.8bn or 10.5%, increasing their share in total net loans granted to 40.2%.

The highest half-year rate of growth was observed in loans to financial institutions (30.8%), while their share in the sectoral distribution of loans rose from 2.1% to 2.6%. Loans to non-residents grew by 19.2%, but their share remained small (0.6%). The share of loans granted to non-profit institutions was even smaller and stood at 0.3%. Despite the growth of 3.4%, the share of loans granted to government units fell modestly in the reference period and stood at 7.3%.

Net value of all types of loans granted to households grew in the first half of 2007. Housing loans grew the most, by HRK 4.1bn or 11.3%. Other loans to households (cash loans, overdraft facilities and the like) went up by HRK 4.0bn or 10.0%. The growth of housing loans and other loans to households accounted for 93.8% of total growth of net loans granted to households. In addition, credit card loans, mortgage loans and car purchase loans grew by 9.8%, 5.2% and 0.4% respectively.

Medium-sized banks, which had the highest growth rate of net loans among all bank peer groups in the reference period, directed the majority of their newly-granted funds (66.9%) into other loans to households. Other household loans, granted by this bank peer group, rose by 20.9% and accounted for 51.1% of their portfolio of household loans. Only small banks directed the majority of their newly-granted funds (74.5%) into other loans and had the largest share of other loans in the structure of net loans granted to households (85.0%). Large banks directed the majority of their placements (55.0%) into housing financing and into other loans (38.9%). However, it needs emphasizing that this group of banks has increased its share of housing loans to 43.3% and decreased its share of other loans to 39.6%. In addition, a decrease was also observed in its shares of mortgage loans and car purchase loans. Concurrently, the share of credit card loans of large banks grew at an above-average rate, i.e. to 4.9%, as this type of loans grew by 9.5%.

TABLE 1.13 Sectoral Structure of Banks' Net Loans, end of period, in million HRK

	Large banks		Medium-sized banks		Small banks		Total	
	Dec. 2006	Jun. 2007	Dec. 2006	Jun. 2007	Dec. 2006	Jun. 2007	Dec. 2006	Jun. 2007
1. Government units	13,638.2	13,415.3	813.2	1,575.6	66.1	26.8	14,517.4	15,017.7
2. Financial institutions	3,130.3	4,156.0	481.9	517.2	423.2	603.5	4,035.4	5,276.8
3. State-owned enterprises	7,352.1	7,819.8	480.0	444.1	108.6	132.6	7,940.6	8,396.5
4. Other enterprises	50,870.8	56,689.9	9,210.6	10,001.6	7,051.8	7,833.0	67,133.2	74,524.5
5. Non-profit institutions	438.6	476.1	27.6	25.0	39.1	35.2	505.3	536.3
6. Households	75,446.1	81,961.8	10,989.1	12,664.6	6,247.3	6,782.2	92,682.5	101,408.6
7. Non-residents	943.1	1,109.7	21.2	36.5	0.6	4.2	964.9	1,150.3
Total	151,819.2	165,628.6	22,023.6	25,264.6	13,936.5	15,417.5	187,779.3	206,310.7

At the end of the first half 2007, 43.3% of net placements was, in part or fully, covered by quality insurance instruments. Quality insurance instruments are lien or transfer of ownership of residential or business property, deposits, certain guarantees or securities and all other instruments deemed as quality insurance instruments in a bank's bylaws.⁷ The coverage between insured placements and insurance instruments stood at 86.3%, which means that 37.3% of placements were covered by quality insurance instruments.

Property insurance accounted for the lion's share of banks' claims covered by quality insurance instruments, totalling 35.1%. Business property accounted for the second largest share of quality insurance instruments, totalling 25.1%. The category of other quality insurance instruments made up a share of 21.2%, guarantees and securities a share of 12.9% and deposits a share of 5.3%. The largest share of covered placements in total net placements was that of large banks (46.4%), followed by small banks with a share of 35.0% and medium-sized banks with the smallest share of 28.3%.

7 Decision on supervisory reports of banks (Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

1.1.7.1 Banks' Exposure to Currency-Induced Credit Risk

Data for the first half of 2007 show that HRK 206.7bn or 56.3% of banks' net placements and contingent liabilities were exposed to currency-induced credit risk. Although total net placements and contingent liabilities grew by 6.9% at the end of first half of 2007 compared to the end of 2006, the amount of placements exposed to currency-induced credit risk fell by HRK 7.0bn (i.e. by 3.3%). This was the consequence of the change in the currency structure of bank assets and the growth in the kuna-denominated share of their assets which was higher than the growth in total assets at the end of the first half of 2007 compared with the end of 2006.

The share of placements exposed to currency-induced credit risk in net placements and contingent liabilities fell in all bank peer groups. Small bank continued to have the lowest ratio (44.7%). In medium-sized and large banks, this ratio stood at 46.1% and 58.8% respectively.

At the end of the first half of 2007, banks declared HRK 156.5bn (i.e. 75.7% of net placements and contingent liabilities) as unhedged, while the remaining HRK 50.2bn (i.e. 24.3% of net placements and contingent liabilities) was declared as hedged against currency-induced credit risk. Small banks had the greatest share of hedged items in placements exposed to currency-induced credit risk, totalling 28.7%. The smallest share of hedged items (19.0%) was declared by medium-sized banks, while the share of hedged items of large banks was somewhat higher than the average and stood at 24.6%.

Contingent liabilities were the least hedged of all bank placements at the end of 2007. Specifically, banks declared 92.8% of their contingent liabilities exposed to currency-induced credit risk as unhedged. In terms of unhedged items, loans followed, with the shares of hedged and unhedged items standing at 10.5% to 89.5% respectively.

In addition to the sector of non-profit institutions, whose share in total net placements and contingent liabilities was almost negligible (0.21%), the household sector had a significant share of unhedged items in net placements and contingent liabilities exposed to currency-induced credit risk (94.9%). Among bank loans approved to household clients, the least hedged were housing loans (2.0%), while the most hedged were car purchase loans (14.3%). The sector of non-residents and the sector of financial institutions continued to have the greatest share of hedged items in net placements exposed to currency-induced credit risk, 77.0% and 74.6% respectively.

1.1.8 Banks' Exposure to Liquidity Risk

Banks' sources of financing (received deposits, received loans, issued debt securities and issued subordinated and hybrid instruments) grew by HRK 13.2bn, or 5.0%, in the first half of the year. Notwithstanding the fall in received loans and issued long-term debt securities of HRK 3.1bn, this increase was the consequence of the HRK 16.1bn growth in received deposits and the HRK 0.2bn growth in issued subordinated and hybrid instruments. Total sources of financing grew the most in medium-sized banks (7.3%), whereas their growth in small and large banks stood at 6.7% and 4.5% respectively.

TABLE 1.14 Structure of Banks' Sources of Financing, end of period, in %

	Large banks		Medium-sized banks		Small banks		Total	
	Dec. 2006	Jun. 2007	Dec. 2006	Jun. 2007	Dec. 2006	Jun. 2007	Dec. 2006	Jun. 2007
Deposits	75.1	77.5	83.5	85.1	90.0	89.9	77.3	79.4
Loans	22.7	20.4	16.1	13.9	9.4	9.5	20.9	18.8
Debt securities	1.7	1.6	0.0	0.0	0.0	0.0	1.4	1.3
Hybrid and subordinated instruments issued	0.5	0.5	0.4	1.0	0.6	0.6	0.5	0.6
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	18.2	17.7	22.0	19.1	0.0	0.0	17.3	16.5

Like at the end of 2006, deposits remained the most important sources of financing in all bank peer groups (Table 1.14). Small banks had the greatest share of deposits in total sources of financing (89.9%), while large banks had the smallest share (77.5%). Despite the decrease of 2.3 percentage points, loans had the largest share in the sources of financing of large banks (20.4%). The share of loans in the sources of financing of medium-sized banks fell by 2.2 percentage points and stood at 13.9%. The share of loans in the sources of financing of small banks grew negligibly, standing at 9.5%.

Compared to the end of 2006, deposits and loans received from the majority foreign owner rose by 0.2% and amounted to HRK 45.6bn at the end of June 2007. Following a slight change in these sources of financing, their share in total sources of financing fell from last year's 17.3% to 16.5% at the end of June 2007; this decrease was lower than the rate of growth of total sources of financing. The major part of total deposits and loans received from the majority foreign owners was used by large banks (85.9%), which increased these sources of financing by 1.5%. Financing from majority foreign ownership sources in medium-sized banks fell by 7.0%, while small banks did not even declare these positions.

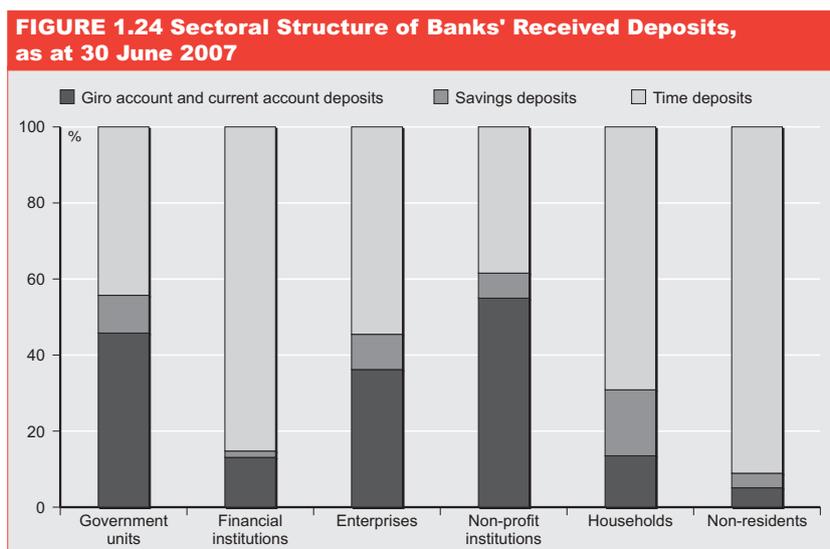
Viewed by institutional sectors, the household sector remained the most important source of financing for banks,⁸ with its deposits accounting for 42.3% of total received deposits and loans. The financing from non-residents accounted for 25.1% of total financing sources. Within this, bank liabilities from deposits and loans received stood at HRK 36.6bn and HRK 31.4bn respectively. Enterprises followed, with a 16.3% share, and financial institutions with a 13.4% share in total financing sources. Government units participated in banks' total loans and deposits with 2.0%, while non-profit institutions had the smallest share (0.9%).

TABLE 1.15 Sectoral Structure of Banks' Received Loans, end of period, in million HRK and %

	Dec. 2004		Dec. 2005			Dec. 2006			Jun. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from government units	679.2	1.7	528.0	1.1	-22.3	272.9	0.5	-48.3	232.3	0.4	-14.9
Loans from financial institutions	8,462.0	21.2	13,843.8	27.7	63.6	15,102.5	27.5	9.1	20,160.5	38.9	33.5
Loans from enterprises	40.3	0.1	40.8	0.1	1.2	0.0	0.0	-99.9	23.6	0.0	0
Loans from foreign financial institutions	30,081.9	75.5	35,143.1	70.2	16.8	39,129.4	71.3	11.3	31,071.6	60.0	-20.6
Loans from other non-residents	566.8	1.4	479.3	1.0	-15.4	360.5	0.7	-24.8	307.3	0.6	-14.8
TOTAL LOANS RECEIVED	39,830.3	100.0	50,035.0	100.0	25.6	54,865.4	100.0	9.7	51,795.2	100.0	-5.6
Loans from majority foreign owner	12,131.2	30.5	17,705.0	35.4	45.9	22,925.5	41.8	29.5	18,807.2	36.3	-18.0

⁸ Issued debt securities (which participate in the total structure of financing sources with 1.3%) were not classified by sector for analysis purposes.

The increase in deposits of financial institutions, non-residents and households contributed equally to the growth in deposits, which stood at 7.9% at the end of June 2007 over the end of 2006. Deposits of financial institutions grew the most in nominal and relative terms (by HRK 4.7bn or 41.3%). Deposits of non-residents grew by HRK 4.6bn or 14.2%, and deposits of households by HRK 4.2bn or 3.8%. The remaining HRK 2.6bn of the increase in total deposits was accounted for by the rise in deposits of enterprises (HRK 1.7bn or 3.9%), government units (HRK 0.8bn or 20.1%) and non-profit institutions (HRK 0.1bn or 5.7%).



The share of household deposits in total deposits continued to trend downward in the first half of 2007, reaching its record low in the past five years. Specifically, compared to the end of 2006, it fell by 2.1 percentage points and stood at 52.3%, which at the same time was the most significant change observed in the structure of deposits shown by institutional sectors. The increase in deposits of financial institutions contributed to the growth of their share in total deposits, from 5.6% at the end of 2006 to 7.4% at the end of the first half of 2007. The share of deposits of other sectors underwent no significant changes in the reference period.

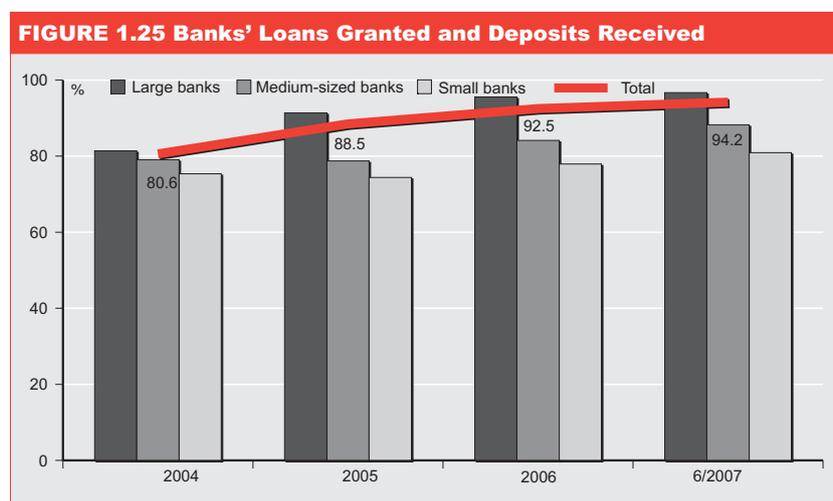
The structure of deposits with respect to their maturity shows the fall in the share of savings deposits in total deposits, from 13.1% at the end of 2006 to 12.0% at the end of June 2007. The share of time deposits grew by 1.8 percentage points and accounted for 70.1% of total deposits, while the share of deposits in giro and current accounts fell by 0.7% percentage points and accounted for 17.9% of total deposits.

Compared to the end of 2006, time deposits rose by HRK 15.0bn or 10.8%, mostly on account of the growth in deposits of non-residents (HRK 4.8bn) and deposits of financial institutions (HRK 4.4bn). Time deposits of enterprises went up by HRK 2.8bn (13.2%), and those of households by HRK 2.0bn (2.6%). Deposits in giro and current accounts grew by HRK 1.4bn or 3.7% at the end of June 2007 over the end of 2006, while savings deposits fell by HRK 0.3bn or 1.2%.

The fall in the share of deposits with a currency clause and an increase in the share of kuna deposits contributed to a significant change in the currency structure of deposits in the first half of 2007

relative to the end of 2006. This change marked time deposits – time deposits with a currency clause fell by HRK 6.3bn or 28.7% and kuna deposits grew by HRK 15.4bn or 46.8%. The change in the currency structure of time deposits also affected the currency structure of all deposits – total deposits with a currency clause fell by 28.7%, kuna deposits rose by 23.6% and foreign currency deposits grew by 5.0%. As a result of these changes, the share of deposits with a currency clause in total deposits fell from 10.9% at the end of 2006 to 7.2% at the end of June 2007. During the same period, the share of kuna deposits rose from 35.4% to 40.6%, while the share of foreign currency deposits did not change much and stood at 52.2%.

The ratio between loans granted and deposits received continued to grow, amounting to 94.2% at the end of June 2007 (Figure 1.25). Viewed by peer groups of banks, the ratio between loans granted and deposits received was the largest in large banks (96.7%) and the smallest in small banks (80.9%), while it increased the most in medium-sized banks (by 4.1 percentage points) and stood at 88.2%. The increase in the ratio between loans granted and deposits received was the consequence of the faster growth in loans (9.9%) than in deposits (7.9%).



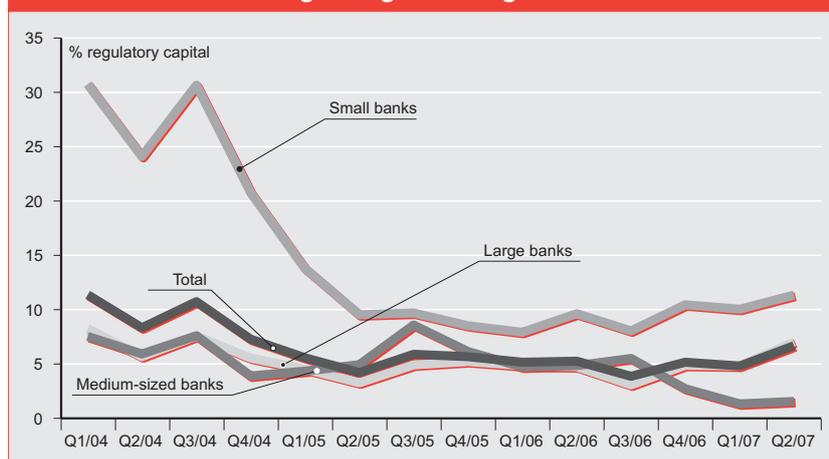
The ratio between short-term assets and short-term liabilities, calculated on the basis of data on remaining maturity of up to one year, was 75.2% at the end of June 2007. Owing to an equal relative growth rate of short-term assets and short-term liabilities (6.6% and 6.8% respectively), this ratio did not change significantly over the end of 2006 when it stood at 75.4%.

The ratio between bank assets and bank liabilities, viewed on the basis of data on remaining maturity, shows a characteristic deficiency of assets over liabilities (negative gap) in the category of remaining maturity of up to three months (Figure 1.26). The negative gap was the largest in the category of remaining maturity of up to one month and stood at HRK 54.9bn, while in the category of remaining maturity of one to three months it stood at HRK 3.2bn. As the category of remaining maturity of three to twelve months had a positive net balance sheet position (HRK 3.7bn), total cumulative negative gap for the short-term maturity (up to one year) reached HRK 54.4bn. Compared to its balance at the end of 2006, total cumulative negative gap for the short-term maturity widened by 7.5%, due to, above all, the increase in total liabilities with remaining maturity of up to one month (11.7%).

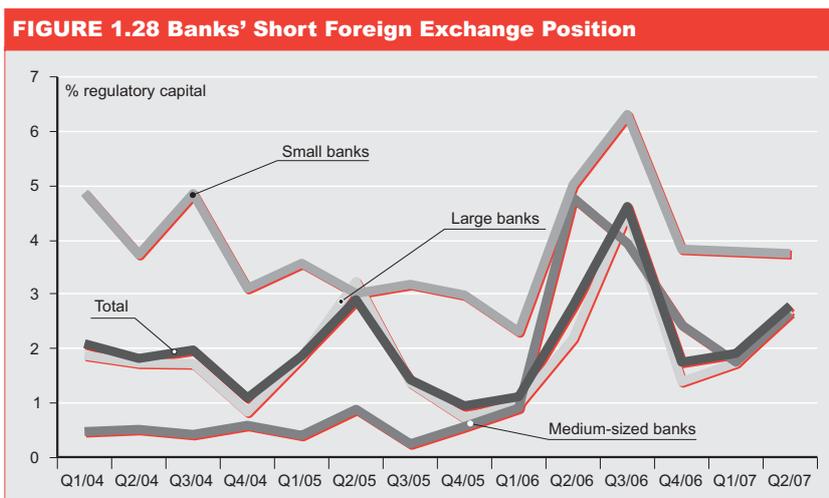
FIGURE 1.26 Banks' Assets and Liabilities by Remaining Maturity, as at 30 June 2007

1.1.9 Currency Adjustment of Banks' Assets and Liabilities

The ratio between the average long foreign exchange position and regulatory capital of all banks was 6.7% at the end of June 2007, which was an increase over the end of 2006 when it amounted to 5.2% (Figure 1.27). Small banks had the highest average quarterly long foreign exchange position expressed as a percentage of regulatory capital at the end of June 2007 (11.3%), large banks were second (7.0%), while medium-sized banks were ranked last (1.5%).

FIGURE 1.27 Banks' Long Foreign Exchange Position

The ratio between the average short foreign exchange position and regulatory capital of all banks stood at 3.8% at the end of June 2007, increasing by 1 percentage point over the end of 2006. Viewed by peer group of banks, the ratio between the average short foreign exchange position and regulatory capital grew most pronouncedly in the group of large banks, from 1.4% to 2.7%. In the group of medium-sized banks, it grew from 2.4% to 2.7% in the reference period, while it remained at 3.8% in the group of small banks.



Changes in the currency structure of the banks' balance sheet had no significant impact on the currency structure of asset and liability items denominated in foreign currencies or indexed to foreign currency. The euro-denominated share also predominated at the end of June 2007, accounting for 84.7% of bank assets denominated in foreign currencies or indexed to foreign currency. However, compared to the end of 2006, it fell by 1.5 percentage points on account of a 2.5% fall in asset items indexed to euro. After increasing by 2.3 percentage points in the reference period, the share denominated in Swiss francs was the second largest at the end of June 2007 and stood at 16.9%. This increase was also the result of the growth in asset items indexed to this currency (14.7%). The euro-denominated and Swiss franc-denominated shares accounted for 82.8% and 9.4% respectively in the currency structure of banks' liabilities and capital. Following the reduction in the capital and liability items indexed to Swiss franc (11.7%), the share of this currency was 0.8 percentage points lower at the end of June 2007 than at the end of 2006. Concurrently, a fall was also registered in items indexed to euro (3.7%). Nonetheless, the euro share in the currency structure of liabilities and capital grew by 0.7 percentage points in the reference period.

1.2 Housing Savings Banks

The number of housing savings banks did not change in the reporting period, with five housing savings banks continuing to operate on the territory of the Republic of Croatia at the end of June 2007. Total assets of housing savings banks declined in the reference period, while their share of assets in total banking sector assets fell from 2.0% at the end of 2006 to 1.9% at the end of June 2007.

Four housing savings banks were in majority foreign ownership, either directly or indirectly, with their assets accounting for 99.4% of total housing saving banks' assets. One housing savings bank was in majority domestic (state) ownership and accounted for the remaining 0.6% of total housing saving banks' assets.

1.2.1 Housing Savings Banks' Balance Sheet

After showing a declining tendency for several periods, total assets of housing savings banks fell for the first time at the end of June 2007 over the end of 2006, by HRK 211.3m or 3.3%. This was due to the decrease in assets of the two largest housing savings banks, by a total of HRK 341.0m, with the increase in assets of the remaining three housing savings banks (HRK 129.7m) only partly offsetting the total fall in the assets of housing savings banks (Table 1.16).

This decrease was almost entirely the result of the reduction in the key component of housing savings

TABLE 1.16 Structure of Housing Savings Banks' Assets, end of period, in million HRK and %

	Dec. 2004		Dec. 2005			Dec. 2006			Jun. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	0.01	0.00	0.02	0.00	42.86	0.01	0.00	-75.00	0.03	0.00	440.00
1.1. Money assets	0.01	0.00	0.02	0.00	42.86	0.01	0.00	-75.00	0.03	0.00	440.00
1.2. Deposits with the CNB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Deposits with banking institutions	332.36	6.21	720.52	11.74	116.79	111.51	1.75	-84.52	56.26	0.91	-49.55
3. MoF treasury bills and CNB bills	780.79	14.59	781.98	12.74	0.15	347.66	5.46	-55.54	265.26	4.31	-23.70
4. Securities and other financial instruments held for trading	250.18	4.68	390.64	6.36	56.14	284.39	4.46	-27.20	196.23	3.19	-31.00
5. Securities and other financial instruments available for sale	2,147.96	40.14	706.82	11.51	-67.09	1,058.33	16.61	49.73	1,056.33	17.15	-0.19
6. Securities and other financial instruments held to maturity	548.19	10.24	869.63	14.17	58.64	1,303.26	20.45	49.86	1,292.32	20.98	-0.84
6.1. Securities and other financial instruments bought on issue directly from the issuer ^a	74.96	1.40	-	-	-	-	-	-	-	-	-
7. Securities and other financial instruments not traded in active markets but carried at fair value	-	-	1,382.46	22.52	-	1,260.63	19.79	-8.81	696.45	11.31	-44.75
8. Derivative financial assets	0.00	0.00	0.00	0.00	0.00	5.40	0.08	100.00	9.30	0.15	72.20
9. Loans to financial institutions	468.95	8.76	263.70	4.30	-43.77	69.87	1.10	-73.50	32.50	0.53	-53.49
10. Loans to other clients	372.94	6.97	727.58	11.85	95.09	1,713.04	26.89	135.44	2,312.79	37.54	35.01
11. Investments in subsidiaries and associates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
12. Foreclosed and repossessed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
13. Tangible assets (net of depreciation)	8.72	0.16	8.17	0.13	-6.35	7.00	0.11	-14.36	7.98	0.13	14.09
14. Interest, fees and other assets	389.35	7.28	323.77	5.27	-16.84	250.78	3.94	-22.54	280.81	4.56	11.98
15. Net of: Collectively assessed impairment provisions	23.13	0.43	36.93	0.60	59.69	40.45	0.63	9.52	46.18	0.75	14.17
TOTAL ASSETS	5,351.29	100.00	6,138.35	100.00	14.71	6,371.41	100.00	3.80	6,160.07	100.00	-3.32

^a This category of financial assets is not stated in the revised IAS 39. It has been included in the above table due to its balance as at 31 December 2004.

banks' financing sources – time deposits. Accounting for 90% of financing sources, time deposits fell by 4.3% in the reference period. Capital also decreased in the reference period but had a smaller impact on the change in the amount of liabilities.

Accounting for the largest amount of assets, loans to other clients grew by HRK 599.8m, or 35.0%, increasing their share in total assets by more than one-third (from 26.9% to 37.5%). In addition, the decrease in all asset items was larger than the growth in loans to other clients. The decline of investment in securities and other financial instruments not traded in active markets but carried at fair value, which stood at HRK 564.2m (44.8%), contributed the most to the reduction in assets. Investment in T-bills and CNB bills and investment in securities and other financial instruments held for trading also fell significantly in the reference period (by HRK 88.2m and HRK 82.4m respectively), while the fall of investment in deposits with banking institutions and loans to financial institutions stood at HRK 55.3m and HRK 37.4m respectively.

This led to a change in the structure of assets. Specifically, in addition to the change in the size of the share of loans to other clients, the largest change was observed in the share of securities and other financial instruments not traded in active markets but carried at fair value, which fell from 19.8% to 11.3%.

Total liabilities of housing savings banks were 3.4% lower at the end of June 2007 than at the end of 2006. This change was the consequence of the above-mentioned decrease in time deposits, which accounted for 90.2% of total liabilities and fell by HRK 248.2m. As the reduction in capital was lower than the reduction in deposits, i.e. it stood at 1.2%, total liabilities and capital were 3.3% lower at the end of June 2007 than at the end of 2006 (Table 1.17).

The decline in total capital of housing savings banks continued in the reference period. Compared to its stock at the end 2006, total capital of housing savings banks fell by 1.2% at the end of June (by

TABLE 1.17 Structure of Housing Savings Banks' Liabilities, end of period, in million HRK and %

	Dec. 2004		Dec. 2005			Dec. 2006			Jun. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.1. Short-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.2. Long-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Deposits	4,728.25	88.36	5,514.72	89.84	16.63	5,803.62	91.09	5.24	5,555.42	90.18	-4.28
2.1. Giro account and current account deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.2. Savings deposits	0.09	0.00	0.03	0.00	-71.59	0.03	0.00	32.00	0.01	0.00	-66.67
2.3. Time deposits	4,728.16	88.36	5,514.69	89.84	16.64	5,803.59	91.09	5.24	5,555.41	90.18	-4.28
3. Other loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.1. Short-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.2. Long-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Derivative financial liabilities and other financial liabilities held for trading	4.87	0.09	4.13	0.07	-15.17	0.00	0.00	-100.00	0.00	0.00	0.00
5. Debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.1. Short-term debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.2. Long-term debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. Subordinated instruments issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7. Hybrid instruments issued	10.74	0.20	10.33	0.17	-3.85	61.70	0.97	497.51	76.32	1.24	23.70
8. Interest, fees and other liabilities	452.63	8.46	388.97	6.34	-14.06	312.51	4.90	-19.66	337.04	5.47	7.85
TOTAL LIABILITIES	5,196.48	97.11	5,918.14	96.41	13.89	6,177.83	96.96	4.39	5,968.78	96.89	-3.38
TOTAL CAPITAL	154.81	2.89	220.21	3.59	42.25	193.58	3.04	-12.09	191.29	3.11	-1.18
TOTAL LIABILITIES AND CAPITAL	5,351.29	100.00	6,138.35	100.00	14.71	6,371.41	100.00	3.80	6,160.07	100.00	-3.32

comparison, it decreased by 12.1% at the end of 2006 compared with the end of 2005). The decrease in total capital of housing savings banks stood at HRK 30.0m and was the result of the decrease in capital of one housing savings bank of HRK 45.0m caused by the need to cover the losses from previous years. One housing savings bank increased its equity capital by HRK 15.0m, while no significant changes were seen in the capital of the remaining three housing savings banks (Table 1.18).

TABLE 1.18 Structure of Housing Savings Banks' Total Capital, end of period, in million HRK and %

	Dec. 2004		Dec. 2005			Dec. 2006			Jun. 2007		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	203.36	131.36	203.36	92.35	0.00	287.48	148.51	41.37	257.49	134.61	-10.43
2. Current year profit/loss	11.40	7.37	52.28	23.74	358.47	-54.50	-28.15	0.00	-21.68	-11.33	-60.22
3. Retained earnings (loss)	-63.44	-40.98	-53.64	-24.36	-15.44	-37.12	-19.18	-30.79	-15.93	-8.33	-57.09
4. Legal reserves	3.48	2.25	1.94	0.88	-44.21	2.32	1.20	19.62	2.51	1.31	8.09
5. Total reserves provided for by the articles of association and other capital reserves	0.00	0.00	29.88	13.57	0.00	-13.12	-6.78	0.00	-31.10	-16.26	137.04
5.1. Reserves provided for by the articles of association and other capital reserves	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.2. Unrealised gains/losses on value adjustments of financial assets available for sale	0.00	0.00	29.88	13.57	0.00	-13.12	-6.78	0.00	-31.10	-16.26	137.04
5.3. Reserves arising from hedging transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. Previous year profit/loss	0.00	0.00	-13.61	-6.18	0.00	8.52	4.40	0.00	0.00	0.00	0.00
TOTAL CAPITAL	154.81	100.00	220.21	100.00	42.25	193.58	100.00	-12.09	191.29	100.00	-1.18

The capital adequacy ratio of housing savings banks continued to decline in the reference period. At the end of June 2007, it stood at 18.26%. In addition, it should be pointed out that the capital adequacy ratio of housing savings banks is unrealistically too high and predominantly influenced by two housing savings banks (their share in total regulatory capital amounts to 22.1%) which commenced to operate after other housing savings banks were established. Specifically, as they have a rather small share of loans in assets, their credit risk-weighted assets are relatively small. The decline in the capital adequacy ratio was caused by somewhat faster growth of total credit risk-weighted assets and off-balance sheet risky items, i.e. the capital requirement for credit risk (4.5%) and other capital requirements, relative to the growth in regulatory capital which stood at 2.6%.

1.2.2 Housing Savings Banks' Income Statement

Like at the end of the first half and at the end of 2006, housing savings banks reported a loss at the end of June 2007. However, the reported loss was smaller in the reference period and stood at HRK 21.4m (HRK 21.7m after taxes), which is an improvement of HRK 54.4m relative to the loss at the end of 2006. Losses were reported by three housing savings banks (HRK 22.1m). As a result, the income of the remaining two housing savings banks amounted to HRK 0.7m and only modestly improved the operating results of all housing savings banks.

Total net income of housing savings banks amounted to HRK 47.9m in the reference period. The main component of total net income, net interest income went up by a significant 34.4%. Net income from commissions and fees remained almost stagnant (it grew by less than 1%), while the loss reported in item of net other non-interest income fell by a substantial HRK 48.9m. As a result, notwithstanding the increase in general administrative expenses and depreciation of 16.5% and the increase in expenses on loss commissions (31.1%), the loss of housing savings banks fell by 70.6% or HRK 51.4m.

The increase in interest income from loans granted (91.7%), with the increase in interest income from housing loans amounting to as much as 98.1%, made the largest contribution to the growth of net interest income. Specifically, interest income from loans granted reached HRK 52.7m in the reference period, while interest income from debt securities fell by 4.3% and amounted to HRK 89.2m. Total interest income thus rose by 13.8%, while the increase in net interest income of 34.4% was also contributed to by approximately two times lower growth rate of total interest expenses (6.1%).

The decline in the negative balance in net other non-interest income (by 64.0% or to HRK 28.0m) was to a large extent the result of the decrease in losses on assets not traded in active markets but carried at fair value (HRK 43.1m) and the loss from trading activities (HRK 23.9m) which predominantly included the securities trading. As a result, compared to the same period in 2006, total net non-interest income and total net income improved in the first half of 2007.

	Jan.-Jun. 2006	Jan.-Jun. 2007
1. Net interest income	34.33	46.15
1.1. Total interest income	125.74	143.11
1.2. Total interest expenses	91.41	96.96
2. Net income from fees and commissions	29.55	29.77
2.1. Total income from fees and commissions	33.94	34.07
2.2. Total expenses on fees and commissions	4.39	4.30
3. Net other non-interest income	-64.65	-15.76
3.1. Other non-interest income	13.25	12.27
3.2. Other non-interest expenses	-77.89	-28.03
4. Net non-interest income	-48.34	1.74
5. General administrative expenses and depreciation	53.76	62.65
6. Net operating income before loss provisions	-67.77	-14.76
7. Total expenses on loss provisions	5.06	6.64
7.1. Expenses on value adjustments and provisions for identified losses	0.86	0.67
7.2. Collectively assessed impairment provisions	4.20	5.97
8. Income/loss before taxes	-72.83	-21.40
9. Income tax	0.05	0.28
10. Current year profit/loss	-72.89	-21.68

1.2.3 Housing Savings Banks' Exposure to Credit Risk

At the end of June 2007, total placements and contingent liabilities grew by another half a million of kunas (HRK 515m or 11.3%). The changes in the shares of individual categories of placements (fully and partly recoverable placements and irrecoverable placements) were identical to those observed in the last three years (Table 1.20).

Although still accounting for a share of almost 100%, fully recoverable fell from 99.84% to 99.81%. After increasing by 35.7% (group B) and 40.4% (group C), the other two categories of placements and contingent liabilities totalled HRK 9.7m, which was still less than 0.2% of total placements and contingent liabilities. As result, their shares in total placements continued to increase, suggesting mild but continuous worsening of the quality of placements.

These changes were the result of the change in the structure of assets of housing savings banks, and primarily of the increase in loans to other clients – households (see 1.2.1).

TABLE 1.20 Classification of Housing Savings Banks' Placements and Contingent Liabilities by Risk Categories, end of period, in million HRK and %

Placements	Dec. 2004		Dec. 2005		Dec. 2006		Jun. 2007	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements (category A)	2,648.84	99.97	3,493.99	99.93	4,540.66	99.84	5,053.09	99.81
2. Partly recoverable placements (category B)	0.68	0.03	2.11	0.06	5.67	0.12	7.69	0.15
3. Irrecoverable placements (category C)	0.05	0.00	0.36	0.01	1.44	0.03	2.02	0.04
Total	2,649.57	100.00	3,496.46	100.00	4,547.77	100.00	5,062.80	100.00

Total placement value adjustments and provisions for contingent liabilities grew somewhat faster than placements and contingent liabilities (14.4% vs. 11.3%), increasing the ratio of total value adjustments and provisions to total placements and contingent liabilities to somewhat more than 1%. In addition, as fully recoverable placements continued to predominate in total placements and contingent liabilities, collectively assessed impairment provisions made up more than nine-tenths (92.1%) of total value adjustments and provisions for contingent liabilities (Table 1.21).

TABLE 1.21 Ratio of Housing Savings Banks' Total Value Adjustments and Provisions to Total Placements and Contingent Liabilities, end of period, in million HRK and %

	Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007
1. Total value adjustments against placements and provisions for contingent liabilities	23.48	38.36	44.79	51.25
1.1. Value adjustments against placements and provisions for contingent liabilities	0.22	0.89	3.56	4.06
1.2. Collectively assessed impairment provisions	23.26	37.47	41.23	47.20
2. Total placements and contingent liabilities	2,649.57	3,496.46	4,547.77	5,062.80
3. Relative ratio: total value adjustments and provisions/total placements and contingent liabilities	0.89	1.10	0.98	1.01

2 Notes on Methodology

Figure 1.1 Number of Banks

With respect to ownership structure, the banks in the Republic of Croatia are divided into domestic and foreign-owned banks. A bank is classified as a domestic bank if it is in majority ownership of domestic natural and legal persons or as a foreign-owned bank if it is in majority ownership of foreign natural and legal persons. The total number of banks is the sum of the banks in domestic and foreign ownership. The CNB statistics is the source of data on the number of banks.

Table 1.1 Bank Peer Groups and Their Share in Total Bank Assets

In accordance with the selected criterion – the relative share of assets of an individual bank in total bank assets – Table 1.1 shows the peer groups of banks.

Schedule BS1-2 is the source of data on the size (amount) of assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.2 Ownership Structure of Banks and Their Share in Total Bank Assets

With respect to ownership structure, the banks in the Republic of Croatia are divided into domestic and foreign-owned banks. Banks in domestic ownership are divided into banks in domestic private ownership and banks in domestic state ownership. A bank is classified as a bank in domestic private ownership if it is in majority ownership of domestic natural and legal persons or as a bank in domestic state ownership if it is in majority ownership of government units. A bank is classified as a foreign-owned bank if it is in majority ownership of foreign natural and legal persons. The share of each bank's assets in total bank assets is calculated and shown by the type of ownership. The total number of banks is the sum of the banks in domestic ownership (i.e. domestic private and state ownership) and the banks in foreign ownership.

The CNB statistics and Schedule BS1-2 (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006) are the source of data on the number of banks.

Table 1.3 Territorial Distribution of Operating Units and ATMs

The total number of operating units and the total number of installed ATMs of all banks in the Republic of Croatia are classified by counties. The County of Zagreb includes the data on the City of Zagreb. The reports set forth in the Decision on the obligation to submit the report on payment operations data (Official Gazette 189/2004) are the source of data.

Figure 1.2 Concentration of Banks' Operating Units and ATMs by Counties

The bars in Figure 1.2 show the relative share of the number of operating units and ATMs by counties at the end of period.

The reports set forth in the Decision on the obligation to submit the report on payment operations data (Official Gazette 189/2004) are the source of data.

Figure 1.3 Share of Operating Units of Bank Peer Groups in the Total Number of Operating Units

The number of operating units of an individual bank peer group is the sum of operating units of all banks classified into the respective peer group. The relative share of operating units in the total number of operating units is shown for each bank peer group.

The reports set forth in the Decision on the obligation to submit the report on payment operations data (Official Gazette 189/2004) are the source of data.

Figure 1.4 Share of ATMs of Bank Peer Groups in the Total Number of ATMs

The number of ATMs of an individual bank peer group is the sum of ATMs of all banks classified into the respective peer group. The relative share of ATMs in the total number of ATMs is shown for each bank peer group.

The reports set forth in the Decision on the obligation to submit the report on payment operations data (Official Gazette 189/2004) are the source of data.

Figure 1.5 Shares of the Largest Banks' Assets, Loans and Deposits in Total Assets, Loans and Deposits

The criterion for selecting the two largest banks, the first five largest banks and the first ten largest banks in the banking sector is the size of their assets. The share of assets of the selected bank groups in total assets is calculated as a ratio between the sum of assets of the selected bank groups and total assets of all banks, and is stated in percent. The share of deposits and the share of loans in total deposits and total loans of all banks is calculated in the same manner.

Schedule BS1-2 is the source of data on the size (amount) of assets, deposits and loans (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.6 Herfindahl Index (all banks)

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

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

The Herfindahl index can vary from 0 (perfectly competitive industry) to 10 000 (monopoly).

Granted loans/received deposits concentration indices are calculated by applying the same formula.

Schedule BS1-2 is the source of data on the size (amount) of assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.4 Structure of Banks' Assets

The share of each balance sheet item of assets in total assets of all banks is calculated on the basis of data from the balance sheets of banks and the aggregate balance sheet of all banks at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Schedule BS1-2 is the source of data on the structure of banks' assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.7 Quarterly Rates of Change in Assets of Bank Peer Groups

The rate of change in assets of bank peer groups is calculated as a ratio between assets of an individual bank peer group, i.e. total assets of all banks at the end of the reporting period and assets of an individual bank peer group, i.e. total assets of all banks at the end of the previous reporting period. Schedule BS1-2 is the source of data on the quarterly rates of change in assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.8 Structure of Assets of Bank Peer Groups

The share of individual asset items in total assets is calculated as a ratio between individual asset items and total assets of bank peer groups, i.e. total assets of all banks at the end of the reporting period. Individual asset items comprise currency 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.

Schedule BS1-2 is the source of data on the structure of assets of bank peer groups (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.5 Structure of Banks' Liabilities

Banks' liabilities are calculated in the same manner as banks' assets in Table 1.4, i.e. the share of each balance sheet item of liabilities in total liabilities of all banks is calculated on the basis of data from the balance sheets of banks and the aggregate balance sheet of all banks at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Schedule BS1-2 is the source of data on the structure of banks' liabilities (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.9 Structure of Liabilities of Bank Peer Groups

The share of individual liability items in total liabilities is calculated as a ratio between individual liability items and total liabilities of bank peer groups, i.e. total liabilities of all banks at the end of the reporting period. Individual liability items comprise 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.

Schedule BS1-2 is the source of data on the structure of liabilities of bank peer groups (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.10 Structure of Banks' Standard Off-Balance Sheet Risky Items

The share of an individual standard off-balance sheet risky item in total standard off-balance sheet risky items is calculated as a ratio between an individual standard off-balance sheet risky item and total standard off-balance sheet risky items.

Schedule BS/IBS1-3 is the source of data on the structure of banks' standard off-balance sheet risky items (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.6 Structure of Banks' Total Capital

Banks' capital, as one of the liability items shown in Table 1.5, is presented in detail in Table 1.6 and the share of each stated capital item in total capital of all banks is calculated as a ratio between each capital item and total capital of all banks. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Schedule BS1-2 is the source of data on the structure of banks' total capital (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.7 Changes in Banks' Regulatory Capital

The regulatory capital is calculated in accordance with the Decision on the capital adequacy of banks (Official Gazette 17/2003, 120/2003, 149/2005 and 130/2006) and the Instruction for the uniform implementation of the decision on the capital adequacy of banks (Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006).

Schedule JK2 is the source of data on the changes in banks' regulatory capital (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006).

Figure 1.11 Structure of Banks' Regulatory Capital

The columns in Figure 1.11 show the regulatory capital components at the end of the reporting period. The core capital is the amount of core capital decreased by the amount of deduction items, while supplementary capital I and II represent those amounts of supplementary capital I and II that are included in the regulatory capital. Items deducted from gross regulatory capital are the amount of total items deducted from gross regulatory capital.

Schedule JK2 is the source of data on the structure of banks' regulatory capital (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006).

Figure 1.12 Structure of Banks' Credit Risk-Weighted Assets

The columns in Figure 1.12 show the net value of assets weighted by risk at the end of the reporting period. Ratio is used to determine the proportion of total credit risk-weighted assets to total assets at the end of the reporting period.

Schedule PBA1 (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006) and Schedule BS1-2 (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006) are the source of data on the structure of banks' credit risk-weighted assets.

Figure 1.13 Banks' Capital Adequacy Ratio

The capital adequacy ratio is calculated as a ratio between regulatory capital and credit risk-weighted assets increased by total foreign exchange position exposure to currency risk, capital requirement for position risks (multiplied by 10), capital requirement for settlement risk and capital requirement for counterparty risk (multiplied by 10) and capital requirement for exceeding the permissible exposure limits (multiplied by 10). The capital adequacy ratio is calculated for individual bank peer groups and for all banks together.

Schedule SAK is the source of data on the banks' capital adequacy ratio (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006).

Figure 1.14 Structure of Banks' Total Capital Requirements

The total capital requirements are the sum of capital requirement for credit risk, capital requirement for currency risk, capital requirement for interest rate risk, capital requirement for equity risk, capital requirement for commodity risk, capital requirement for options, capital requirement for settlement risk, capital requirement for counterparty risk and capital requirement for exceeding the permissible exposure limits. Position risks based on interest rate risk and equity risk are divided into specific and general risk.

Schedule PKZ is the source of data on the structure of banks' total capital requirements (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006).

Table 1.8 Banks' Income Statement

Each income statement item is shown cumulatively for all banks and individual bank peer groups on the basis of data from the income statements of banks in the observed periods. Total amount of each income statement item represents the sum of the same income statement items stated in the income statements of banks. Total amounts are calculated for all banks and for individual bank peer groups.

Schedule RDG1-1 is the source of data on the banks' income statement (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.9 Structure of Banks' Income

The share of each income item in total income of an individual bank peer group is calculated as a ratio between the sum of the same income items from the income statements of an individual bank peer group and total income earned by the respective peer group. The share of each income item in total income of all banks is calculated in the same manner.

Schedule RDG1-1 is the source of data on the structure of banks' income (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.10 Structure of Banks' Expenses

The structure of expenses is calculated in the same manner as the structure of income in Table 1.9, i.e. the share of each expense item in total expenses of an individual bank peer group is calculated as a ratio between the sum of the same expense items from the income statements of an individual bank peer group and total expenses incurred by the respective peer group. The share of each expense item in total expenses of all banks is calculated in the same manner.

Schedule RDG1-1 is the source of data on the structure of banks' expenses (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.15 Banks' Return on Average Assets

The return on average assets of bank peer groups is calculated as a ratio between income before taxes and average assets. The average assets of bank peer groups 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.

Schedule BS1-2 and Schedule RDG1-1 are the source of data on the banks' return on average assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.16 Banks' Return on Average Equity

The return on average equity of bank peer groups is calculated as a ratio between income after taxes

and average equity. The average equity of bank peer groups 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.

Schedule BS1-2 and Schedule RDG1-1 are the source of data on the banks' return on average equity (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.17 Structure of Banks' Net Income

The columns in Figure 1.17 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 together at the end of the reporting period.

Schedule RDG1-1 is the source of data on the structure of banks' net income (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.18 Income from Interest-Bearing Assets and Expenses on Interest-Bearing Liabilities

Income from interest-bearing assets is the ratio between total interest income and average interest-bearing assets. Expenses on interest-bearing liabilities are the ratio between total interest expenses 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 (excl. other deposits with the CNB in foreign currency), deposits with banking institutions, debt securities (excl. 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.

Schedule BS1-2 and Schedule RDG1-1 are the source of data on the income from interest-bearing assets and the expenses on interest-bearing liabilities (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.19 Banks' Interest Rates

The basis for calculating the weighted averages is the amount of loans granted at a certain interest rate in the reporting month, with the exception of interest rates on overdraft facilities based on giro and current accounts. The weighted averages for overdraft facilities are calculated on the basis of their balances at the end of the reporting month.

Kuna deposits without a currency clause (sight deposits, savings and time deposits) and foreign currency deposits are reported as the weighted averages of the monthly interest rates. The basis for calculating the weighted averages is the balance in deposits at the end of the reporting month. The exceptions are kuna savings deposits and time deposits, whose weighted averages are calculated (since July 1995) on the basis of deposits received in the reporting month. When the average interest rates on total kuna deposits are calculated, all components are weighted on the basis of the balance in the relevant deposits at the end of reporting period.

The CNB statistics is the source of data.

Figure 1.20 Banks' Assets per Employee

Assets of all banks in an individual bank peer group are added up and then divided by the total number

of persons employed by the banks in the peer group. The same procedure is applied to the calculation of this indicator for all banks.

Schedule BS1-2 (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006) and Schedule PD3 (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006) are the source of data on the banks' assets per employee.

Figure 1.21 Banks' Operating Expenses

Operating expenses of bank peer groups and all banks together are shown as a ratio between general and administrative expenses to net interest income and net non-interest income at the end of the reporting period.

Schedule RDG1-1 is the source of data on the banks' operating expenses (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.22 Quarterly Rates of Change in Gross Loans in Selected Sectors

The rates of change in gross loans in selected sectors (enterprises and households) are calculated as a ratio between the amount of gross loans to selected sectors at the end of the reporting period and the amount of gross loans to selected sectors at the end of the previous quarter.

Schedule RS1 is the source of data on the quarterly rates of change in gross loans (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Table 1.11 Classification of Banks' Placements and Contingent Liabilities by Risk Categories

Placements and contingent liabilities are classified by risk categories. The share of placements and contingent liabilities in total placements and contingent liabilities that are classified into risk categories is calculated for each risk category.

Schedule RS1 is the source of data on the classification of banks' placements and contingent liabilities by risk categories (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Table 1.12 Ratio of Banks' Total Value Adjustments and Provisions to Total Placements and Contingent Liabilities

The ratio between total value adjustments and provisions and total placements and contingent liabilities that are classified into risk categories is calculated in the following manner. The placement value adjustments, provisions for contingent liabilities and collectively assessed impairment provisions are added up and the sum thus calculated is divided by the amount of total placements and contingent liabilities.

Schedule PIV1 and Schedule RS1 are the source of data on these ratio indicators (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Figure 1.23 Coverage of Total Placements and Contingent Liabilities by Total Value Adjustments and Provisions

The ratio between total value adjustments and provisions and total placements and contingent liabilities that are classified into risk categories is calculated in the following manner. The value adjustments and provisions for contingent liabilities of all banks in an individual bank peer group are added up and the sum thus calculated is divided by the amount of total placements and contingent liabilities of the banks in the respective peer group.

Schedule RS1 is the source of data on these coverage indicators (Decision on supervisory reports of

banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Table 1.13 Sectoral Structure of Banks' Net Loans

The net credit exposure by an individual institutional sector is reported for each bank peer group, as well as for all banks together.

Schedule BS/KRED1-7 is the source of data on the sectoral structure of banks' net loans (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.14 Structure of Banks' Sources of Financing

The structure of sources of financing is shown for all bank peer groups and for all banks together. The share of individual sources of financing in total sources of financing is calculated as a ratio between individual sources of financing and total sources of financing. The share of deposits and loans of majority foreign owner is shown under separate line item and calculated in the same manner as above.

Schedule BS1-2, Schedule BS/DEP1-8 and Schedule BS/OK1-9 are the source of data on the structure of banks' sources of financing (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.15 Sectoral Structure of Banks' Received Loans

The amount of loans received from institutional sectors and their shares in total received loans are shown for all banks. The share of loans received from an individual institutional sector in total received loans is calculated as a ratio between the amount of loans received from an individual institutional sector and total received loans. The amount and the share of loans from majority foreign owner in total received loans are shown under separate line item.

Schedule BS/OK1-9 is the source of data on the sectoral structure of banks' received loans (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.24 Sectoral Structure of Banks' Received Deposits

Total deposits of an individual institutional sector include giro account and current account deposits, savings deposits and time deposits. The share of deposits of an individual institutional sector in total deposits of the respective institutional sector at the end of the reporting period is calculated for each deposit type.

Schedule BS/DEP1-8 is the source of data on the sectoral structure of banks' received deposits (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.25 Banks' Loans Granted and Deposits Received

Total net loans granted by individual bank peer groups and all banks together are calculated as a ratio between total net granted loans and total received deposits at the end of the reporting period.

Schedule BS1-2 is the source of data on the banks' granted loans and received deposits (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.26 Banks' Assets and Liabilities by Remaining Maturity

The adjustment between the structure of assets and the structure of liabilities is shown by the remaining maturity and on a net basis. The structure of assets by the remaining maturity is calculated as a ratio between assets classified by maturity terms and total assets at the end of the reporting period. The ratio between liabilities classified by maturity terms and total assets is calculated in the same

manner. 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 maturity terms.

Schedule BS/ROC1-14 is the source of data on the assets and liabilities classified by the remaining maturity terms (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Figure 1.27 Banks' Long Foreign Exchange Position

Each bank peer group ratio between its long foreign exchange position (f/c claims exceeding f/c liabilities) and its regulatory capital is calculated in the following manner. First, the average long foreign exchange positions reported in a certain quarter by all banks in an individual bank peer group are added up. Second, regulatory capitals of all banks in the group are added up. The sums thus calculated are mutually divided.

Schedule JK2 (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006) and Schedule VR-2 (Decision on the limitation of banks' exposure to foreign exchange risk – Official Gazette 17/2003 and 39/2006) are the source of data on the banks' long foreign exchange position.

Figure 1.28 Banks' Short Foreign Exchange Position

Each bank peer group ratio between its short foreign exchange position (f/c liabilities exceeding f/c claims) and its regulatory capital is calculated in the following manner. First, the average short foreign exchange positions reported in a certain quarter by all banks in an individual bank group are added up. Second, regulatory capitals of all banks in the group are added up. The sums thus calculated are mutually divided.

Schedule JK2 (Instruction for the uniform implementation of the decision on the capital adequacy of banks – Official Gazette 195/2003, 39/2004, 41/2006 and 130/2006) and Schedule VR-2 (Decision on the limitation of banks' exposure to foreign exchange risk – Official Gazette 17/2003 and 39/2006) are the source of data on the banks' short foreign exchange position.

Table 1.16 Structure of Housing Savings Banks' Assets

The share of each balance sheet item of assets in total assets of all housing savings banks is calculated on the basis of data from the balance sheets of housing savings banks and the aggregate balance sheet of all housing savings banks at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Schedule BS1-2 is the source of data on the structure of housing savings banks' assets (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.17 Structure of Housing Savings Banks' Liabilities

Housing savings banks' liabilities are calculated in the same manner as housing savings banks' assets in Table 1.16, i.e. the share of each balance sheet item of liabilities in total liabilities of all housing savings banks is calculated on the basis of data from the balance sheets of housing savings banks and the aggregate balance sheet of all housing savings banks at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Schedule BS1-2 is the source of data on the structure of housing savings banks' liabilities (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.18 Structure of Housing Savings Banks' Total Capital

Housing savings banks' capital, as one of the liability items shown in Table 1.17, is presented in detail in Table 1.18 and the share of each stated capital item in total capital of all housing savings banks is calculated as a ratio between each capital item and total capital of all housing savings banks. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Schedule BS1-2 is the source of data on the structure of housing savings banks' total capital (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.19 Housing Savings Banks' Income Statement

Each income statement item is shown cumulatively for all housing savings banks on the basis of data from the income statements of housing savings banks in the observed periods.

Schedule RDG1-1 is the source of data on the housing savings banks' income statement (Decision relating to the bank statistical report – Official Gazette 166/2003, 53/2004, 129/2004 and 60/2006).

Table 1.20 Classification of Housing Savings Banks' Placements and Contingent Liabilities by Risk Categories

Placements and contingent liabilities are classified by risk categories. The share of placements and contingent liabilities in total placements and contingent liabilities that are classified into risk categories is calculated for each risk category.

Schedule RS1 is the source of data on the classification of housing savings banks' placements and contingent liabilities by risk categories (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

Table 1.21 Ratio of Housing Savings Banks' Total Value Adjustments and Provisions to Total Placements and Contingent Liabilities

The ratio between total value adjustments and provisions and total placements and contingent liabilities that are classified into risk categories is calculated in the following manner. The placement value adjustments, provisions for contingent liabilities and collectively assessed impairment provisions are added up and the sum thus calculated is divided by the amount of total placements and contingent liabilities of housing savings banks.

Schedule PIV1 and Schedule RS1 are the source of data on these ratio indicators (Decision on supervisory reports of banks – Official Gazette 115/2003, 29/2006, 46/2006 and 74/2006).

3 List of Banks and Housing Savings Banks

Data on individual banks' and housing savings banks' addresses, telephone numbers, fax numbers, members of management and supervisory boards, shareholders and auditors are shown in the list of banks and housing savings banks. The balance sheets and income statements of individual banks and housing savings banks are also enclosed.

Data on members of management and supervisory boards, and on shareholders who hold 3% or more of share in the share capital of a bank or housing savings bank are as at 30 June 2007.

Data on auditors relate to bank/housing savings bank auditors for 2006.

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 BAN¹ 4115008
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Management Board

Goran Gazivoda – chairperson, Samuele Friazzoli

Supervisory Board

Domenico De Angelis – chairperson, Lorenzo
 Chiappini, Massimo Minolfi, Marco Franceschini, Tin
 Dolički

Shareholders

1. Banco Popolare di Verona
 e Novara S.C.A.R.L.

**Share in share
capital (%)**

85.25

Audit firm for 2006:
 Ernst & Young d.o.o., Zagreb

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	25,456
1.1. Total interest income	51,589
1.2. Total interest expenses	26,133
2. Net income from fees and commissions	6,442
2.1. Total income from fees and commissions	7,555
2.2. Total expenses on fees and commissions	1,112
3. Net other non-interest income	1,837
3.1. Other non-interest income	4,527
3.2. Other non-interest expenses	2,690
4. Net non-interest income	8,280
5. General administrative expenses and depreciation	27,618
6. Net operating income before loss provisions	6,118
7. Total expenses on loss provisions	4,190
7.1. Expenses on value adjustments and provisions for identified losses	1,901
7.2. Expenses on provisions for unidentified losses	2,289
8. Income/loss before taxes	1,928
9. Income tax	386
10. Current year profit/loss	1,542

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	280,171
1.1. Money assets	21,820
1.2. Deposits with the CNB	258,352
2. Deposits with banking institutions	204,984
3. MoF treasury bills and CNB bills	8,376
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	942
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	18,000
10. Loans to other clients	890,496
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	875
13. Tangible assets (net of depreciation)	18,701
14. Interest, fees and other assets	26,267
15. Net of: Specific reserves for unidentified losses	12,151
TOTAL ASSETS	1,436,662

Structure of Liabilities	
1. Loans from financial institutions	87,124
1.1. Short-term loans	65,500
1.2. Long-term loans	21,624
2. Deposits	1,058,596
2.1. Giro account and current account deposits	39,583
2.2. Savings deposits	32,282
2.3. Time deposits	986,731
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	8
7. Hybrid instruments issued	29,428
8. Interest, fees and other liabilities	73,311
9. CAPITAL	188,195
TOTAL LIABILITIES AND CAPITAL	1,436,662

1 Bank Account Number.

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 www.banka-brod.hr

Management Board

Zdenko Vidaković – chairperson, Mićo Tomičić

Supervisory Board

Damir Kreso – chairperson, Mara Tomičić, Maja Vidaković

Shareholders

	Share in share capital (%)
1. Mićo Tomičić	7.71
2. Damir Kreso	7.51
3. Zdenko Vidaković	7.51
4. Slobodanka Kreso	6.79
5. Mara Tomičić	6.79
6. Maja Vidaković	6.79
7. Neđo Jelčić	6.30
8. Razija Kreso	5.96
9. Karlo Tomičić	5.96
10. Mirko Vidaković	5.96
11. Krešimir Planinić	5.90
12. Željko Rački	3.29
13. Višnja Rački	3.26

Audit firm for 2006:
 Alfa Revizija d.o.o., Slavonski Brod

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	9,096
1.1. Total interest income	15,126
1.2. Total interest expenses	6,030
2. Net income from fees and commissions	643
2.1. Total income from fees and commissions	1,189
2.2. Total expenses on fees and commissions	546
3. Net other non-interest income	715
3.1. Other non-interest income	1,059
3.2. Other non-interest expenses	344
4. Net non-interest income	1,358
5. General administrative expenses and depreciation	5,009
6. Net operating income before loss provisions	5,444
7. Total expenses on loss provisions	1,637
7.1. Expenses on value adjustments and provisions for identified losses	1,377
7.2. Expenses on provisions for unidentified losses	260
8. Income/loss before taxes	3,807
9. Income tax	761
10. Current year profit/loss	3,046

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	39,039
1.1. Money assets	16,941
1.2. Deposits with the CNB	22,097
2. Deposits with banking institutions	62,970
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	7,259
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	186,865
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	3,086
14. Interest, fees and other assets	5,320
15. Net of: Specific reserves for unidentified losses	2,387
TOTAL ASSETS	302,152

Structure of Liabilities	
1. Loans from financial institutions	6,526
1.1. Short-term loans	0
1.2. Long-term loans	6,526
2. Deposits	234,853
2.1. Giro account and current account deposits	12,369
2.2. Savings deposits	2,785
2.3. Time deposits	219,698
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	13,578
9. CAPITAL	47,196
TOTAL LIABILITIES AND CAPITAL	302,152

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Management Board

Lidija Hočurščak – chairperson, Ratko Špirelja

Supervisory Board

Gilberto Ghiotti² – chairperson, Josip Samaržija,
 Simoni Luca,² Renzi Vladimiro,² Andrea Belluzzi,² Ivan
 Majdak, Andrea Albertini²

Shareholders

	Share in share capital (%)
1. Cassa di Risparmio della Repubblica di San Marino	77.35
2. Josip Samaržija	9.85
3. Miroslav Fuzul	3.38

Audit firm for 2006:
 Revidicon d.o.o., Varaždin

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	14,755
1.1. Total interest income	41,522
1.2. Total interest expenses	26,767
2. Net income from fees and commissions	698
2.1. Total income from fees and commissions	1,211
2.2. Total expenses on fees and commissions	513
3. Net other non-interest income	8,822
3.1. Other non-interest income	10,791
3.2. Other non-interest expenses	1,969
4. Net non-interest income	9,520
5. General administrative expenses and depreciation	18,821
6. Net operating income before loss provisions	5,454
7. Total expenses on loss provisions	-896
7.1. Expenses on value adjustments and provisions for identified losses	-1,121
7.2. Expenses on provisions for unidentified losses	225
8. Income/loss before taxes	6,351
9. Income tax	0
10. Current year profit/loss	6,351

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	138,358
1.1. Money assets	27,588
1.2. Deposits with the CNB	110,770
2. Deposits with banking institutions	96,722
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	33,275
6. Securities and other financial instruments held to maturity	133,166
7. Securities and other financial instruments not traded in active markets but carried at fair value	14,961
8. Derivative financial assets	0
9. Loans to financial institutions	10,000
10. Loans to other clients	509,089
11. Investments in subsidiaries and associates	75
12. Foreclosed and repossessed assets	399
13. Tangible assets (net of depreciation)	23,333
14. Interest, fees and other assets	17,080
15. Net of: Specific reserves for unidentified losses	7,430
TOTAL ASSETS	969,030

Structure of Liabilities	
1. Loans from financial institutions	4,008
1.1. Short-term loans	3,500
1.2. Long-term loans	508
2. Deposits	821,800
2.1. Giro account and current account deposits	9,294
2.2. Savings deposits	78,446
2.3. Time deposits	734,060
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	249
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	37,544
8. Interest, fees and other liabilities	39,599
9. CAPITAL	65,829
TOTAL LIABILITIES AND CAPITAL	969,030

² Entered into the registered of companies on 3 July 2007.

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Management Board

Ivan Filipović – chairperson, Ivo Krolo

Supervisory Board

Juroslav Buljubašić – chairperson, Miljenko Validžić,
 Mirko Vukušić

Shareholders

	Share in share capital (%)
1. Juroslav Buljubašić	31.57
2. Blue Line	9.83
3. Hypo Alpe-Adria-Bank d.d.	9.76
4. Mirko Vukušić	5.84
5. Jozo Vukušić	3.93
6. Nataša Vuković	3.90
7. Venči Čulić Meić	3.84
8. Jakša Medić	3.02

Audit firm for 2006:
 Veritas d.o.o., Split

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	5,536
1.1. Total interest income	8,413
1.2. Total interest expenses	2,876
2. Net income from fees and commissions	981
2.1. Total income from fees and commissions	1,228
2.2. Total expenses on fees and commissions	247
3. Net other non-interest income	-668
3.1. Other non-interest income	306
3.2. Other non-interest expenses	974
4. Net non-interest income	313
5. General administrative expenses and depreciation	4,206
6. Net operating income before loss provisions	1,643
7. Total expenses on loss provisions	-464
7.1. Expenses on value adjustments and provisions for identified losses	-370
7.2. Expenses on provisions for unidentified losses	-94
8. Income/loss before taxes	2,107
9. Income tax	368
10. Current year profit/loss	1,739

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	18,239
1.1. Money assets	4,133
1.2. Deposits with the CNB	14,106
2. Deposits with banking institutions	24,029
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	1,116
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	1,000
10. Loans to other clients	116,782
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	230
13. Tangible assets (net of depreciation)	11,902
14. Interest, fees and other assets	1,403
15. Net of: Specific reserves for unidentified losses	1,458
TOTAL ASSETS	173,242

Structure of Liabilities	
1. Loans from financial institutions	3,224
1.1. Short-term loans	3,000
1.2. Long-term loans	224
2. Deposits	109,623
2.1. Giro account and current account deposits	256
2.2. Savings deposits	3,102
2.3. Time deposits	106,265
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	7,545
9. CAPITAL	52,851
TOTAL LIABILITIES AND CAPITAL	173,242

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Management Board

Ružica Vađić – chairperson, Fran Renko, Darko
 Kosovec, Marko Brnić

Supervisory Board

Dragutin Biondić – chairperson, Igor Knežević, Irena
 Kovačević, Žarko Kraljević, Gordana Zrinščak

Shareholders

	Share in share capital (%)
1. Heruc d.d.	41.23
2. PBZ d.d. (omnibus custody account)	9.14
3. Heruc Euroholding LTD	3.85

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	24,085
1.1. Total interest income	40,157
1.2. Total interest expenses	16,072
2. Net income from fees and commissions	8,762
2.1. Total income from fees and commissions	11,882
2.2. Total expenses on fees and commissions	3,120
3. Net other non-interest income	3,891
3.1. Other non-interest income	4,723
3.2. Other non-interest expenses	832
4. Net non-interest income	12,653
5. General administrative expenses and depreciation	19,186
6. Net operating income before loss provisions	17,553
7. Total expenses on loss provisions	7,589
7.1. Expenses on value adjustments and provisions for identified losses	6,256
7.2. Expenses on provisions for unidentified losses	1,333
8. Income/loss before taxes	9,964
9. Income tax	1,406
10. Current year profit/loss	8,558

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	133,492
1.1. Money assets	8,206
1.2. Deposits with the CNB	125,287
2. Deposits with banking institutions	65,834
3. MoF treasury bills and CNB bills	47,568
4. Securities and other financial instruments held for trading	6,711
5. Securities and other financial instruments available for sale	2,489
6. Securities and other financial instruments held to maturity	103,821
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	1
9. Loans to financial institutions	10,000
10. Loans to other clients	763,653
11. Investments in subsidiaries and associates	3,020
12. Foreclosed and repossessed assets	3,500
13. Tangible assets (net of depreciation)	5,316
14. Interest, fees and other assets	16,454
15. Net of: Specific reserves for unidentified losses	11,167
TOTAL ASSETS	1,150,692

Structure of Liabilities	
1. Loans from financial institutions	195,298
1.1. Short-term loans	8,564
1.2. Long-term loans	186,734
2. Deposits	708,872
2.1. Giro account and current account deposits	215,927
2.2. Savings deposits	27,007
2.3. Time deposits	465,938
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	2
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	9,408
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	56,953
9. CAPITAL	180,159
TOTAL LIABILITIES AND CAPITAL	1,150,692

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Management Board

Šime Luketin – chairperson, Mato Mišić

Supervisory Board

Boris Barač – chairperson, Mirko Vuković, Dražen Bilić

Shareholders

	Share in share capital (%)
1. Boris Barač	25.97
2. Mirko Vuković	18.31
3. Simag d.o.o.	9.31
4. Alkom d.o.o. za graditeljstvo	8.36
5. Marko Vuković	5.91
6. Uvel d.o.o.	4.98
7. Mertojak građenje d.o.o.	4.41
8. Plastal d.o.o.	3.52

Audit firm for 2006:
 Šibenski Revicon d.o.o., Šibenik

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	18,028
1.1. Total interest income	39,816
1.2. Total interest expenses	21,788
2. Net income from fees and commissions	5,141
2.1. Total income from fees and commissions	6,578
2.2. Total expenses on fees and commissions	1,437
3. Net other non-interest income	895
3.1. Other non-interest income	3,079
3.2. Other non-interest expenses	2,184
4. Net non-interest income	6,036
5. General administrative expenses and depreciation	20,017
6. Net operating income before loss provisions	4,047
7. Total expenses on loss provisions	982
7.1. Expenses on value adjustments and provisions for identified losses	636
7.2. Expenses on provisions for unidentified losses	346
8. Income/loss before taxes	3,065
9. Income tax	1,329
10. Current year profit/loss	1,736

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	169,328
1.1. Money assets	17,919
1.2. Deposits with the CNB	151,409
2. Deposits with banking institutions	100,590
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	12,868
6. Securities and other financial instruments held to maturity	48,426
7. Securities and other financial instruments not traded in active markets but carried at fair value	48
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	839,843
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	15,715
13. Tangible assets (net of depreciation)	17,524
14. Interest, fees and other assets	28,879
15. Net of: Specific reserves for unidentified losses	11,283
TOTAL ASSETS	1,221,936

Structure of Liabilities	
1. Loans from financial institutions	234,445
1.1. Short-term loans	74,350
1.2. Long-term loans	160,095
2. Deposits	821,306
2.1. Giro account and current account deposits	105,779
2.2. Savings deposits	59,400
2.3. Time deposits	656,127
3. Other loans	730
3.1. Short-term loans	0
3.2. Long-term loans	730
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	12,698
8. Interest, fees and other liabilities	60,606
9. CAPITAL	92,151
TOTAL LIABILITIES AND CAPITAL	1,221,936

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Management Board

Ivan Purgar – chairperson, Marko Gabela

Supervisory Board

Ivan Pažin – chairperson, Kamilo Vrana, Ivan Tomljenović, Branka Grabovac, Ivan Bukarica

Shareholders

1. State Agency for Bank Rehabilitation and Deposit Insurance 100.00

Share in share capital (%)

Audit firm for 2006:
 Revizija Zagreb d.o.o., Zagreb

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	24,256
1.1. Total interest income	46,397
1.2. Total interest expenses	22,141
2. Net income from fees and commissions	1,873
2.1. Total income from fees and commissions	6,288
2.2. Total expenses on fees and commissions	4,415
3. Net other non-interest income	5,763
3.1. Other non-interest income	9,354
3.2. Other non-interest expenses	3,591
4. Net non-interest income	7,636
5. General administrative expenses and depreciation	33,226
6. Net operating income before loss provisions	-1,334
7. Total expenses on loss provisions	-1,714
7.1. Expenses on value adjustments and provisions for identified losses	-2,567
7.2. Expenses on provisions for unidentified losses	853
8. Income/loss before taxes	380
9. Income tax	0
10. Current year profit/loss	380

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	191,275
1.1. Money assets	24,571
1.2. Deposits with the CNB	166,704
2. Deposits with banking institutions	204,441
3. MoF treasury bills and CNB bills	11,884
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	47,928
6. Securities and other financial instruments held to maturity	20,192
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	36
9. Loans to financial institutions	18,303
10. Loans to other clients	960,719
11. Investments in subsidiaries and associates	440
12. Foreclosed and repossessed assets	45,881
13. Tangible assets (net of depreciation)	38,570
14. Interest, fees and other assets	42,430
15. Net of: Specific reserves for unidentified losses	13,003
TOTAL ASSETS	1,569,095

Structure of Liabilities	
1. Loans from financial institutions	215,595
1.1. Short-term loans	33,700
1.2. Long-term loans	181,895
2. Deposits	1,121,550
2.1. Giro account and current account deposits	206,873
2.2. Savings deposits	119,289
2.3. Time deposits	795,388
3. Other loans	25,783
3.1. Short-term loans	21,910
3.2. Long-term loans	3,873
4. Derivative financial liabilities and other financial liabilities held for trading	92
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	54,843
9. CAPITAL	151,232
TOTAL LIABILITIES AND CAPITAL	1,569,095

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Shareholders

	Share in share capital (%)
1. Erste Bank der Österreichischen Sparkassen AG	54.78
2. Die Steiermärkische Bank und Sparkassen AG	40.98

Management Board

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

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

Supervisory Board

Johannes Kinsky – chairperson, Franz Kerber, Péter Kisbenedek, Kristijan Schellander, Gerhard Maier, Peter Weiss, Peter Nemschak

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	510,781
1.1. Total interest income	1,068,663
1.2. Total interest expenses	557,882
2. Net income from fees and commissions	125,894
2.1. Total income from fees and commissions	183,719
2.2. Total expenses on fees and commissions	57,826
3. Net other non-interest income	73,793
3.1. Other non-interest income	83,323
3.2. Other non-interest expenses	9,530
4. Net non-interest income	199,687
5. General administrative expenses and depreciation	325,171
6. Net operating income before loss provisions	385,297
7. Total expenses on loss provisions	42,771
7.1. Expenses on value adjustments and provisions for identified losses	22,841
7.2. Expenses on provisions for unidentified losses	19,930
8. Income/loss before taxes	342,526
9. Income tax	69,024
10. Current year profit/loss	273,502

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	6,130,646
1.1. Money assets	377,696
1.2. Deposits with the CNB	5,752,950
2. Deposits with banking institutions	4,121,745
3. MoF treasury bills and CNB bills	625,759
4. Securities and other financial instruments held for trading	289,864
5. Securities and other financial instruments available for sale	731,935
6. Securities and other financial instruments held to maturity	513,841
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	84,908
9. Loans to financial institutions	233,188
10. Loans to other clients	24,633,985
11. Investments in subsidiaries and associates	44,001
12. Foreclosed and repossessed assets	16,264
13. Tangible assets (net of depreciation)	533,057
14. Interest, fees and other assets	481,244
15. Net of: Specific reserves for unidentified losses	320,586
TOTAL ASSETS	38,119,852

Structure of Liabilities	
1. Loans from financial institutions	1,595,447
1.1. Short-term loans	580,805
1.2. Long-term loans	1,014,642
2. Deposits	29,443,819
2.1. Giro account and current account deposits	3,417,075
2.2. Savings deposits	2,945,181
2.3. Time deposits	23,081,563
3. Other loans	1,942,781
3.1. Short-term loans	4,280
3.2. Long-term loans	1,938,501
4. Derivative financial liabilities and other financial liabilities held for trading	38,081
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	693,806
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,505,641
9. CAPITAL	2,900,277
TOTAL LIABILITIES AND CAPITAL	38,119,852

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Shareholders

1. Croatian Privatisation Fund
2. Hrvatska pošta d.d.
3. Croatian Pension Insurance Administration

Share in share capital (%)

37.00
 33.56
 28.01

Management Board

Josip Protega – chairperson, Ivan Sladonja

Audit firm for 2006:

KPMG Croatia d.o.o., Zagreb

Supervisory Board

Ante Žigman – chairperson, Dragan Kovačević, Drago Jakovčević, Vera Babić, Grga Ivezić, Jadranko Mijalić, Miro Kovač

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	167,061
1.1. Total interest income	314,889
1.2. Total interest expenses	147,828
2. Net income from fees and commissions	49,162
2.1. Total income from fees and commissions	272,852
2.2. Total expenses on fees and commissions	223,690
3. Net other non-interest income	25,313
3.1. Other non-interest income	55,308
3.2. Other non-interest expenses	29,995
4. Net non-interest income	74,475
5. General administrative expenses and depreciation	157,866
6. Net operating income before loss provisions	83,671
7. Total expenses on loss provisions	43,358
7.1. Expenses on value adjustments and provisions for identified losses	27,141
7.2. Expenses on provisions for unidentified losses	16,217
8. Income/loss before taxes	40,313
9. Income tax	12,089
10. Current year profit/loss	28,224

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	1,881,624
1.1. Money assets	446,403
1.2. Deposits with the CNB	1,435,222
2. Deposits with banking institutions	1,048,277
3. MoF treasury bills and CNB bills	1,472,433
4. Securities and other financial instruments held for trading	562,964
5. Securities and other financial instruments available for sale	85,375
6. Securities and other financial instruments held to maturity	169,565
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	568
9. Loans to financial institutions	41,616
10. Loans to other clients	7,432,728
11. Investments in subsidiaries and associates	43,550
12. Foreclosed and repossessed assets	45,049
13. Tangible assets (net of depreciation)	179,371
14. Interest, fees and other assets	275,734
15. Net of: Specific reserves for unidentified losses	101,177
TOTAL ASSETS	13,137,678

Structure of Liabilities	
1. Loans from financial institutions	2,458,757
1.1. Short-term loans	1,388,722
1.2. Long-term loans	1,070,035
2. Deposits	8,206,190
2.1. Giro account and current account deposits	2,355,542
2.2. Savings deposits	1,389,853
2.3. Time deposits	4,460,794
3. Other loans	25,561
3.1. Short-term loans	0
3.2. Long-term loans	25,561
4. Derivative financial liabilities and other financial liabilities held for trading	1,372
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	200,573
8. Interest, fees and other liabilities	1,377,692
9. CAPITAL	867,534
TOTAL LIABILITIES AND CAPITAL	13,137,678

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Management Board

Radojka Olić – chairperson, Igor Kodžoman, Zoran Sikirica, Krešimir Starčević

Supervisory Board

Wolfgang Kulterer – chairperson, Josef Kircher, Othmar Ederer, Gerd Penkner, Wolfgang Peter

Shareholders

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

Audit firm for 2006:
 Confida revizija d.o.o., Zagreb

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	220,888
1.1. Total interest income	623,577
1.2. Total interest expenses	402,689
2. Net income from fees and commissions	104,462
2.1. Total income from fees and commissions	127,063
2.2. Total expenses on fees and commissions	22,601
3. Net other non-interest income	28,896
3.1. Other non-interest income	48,778
3.2. Other non-interest expenses	19,882
4. Net non-interest income	133,358
5. General administrative expenses and depreciation	186,249
6. Net operating income before loss provisions	167,997
7. Total expenses on loss provisions	86,613
7.1. Expenses on value adjustments and provisions for identified losses	66,984
7.2. Expenses on provisions for unidentified losses	19,630
8. Income/loss before taxes	81,384
9. Income tax	17,482
10. Current year profit/loss	63,902

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	5,372,256
1.1. Money assets	154,085
1.2. Deposits with the CNB	5,218,171
2. Deposits with banking institutions	791,149
3. MoF treasury bills and CNB bills	577,318
4. Securities and other financial instruments held for trading	145,941
5. Securities and other financial instruments available for sale	2,119,059
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	25,791
9. Loans to financial institutions	225,650
10. Loans to other clients	16,048,444
11. Investments in subsidiaries and associates	8,659
12. Foreclosed and repossessed assets	16,363
13. Tangible assets (net of depreciation)	149,446
14. Interest, fees and other assets	372,792
15. Net of: Specific reserves for unidentified losses	212,790
TOTAL ASSETS	25,640,078

Structure of Liabilities	
1. Loans from financial institutions	1,456,651
1.1. Short-term loans	536,537
1.2. Long-term loans	920,114
2. Deposits	19,103,371
2.1. Giro account and current account deposits	1,733,354
2.2. Savings deposits	1,438,073
2.3. Time deposits	15,931,945
3. Other loans	1,734,519
3.1. Short-term loans	1,719,411
3.2. Long-term loans	15,107
4. Derivative financial liabilities and other financial liabilities held for trading	272
5. Debt securities issued	30,421
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	30,421
6. Subordinated instruments issued	0
7. Hybrid instruments issued	360,166
8. Interest, fees and other liabilities	683,529
9. CAPITAL	2,271,149
TOTAL LIABILITIES AND CAPITAL	25,640,078

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Shareholders

1. Imex trgovina d.o.o.	53.73
2. Trajektna luka Split d.d.	41.14
3. Ivka Mijić	3.88

Share in share capital (%)**Management Board**

Branko Buljan – chairperson, Ružica Šarić

Audit firm for 2006:
 Maran d.o.o., Split

Supervisory Board

Marijan Dadić – chairperson, Branka Žaja, Marija Buljan

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	13,284
1.1. Total interest income	26,678
1.2. Total interest expenses	13,393
2. Net income from fees and commissions	1,616
2.1. Total income from fees and commissions	2,258
2.2. Total expenses on fees and commissions	642
3. Net other non-interest income	125
3.1. Other non-interest income	2,155
3.2. Other non-interest expenses	2,030
4. Net non-interest income	1,741
5. General administrative expenses and depreciation	9,986
6. Net operating income before loss provisions	5,040
7. Total expenses on loss provisions	3,321
7.1. Expenses on value adjustments and provisions for identified losses	2,785
7.2. Expenses on provisions for unidentified losses	536
8. Income/loss before taxes	1,719
9. Income tax	810
10. Current year profit/loss	908

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	108,822
1.1. Money assets	8,774
1.2. Deposits with the CNB	100,048
2. Deposits with banking institutions	136,567
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	37,671
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	10,000
10. Loans to other clients	494,230
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	14,177
14. Interest, fees and other assets	11,201
15. Net of: Specific reserves for unidentified losses	7,627
TOTAL ASSETS	805,041

Structure of Liabilities	
1. Loans from financial institutions	12,750
1.1. Short-term loans	12,000
1.2. Long-term loans	750
2. Deposits	683,678
2.1. Giro account and current account deposits	122,390
2.2. Savings deposits	54,143
2.3. Time deposits	507,145
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	18,721
9. CAPITAL	89,891
TOTAL LIABILITIES AND CAPITAL	805,041

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Management Board

Miro Dodić – chairperson, Marina Vidič

Supervisory Board

Milan Travan – chairperson, Edo Ivančić, Marijan
 Kovačić, Vlado Kraljević, Vlatko Reschner

Shareholders

	Share in share capital (%)
1. Intercommerce d.o.o.	16.86
2. Tvornica cementa Umag d.o.o.	15.04
3. Hempel d.o.o.	15.00
4. Serfin d.o.o.	9.66
5. Assicurazioni Generali Spa	5.08
6. Plava laguna d.d.	3.57

Audit firm for 2006:

PricewaterhouseCoopers d.o.o., Zagreb

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	30,735
1.1. Total interest income	52,231
1.2. Total interest expenses	21,497
2. Net income from fees and commissions	7,164
2.1. Total income from fees and commissions	9,719
2.2. Total expenses on fees and commissions	2,555
3. Net other non-interest income	7,235
3.1. Other non-interest income	8,389
3.2. Other non-interest expenses	1,154
4. Net non-interest income	14,399
5. General administrative expenses and depreciation	25,641
6. Net operating income before loss provisions	19,492
7. Total expenses on loss provisions	2,773
7.1. Expenses on value adjustments and provisions for identified losses	2,283
7.2. Expenses on provisions for unidentified losses	490
8. Income/loss before taxes	16,719
9. Income tax	3,336
10. Current year profit/loss	13,383

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	315,827
1.1. Money assets	52,302
1.2. Deposits with the CNB	263,525
2. Deposits with banking institutions	289,916
3. MoF treasury bills and CNB bills	51,943
4. Securities and other financial instruments held for trading	5,995
5. Securities and other financial instruments available for sale	2,985
6. Securities and other financial instruments held to maturity	45,339
7. Securities and other financial instruments not traded in active markets but carried at fair value	15,589
8. Derivative financial assets	0
9. Loans to financial institutions	95,000
10. Loans to other clients	1,076,761
11. Investments in subsidiaries and associates	20
12. Foreclosed and repossessed assets	14,731
13. Tangible assets (net of depreciation)	31,519
14. Interest, fees and other assets	25,174
15. Net of: Specific reserves for unidentified losses	15,495
TOTALASSETS	1,955,304

Structure of Liabilities	
1. Loans from financial institutions	25,390
1.1. Short-term loans	0
1.2. Long-term loans	25,390
2. Deposits	1,724,832
2.1. Giro account and current account deposits	284,419
2.2. Savings deposits	344,304
2.3. Time deposits	1,096,109
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	45,221
9. CAPITAL	159,861
TOTAL LIABILITIES AND CAPITAL	1,955,304

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Management Board

Ivo Šinko – chairperson, Marija Trlaja

Supervisory Board

Ante Kulušić – chairperson, Duje Stančić, Stipe Kuvač,
 Mile Paić, Miro Petric

Shareholders

	Share in share capital (%)
1. Croatia osiguranje d.d.	9.75
2. Alfa d.d.	7.89
3. PBZ d.d. (custody account)	6.69
4. Ugo oprema i građenje, d.o.o.	4.92
5. Vinoplod-Vinarija d.d.	4.92
6. Jolly JBS d.o.o.	4.90
7. Importanne d.o.o.	4.81
8. Tiskara Malenica d.o.o.	4.23
9. Vodovod i odvodnja d.o.o.	4.20
10. Soci�t� G�n�rale-Splitska banka d.d. (custody account)	3.67
11. Zagreb-Montaža d.o.o.	3.49

Audit firm for 2006:
 Šibenski Revicon d.o.o., Šibenik

Income Statement
 as at 30 June 2007, in thousand HRK

1. Net interest income	20,083
1.1. Total interest income	46,519
1.2. Total interest expenses	26,437
2. Net income from fees and commissions	5,002
2.1. Total income from fees and commissions	8,414
2.2. Total expenses on fees and commissions	3,411
3. Net other non-interest income	13,135
3.1. Other non-interest income	16,667
3.2. Other non-interest expenses	3,532
4. Net non-interest income	18,138
5. General administrative expenses and depreciation	22,762
6. Net operating income before loss provisions	15,458
7. Total expenses on loss provisions	1,010
7.1. Expenses on value adjustments and provisions for identified losses	-121
7.2. Expenses on provisions for unidentified losses	1,131
8. Income/loss before taxes	14,449
9. Income tax	0
10. Current year profit/loss	14,449

Balance Sheet
 as at 30 June 2007, in thousand HRK

Structure of Assets	
1. Money assets and deposits with the CNB	247,218
1.1. Money assets	48,617
1.2. Deposits with the CNB	198,601
2. Deposits with banking institutions	293,864
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	14,412
6. Securities and other financial instruments held to maturity	329,276
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	6
9. Loans to financial institutions	62,000
10. Loans to other clients	822,432
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	53,198
13. Tangible assets (net of depreciation)	30,152
14. Interest, fees and other assets	59,393
15. Net of: Specific reserves for unidentified losses	15,228
TOTAL ASSETS	1,896,723

Structure of Liabilities	
1. Loans from financial institutions	113,010
1.1. Short-term loans	0
1.2. Long-term loans	113,010
2. Deposits	1,517,458
2.1. Giro account and current account deposits	185,038
2.2. Savings deposits	371,249
2.3. Time deposits	961,171
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	10
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	28,058
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	39,864
9. CAPITAL	198,322
TOTAL LIABILITIES AND CAPITAL	1,896,723

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Management Board

Sandi Šola – chairperson, Sanda Cvitešić, Siniša Žanetić, Marijana Trpčić-Reškovac

Supervisory Board

Danijel Žamboki – chairperson, Boris Vidić, Darrell Peter Saric, Ivan Podvorac, Goran Vukšić

Shareholders

	Share in share capital (%)
1. Goran Ivanišević	9.63
2. Mate Šarić	9.63
3. Dario Šimić	9.63
4. Batheja Pramod	5.47
5. Marijan Šarić	4.94
6. Petar Šola	4.69
7. Croatian Privatisation Fund	3.96
8. Comparo d.o.o.	3.93
9. Ivan Jaime Guerrero Devlahovic	3.01

Audit firm for 2006:
 Revidicon d.o.o., Varaždin

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	33,257
1.1. Total interest income	49,766
1.2. Total interest expenses	16,509
2. Net income from fees and commissions	5,281
2.1. Total income from fees and commissions	11,570
2.2. Total expenses on fees and commissions	6,289
3. Net other non-interest income	1,678
3.1. Other non-interest income	3,929
3.2. Other non-interest expenses	2,251
4. Net non-interest income	6,959
5. General administrative expenses and depreciation	25,244
6. Net operating income before loss provisions	14,972
7. Total expenses on loss provisions	1,114
7.1. Expenses on value adjustments and provisions for identified losses	674
7.2. Expenses on provisions for unidentified losses	440
8. Income/loss before taxes	13,858
9. Income tax	853
10. Current year profit/loss	13,005

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	171,021
1.1. Money assets	17,670
1.2. Deposits with the CNB	153,351
2. Deposits with banking institutions	159,406
3. MoF treasury bills and CNB bills	4,966
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	10,980
6. Securities and other financial instruments held to maturity	144,543
7. Securities and other financial instruments not traded in active markets but carried at fair value	13,128
8. Derivative financial assets	26
9. Loans to financial institutions	4,851
10. Loans to other clients	948,963
11. Investments in subsidiaries and associates	15,938
12. Foreclosed and repossessed assets	2,745
13. Tangible assets (net of depreciation)	40,626
14. Interest, fees and other assets	19,217
15. Net of: Specific reserves for unidentified losses	12,380
TOTAL ASSETS	1,524,029

Structure of Liabilities	
1. Loans from financial institutions	100,025
1.1. Short-term loans	22,723
1.2. Long-term loans	77,303
2. Deposits	1,170,784
2.1. Giro account and current account deposits	231,016
2.2. Savings deposits	248,184
2.3. Time deposits	691,584
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	26
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	13,621
8. Interest, fees and other liabilities	49,217
9. CAPITAL	190,357
TOTAL LIABILITIES AND CAPITAL	1,524,029

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Management Board

Nelsi Rončević – chairperson, Ivan Dropulić

Supervisory Board

Mirjana Krile – chairperson, Lidija Zorić,³ Ankica Čeko

Shareholders

1. Euroherc osiguranje d.d.	19.90
2. Jadransko osiguranje d.d.	16.00
3. Agram životno osiguranje d.d.	12.24
4. Euroleasing d.o.o.	11.99
5. Euro daus d.d.	10.51
6. Euroduhan d.d.	4.19
7. Euroagram nekretnine d.o.o.	4.00

Share in share capital (%)

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	13,489
1.1. Total interest income	30,198
1.2. Total interest expenses	16,709
2. Net income from fees and commissions	5,838
2.1. Total income from fees and commissions	11,879
2.2. Total expenses on fees and commissions	6,041
3. Net other non-interest income	3,924
3.1. Other non-interest income	4,555
3.2. Other non-interest expenses	631
4. Net non-interest income	9,762
5. General administrative expenses and depreciation	17,119
6. Net operating income before loss provisions	6,131
7. Total expenses on loss provisions	-1,964
7.1. Expenses on value adjustments and provisions for identified losses	-1,037
7.2. Expenses on provisions for unidentified losses	-926
8. Income/loss before taxes	8,095
9. Income tax	0
10. Current year profit/loss	8,095

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	146,055
1.1. Money assets	46,040
1.2. Deposits with the CNB	100,015
2. Deposits with banking institutions	154,524
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	11,354
6. Securities and other financial instruments held to maturity	245
7. Securities and other financial instruments not traded in active markets but carried at fair value	17,087
8. Derivative financial assets	544
9. Loans to financial institutions	7,500
10. Loans to other clients	686,630
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	33,089
14. Interest, fees and other assets	20,821
15. Net of: Specific reserves for unidentified losses	7,955
TOTAL ASSETS	1,069,892

Structure of Liabilities	
1. Loans from financial institutions	40,957
1.1. Short-term loans	18,650
1.2. Long-term loans	22,307
2. Deposits	822,526
2.1. Giro account and current account deposits	178,892
2.2. Savings deposits	51,819
2.3. Time deposits	591,814
3. Other loans	409
3.1. Short-term loans	409
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	16
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	44,932
9. CAPITAL	161,053
TOTAL LIABILITIES AND CAPITAL	1,069,892

³ Resigned from the supervisory board on 29 June 2007.

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Shareholders

1. BKS Bank AG

**Share in share
 capital (%)**
 96.62

Audit firm for 2006:
 KPMG Croatia d.o.o., Zagreb

Management Board

Goran Rameša – chairperson, Milivoj Debelić

Supervisory Board

Herta Stockbauer – chairperson, Heimo Penker,
 Marijan Ključariček, Josef Morak, Dubravko Orlovac

**Income Statement
 as at 30 June 2007, in thousand HRK**

1. Net interest income	6,692
1.1. Total interest income	10,326
1.2. Total interest expenses	3,635
2. Net income from fees and commissions	1,741
2.1. Total income from fees and commissions	3,053
2.2. Total expenses on fees and commissions	1,313
3. Net other non-interest income	2,386
3.1. Other non-interest income	3,099
3.2. Other non-interest expenses	713
4. Net non-interest income	4,126
5. General administrative expenses and depreciation	6,921
6. Net operating income before loss provisions	3,897
7. Total expenses on loss provisions	-759
7.1. Expenses on value adjustments and provisions for identified losses	-759
7.2. Expenses on provisions for unidentified losses	0
8. Income/loss before taxes	4,656
9. Income tax	931
10. Current year profit/loss	3,725

**Balance Sheet
 as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	50,968
1.1. Money assets	3,051
1.2. Deposits with the CNB	47,917
2. Deposits with banking institutions	42,083
3. MoF treasury bills and CNB bills	8,846
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	9,458
6. Securities and other financial instruments held to maturity	34,991
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	24,000
10. Loans to other clients	171,367
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	383
13. Tangible assets (net of depreciation)	24,495
14. Interest, fees and other assets	4,988
15. Net of: Specific reserves for unidentified losses	3,685
TOTALASSETS	367,894

Structure of Liabilities	
1. Loans from financial institutions	39,684
1.1. Short-term loans	0
1.2. Long-term loans	39,684
2. Deposits	241,612
2.1. Giro account and current account deposits	97,116
2.2. Savings deposits	23,083
2.3. Time deposits	121,413
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	9,989
9. CAPITAL	76,609
TOTAL LIABILITIES AND CAPITAL	367,894

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Shareholders

1. Privredna banka Zagreb d.d.

Share in share capital (%)

96.39

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

Management Board

Nenad Jeđud – chairperson, Ljiljana Horvat

Supervisory Board

Ivan Krolo – chairperson, Zoran Kureljušić, Siniša Špoljarec, Ivanka Petrović, Ljiljana Miletić

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	52,854
1.1. Total interest income	82,905
1.2. Total interest expenses	30,052
2. Net income from fees and commissions	14,612
2.1. Total income from fees and commissions	16,857
2.2. Total expenses on fees and commissions	2,245
3. Net other non-interest income	-1,422
3.1. Other non-interest income	4,832
3.2. Other non-interest expenses	6,253
4. Net non-interest income	13,190
5. General administrative expenses and depreciation	29,982
6. Net operating income before loss provisions	36,062
7. Total expenses on loss provisions	5,232
7.1. Expenses on value adjustments and provisions for identified losses	4,325
7.2. Expenses on provisions for unidentified losses	907
8. Income/loss before taxes	30,830
9. Income tax	6,241
10. Current year profit/loss	24,589

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	297,945
1.1. Money assets	46,751
1.2. Deposits with the CNB	251,194
2. Deposits with banking institutions	358,673
3. MoF treasury bills and CNB bills	102,330
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	180,422
6. Securities and other financial instruments held to maturity	3,890
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	8
9. Loans to financial institutions	34,730
10. Loans to other clients	1,410,065
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	3,067
13. Tangible assets (net of depreciation)	37,174
14. Interest, fees and other assets	26,895
15. Net of: Specific reserves for unidentified losses	27,487
TOTAL ASSETS	2,427,711

Structure of Liabilities	
1. Loans from financial institutions	160,213
1.1. Short-term loans	7,300
1.2. Long-term loans	152,913
2. Deposits	1,907,000
2.1. Giro account and current account deposits	384,792
2.2. Savings deposits	380,231
2.3. Time deposits	1,141,977
3. Other loans	10,955
3.1. Short-term loans	0
3.2. Long-term loans	10,955
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	90,105
9. CAPITAL	259,438
TOTAL LIABILITIES AND CAPITAL	2,427,711

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Management Board

Stipan Pamuković – chairperson, Željko Škalec

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Kemika d.d.	14.51
2. I.C.F. Invest d.o.o.	6.63
3. GIP Pionir d.d.	5.94
4. Dragica Predović	4.56
5. Hypo Alpe-Adria-Bank AG	4.02
6. Euroherc osiguranje d.d.	3.95
7. Stipan Pamuković	3.92
8. Željko Škalec	3.92
9. Aling J.T.D.	3.30
10. Jadransko osiguranje d.d.	3.30

Audit firm for 2006:

Revizija Zagreb d.o.o., Zagreb

Income Statement
 as at 30 June 2007, in thousand HRK

1. Net interest income	5,798
1.1. Total interest income	14,960
1.2. Total interest expenses	9,163
2. Net income from fees and commissions	989
2.1. Total income from fees and commissions	2,031
2.2. Total expenses on fees and commissions	1,042
3. Net other non-interest income	2,470
3.1. Other non-interest income	2,831
3.2. Other non-interest expenses	361
4. Net non-interest income	3,459
5. General administrative expenses and depreciation	5,295
6. Net operating income before loss provisions	3,962
7. Total expenses on loss provisions	1,880
7.1. Expenses on value adjustments and provisions for identified losses	1,466
7.2. Expenses on provisions for unidentified losses	413
8. Income/loss before taxes	2,082
9. Income tax	311
10. Current year profit/loss	1,771

Balance Sheet
 as at 30 June 2007, in thousand HRK

Structure of Assets	
1. Money assets and deposits with the CNB	78,405
1.1. Money assets	7,394
1.2. Deposits with the CNB	71,011
2. Deposits with banking institutions	55,130
3. MoF treasury bills and CNB bills	4,901
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	39,251
6. Securities and other financial instruments held to maturity	26,641
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	2
9. Loans to financial institutions	0
10. Loans to other clients	303,462
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	42
13. Tangible assets (net of depreciation)	7,170
14. Interest, fees and other assets	7,705
15. Net of: Specific reserves for unidentified losses	4,098
TOTAL ASSETS	518,611

Structure of Liabilities	
1. Loans from financial institutions	11,070
1.1. Short-term loans	0
1.2. Long-term loans	11,070
2. Deposits	403,027
2.1. Giro account and current account deposits	75,283
2.2. Savings deposits	9,970
2.3. Time deposits	317,773
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	183
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	14,272
9. CAPITAL	90,059
TOTAL LIABILITIES AND CAPITAL	518,611

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Shareholders

1. OTP Bank RT

**Share in share
 capital (%)**
 100.00

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

Management Board

Damir Odak – chairperson, Zorislav Vidović, Balazs Pal Bekeffy

Supervisory Board

Antal Gyorgy Kovacs – chairperson, Gabor Czikora, Laszlo Keczkcs, Gabor Kovacz, Balazs Fekete

**Income Statement
 as at 30 June 2007, in thousand HRK**

1. Net interest income	155,771
1.1. Total interest income	295,721
1.2. Total interest expenses	139,950
2. Net income from fees and commissions	38,328
2.1. Total income from fees and commissions	56,634
2.2. Total expenses on fees and commissions	18,306
3. Net other non-interest income	579
3.1. Other non-interest income	19,323
3.2. Other non-interest expenses	18,744
4. Net non-interest income	38,907
5. General administrative expenses and depreciation	130,241
6. Net operating income before loss provisions	64,438
7. Total expenses on loss provisions	2,324
7.1. Expenses on value adjustments and provisions for identified losses	-3,764
7.2. Expenses on provisions for unidentified losses	6,087
8. Income/loss before taxes	62,114
9. Income tax	0
10. Current year profit/loss	62,114

**Balance Sheet
 as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	1,755,968
1.1. Money assets	123,981
1.2. Deposits with the CNB	1,631,987
2. Deposits with banking institutions	1,280,195
MoF treasury bills and CNB bills	162,555
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	717,243
6. Securities and other financial instruments held to maturity	79,099
7. Securities and other financial instruments not traded in active markets but carried at fair value	7,908
8. Derivative financial assets	857
9. Loans to financial institutions	270,055
10. Loans to other clients	6,368,234
11. Investments in subsidiaries and associates	80,428
12. Foreclosed and repossessed assets	12,445
13. Tangible assets (net of depreciation)	167,273
14. Interest, fees and other assets	171,980
15. Net of: Specific reserves for unidentified losses	89,662
TOTALASSETS	10,984,578

Structure of Liabilities	
1. Loans from financial institutions	485,977
1.1. Short-term loans	134,435
1.2. Long-term loans	351,542
2. Deposits	8,406,649
2.1. Giro account and current account deposits	1,466,283
2.2. Savings deposits	1,231,084
2.3. Time deposits	5,709,282
3. Other loans	702,503
3.1. Short-term loans	143
3.2. Long-term loans	702,360
4. Derivative financial liabilities and other financial liabilities held for trading	235
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	37,341
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	278,948
9. CAPITAL	1,072,925
TOTAL LIABILITIES AND CAPITAL	10,984,578

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Shareholders

1. Metroholding d.d.

**Share in share
 capital (%)**
 99.99

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

Management Board

Marija Šola – chairperson, Branka Oštrić

Supervisory Board

Borislav Škegro – chairperson, Igor Oppenheim, Ivan
 Ćurković

**Income Statement
 as at 30 June 2007, in thousand HRK**

1. Net interest income	23,858
1.1. Total interest income	38,859
1.2. Total interest expenses	15,001
2. Net income from fees and commissions	4,538
2.1. Total income from fees and commissions	7,476
2.2. Total expenses on fees and commissions	2,937
3. Net other non-interest income	3,518
3.1. Other non-interest income	4,487
3.2. Other non-interest expenses	969
4. Net non-interest income	8,056
5. General administrative expenses and depreciation	23,243
6. Net operating income before loss provisions	8,671
7. Total expenses on loss provisions	243
7.1. Expenses on value adjustments and provisions for identified losses	-289
7.2. Expenses on provisions for unidentified losses	532
8. Income/loss before taxes	8,427
9. Income tax	2,345
10. Current year profit/loss	6,083

**Balance Sheet
 as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	103,223
1.1. Money assets	10,470
1.2. Deposits with the CNB	92,753
2. Deposits with banking institutions	99,912
3. MoF treasury bills and CNB bills	19,761
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	64,676
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	18
9. Loans to financial institutions	1,157
10. Loans to other clients	896,578
11. Investments in subsidiaries and associates	1,960
12. Foreclosed and repossessed assets	4,110
13. Tangible assets (net of depreciation)	36,547
14. Interest, fees and other assets	22,059
15. Net of: Specific reserves for unidentified losses	9,755
TOTAL ASSETS	1,240,245

Structure of Liabilities	
1. Loans from financial institutions	239,940
1.1. Short-term loans	24,600
1.2. Long-term loans	215,340
2. Deposits	787,087
2.1. Giro account and current account deposits	146,424
2.2. Savings deposits	76,735
2.3. Time deposits	563,928
3. Other loans	15,907
3.1. Short-term loans	0
3.2. Long-term loans	15,907
4. Derivative financial liabilities and other financial liabilities held for trading	11
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	32,828
9. CAPITAL	164,472
TOTAL LIABILITIES AND CAPITAL	1,240,245

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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 Dallochio, Filippo Disertori

Shareholders

	Share in share capital (%)
1. Lorenzo Gorgoni	9.66
2. Assicurazioni Generali Spa	9.34
3. Cerere S.R.L.	9.33
4. Antonia Gorgoni	8.83
5. Miljan Todorovic	8.16
6. Andrea Montinari	5.64
7. Dario Montinari	5.64
8. Piero Montinari	5.64
9. Sigilfredo Montinari	5.64
10. Luigi Liaci	4.59
11. Giovanni Semeraro	4.10

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

Income Statement
as at 30 June 2007, in thousand HRK

1. Net interest income	42,338
1.1. Total interest income	79,008
1.2. Total interest expenses	36,671
2. Net income from fees and commissions	18,678
2.1. Total income from fees and commissions	25,769
2.2. Total expenses on fees and commissions	7,091
3. Net other non-interest income	8,006
3.1. Other non-interest income	16,292
3.2. Other non-interest expenses	8,286
4. Net non-interest income	26,684
5. General administrative expenses and depreciation	50,228
6. Net operating income before loss provisions	18,794
7. Total expenses on loss provisions	5,301
7.1. Expenses on value adjustments and provisions for identified losses	4,301
7.2. Expenses on provisions for unidentified losses	1,000
8. Income/loss before taxes	13,493
9. Income tax	0
10. Current year profit/loss	13,493

Balance Sheet
as at 30 June 2007, in thousand HRK

Structure of Assets	
1. Money assets and deposits with the CNB	368,073
1.1. Money assets	60,023
1.2. Deposits with the CNB	308,050
2. Deposits with banking institutions	348,261
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	129,778
6. Securities and other financial instruments held to maturity	63,460
7. Securities and other financial instruments not traded in active markets but carried at fair value	14,163
8. Derivative financial assets	53
9. Loans to financial institutions	180,000
10. Loans to other clients	1,406,737
11. Investments in subsidiaries and associates	1,530
12. Foreclosed and repossessed assets	3,597
13. Tangible assets (net of depreciation)	70,878
14. Interest, fees and other assets	70,595
15. Net of: Specific reserves for unidentified losses	20,600
TOTAL ASSETS	2,636,523

Structure of Liabilities	
1. Loans from financial institutions	149,356
1.1. Short-term loans	79,000
1.2. Long-term loans	70,356
2. Deposits	2,063,999
2.1. Giro account and current account deposits	366,403
2.2. Savings deposits	265,903
2.3. Time deposits	1,431,692
3. Other loans	10,955
3.1. Short-term loans	0
3.2. Long-term loans	10,955
4. Derivative financial liabilities and other financial liabilities held for trading	43
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	172,036
9. CAPITAL	240,136
TOTAL LIABILITIES AND CAPITAL	2,636,523

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Management Board

Duško Miculinić – chairperson, Željka Pavić, Anto Pekić

Supervisory Board

Francesco Signorio – chairperson, Carlo Cattaneo, Gordana Pavletić, Domenico Petrella, Franco Brunati

Shareholders

	Share in share capital (%)
1. Francesco Signorio	49.89
2. Carlo Di Dato	9.45
3. Svitlana Signorio	9.34
4. Domenico Petrella	6.43
5. Cofisi S.A.	5.82
6. J.L.L. Marc Jourdan	5.01
7. IBS S.R.L.	5.00

Audit firm for 2006:
 Repos d.o.o., Zagreb

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	3,106
1.1. Total interest income	4,628
1.2. Total interest expenses	1,521
2. Net income from fees and commissions	259
2.1. Total income from fees and commissions	616
2.2. Total expenses on fees and commissions	357
3. Net other non-interest income	-2
3.1. Other non-interest income	156
3.2. Other non-interest expenses	158
4. Net non-interest income	257
5. General administrative expenses and depreciation	3,793
6. Net operating income before loss provisions	-430
7. Total expenses on loss provisions	-140
7.1. Expenses on value adjustments and provisions for identified losses	-221
7.2. Expenses on provisions for unidentified losses	80
8. Income/loss before taxes	-289
9. Income tax	0
10. Current year profit/loss	-289

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	12,728
1.1. Money assets	2,190
1.2. Deposits with the CNB	10,538
2. Deposits with banking institutions	25,732
3. MoF treasury bills and CNB bills	984
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	4,300
6. Securities and other financial instruments held to maturity	287
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	78,648
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	466
14. Interest, fees and other assets	4,381
15. Net of: Specific reserves for unidentified losses	1,092
TOTAL ASSETS	126,434

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	79,146
2.1. Giro account and current account deposits	10,467
2.2. Savings deposits	10,497
2.3. Time deposits	58,182
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	1,500
8. Interest, fees and other liabilities	3,254
9. CAPITAL	42,534
TOTAL LIABILITIES AND CAPITAL	126,434

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Shareholders

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

Share in share capital (%)**Management Board**

Božo Prka – chairperson, Ivan Gerovac, Tomislav Lazarić, Giancarlo Miranda, Gabriela Pace, Mario Henjak, Draženko Kopljar

Audit firm for 2006:

Deloitte d.o.o., Zagreb

Supervisory Board

György Surányi – chairperson, Adriano Arietti, Paolo Grandi, Anne Fossemale, Giovanni Boccolini, Massimo Pierdicchi, Massimo Malagoli

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	810,341
1.1. Total interest income	1,543,754
1.2. Total interest expenses	733,412
2. Net income from fees and commissions	170,234
2.1. Total income from fees and commissions	269,103
2.2. Total expenses on fees and commissions	98,869
3. Net other non-interest income	238,922
3.1. Other non-interest income	344,948
3.2. Other non-interest expenses	106,027
4. Net non-interest income	409,155
5. General administrative expenses and depreciation	507,511
6. Net operating income before loss provisions	711,985
7. Total expenses on loss provisions	-34,959
7.1. Expenses on value adjustments and provisions for identified losses	-33,959
7.2. Expenses on provisions for unidentified losses	-1,000
8. Income/loss before taxes	746,944
9. Income tax	118,090
10. Current year profit/loss	628,854

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	9,614,256
1.1. Money assets	1,216,272
1.2. Deposits with the CNB	8,397,984
2. Deposits with banking institutions	4,549,346
3. MoF treasury bills and CNB bills	1,502,486
4. Securities and other financial instruments held for trading	2,338,178
5. Securities and other financial instruments available for sale	205,324
6. Securities and other financial instruments held to maturity	1,282,289
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	47,157
9. Loans to financial institutions	798,212
10. Loans to other clients	35,696,516
11. Investments in subsidiaries and associates	368,067
12. Foreclosed and repossessed assets	39,407
13. Tangible assets (net of depreciation)	882,131
14. Interest, fees and other assets	801,955
15. Net of: Specific reserves for unidentified losses	544,803
TOTAL ASSETS	57,580,522

Structure of Liabilities	
1. Loans from financial institutions	4,246,571
1.1. Short-term loans	3,025,940
1.2. Long-term loans	1,220,631
2. Deposits	37,559,471
2.1. Giro account and current account deposits	7,117,381
2.2. Savings deposits	5,584,406
2.3. Time deposits	24,857,685
3. Other loans	6,132,223
3.1. Short-term loans	0
3.2. Long-term loans	6,132,223
4. Derivative financial liabilities and other financial liabilities held for trading	47,723
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	2,029,936
9. CAPITAL	7,564,599
TOTAL LIABILITIES AND CAPITAL	57,580,522

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Management Board

Zdenko Adrović – chairperson, Vlasta Žubrinić-Pick,
 Jasna Širola, Zoran Koščak, Vesna Ciganek Vuković

Supervisory Board

Herbert Stepic – chairperson, Heinz Hoedl, Franz
 Rogi, Peter Lennkh, Martin Gruell

Shareholders

	Share in share capital (%)
1. Raiffeisen International Bank-Holding AG	75.00
2. Raiffeisenbank-Zagreb Beteiligungs GmbH	25.00

Audit firm for 2006:
 KPMG Croatia d.o.o., Zagreb

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	408,926
1.1. Total interest income	928,050
1.2. Total interest expenses	519,123
2. Net income from fees and commissions	176,154
2.1. Total income from fees and commissions	236,836
2.2. Total expenses on fees and commissions	60,682
3. Net other non-interest income	49,892
3.1. Other non-interest income	70,172
3.2. Other non-interest expenses	20,279
4. Net non-interest income	226,046
5. General administrative expenses and depreciation	323,125
6. Net operating income before loss provisions	311,847
7. Total expenses on loss provisions	99,431
7.1. Expenses on value adjustments and provisions for identified losses	83,464
7.2. Expenses on provisions for unidentified losses	15,966
8. Income/loss before taxes	212,417
9. Income tax	43,877
10. Current year profit/loss	168,540

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	6,116,057
1.1. Money assets	299,648
1.2. Deposits with the CNB	5,816,409
2. Deposits with banking institutions	1,687,403
3. MoF treasury bills and CNB bills	1,289,771
4. Securities and other financial instruments held for trading	3,309,548
5. Securities and other financial instruments available for sale	2,382
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	216,023
8. Derivative financial assets	98,504
9. Loans to financial institutions	1,026,692
10. Loans to other clients	21,057,182
11. Investments in subsidiaries and associates	214,945
12. Foreclosed and repossessed assets	283
13. Tangible assets (net of depreciation)	399,193
14. Interest, fees and other assets	529,093
15. Net of: Specific reserves for unidentified losses	252,732
TOTALASSETS	35,694,345

Structure of Liabilities	
1. Loans from financial institutions	2,563,837
1.1. Short-term loans	2,019,828
1.2. Long-term loans	544,009
2. Deposits	22,059,973
2.1. Giro account and current account deposits	4,548,317
2.2. Savings deposits	2,501,881
2.3. Time deposits	15,009,775
3. Other loans	6,336,973
3.1. Short-term loans	630,812
3.2. Long-term loans	5,706,161
4. Derivative financial liabilities and other financial liabilities held for trading	40,691
5. Debt securities issued	257,990
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	257,990
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,032,416
9. CAPITAL	3,402,466
TOTAL LIABILITIES AND CAPITAL	35,694,345

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Management Board

Marijan Kantolić – chairperson, Verica Ljubičić

Supervisory Board

Dragutin Plahutar – chairperson, Želimir Kodrić, Milan Penava, Nevenka Plahutar, Martin Jazbec

Shareholders

1. Aqua vivae d.d.	79.34
2. Samoborka d.d.	5.15
3. Raiffeisenbank Austria d.d. (custody account)	3.44

Share in share capital (%)

Audit firm for 2006:
 Revidicon d.o.o., Varaždin

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	5,533
1.1. Total interest income	9,068
1.2. Total interest expenses	3,535
2. Net income from fees and commissions	144
2.1. Total income from fees and commissions	1,708
2.2. Total expenses on fees and commissions	1,564
3. Net other non-interest income	1,421
3.1. Other non-interest income	1,713
3.2. Other non-interest expenses	292
4. Net non-interest income	1,565
5. General administrative expenses and depreciation	5,296
6. Net operating income before loss provisions	1,801
7. Total expenses on loss provisions	75
7.1. Expenses on value adjustments and provisions for identified losses	-363
7.2. Expenses on provisions for unidentified losses	438
8. Income/loss before taxes	1,726
9. Income tax	386
10. Current year profit/loss	1,341

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	61,477
1.1. Money assets	9,650
1.2. Deposits with the CNB	51,826
2. Deposits with banking institutions	101,287
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	13,076
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	23
9. Loans to financial institutions	46,000
10. Loans to other clients	143,477
11. Investments in subsidiaries and associates	53
12. Foreclosed and repossessed assets	1,847
13. Tangible assets (net of depreciation)	27,213
14. Interest, fees and other assets	3,211
15. Net of: Specific reserves for unidentified losses	3,211
TOTALASSETS	394,452

Structure of Liabilities	
1. Loans from financial institutions	16
1.1. Short-term loans	0
1.2. Long-term loans	16
2. Deposits	271,877
2.1. Giro account and current account deposits	74,067
2.2. Savings deposits	69,171
2.3. Time deposits	128,638
3. Other loans	44
3.1. Short-term loans	44
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	53,836
9. CAPITAL	68,679
TOTAL LIABILITIES AND CAPITAL	394,452

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Management Board

Angelina Horvat – chairperson, Elvis Mališ

Supervisory Board

Alma Curl – chairperson, Oleg Uskoković, Krunoslav Lisjak, Blaženka Eror Matić, Mirko Lukač

Shareholders**Share in share capital (%)**

1. State Agency for Bank Rehabilitation and Deposit Insurance	8.32
2. Société Générale-Splitska banka d.d./ East Capital asset management	7.41
3. Raiffeisenbank Austria d.d./ EQI/ICF Balanced OIF	5.87
4. Société Générale-Splitska banka d.d./ Gustavus Capital asset management	4.95
5. PBZ d.d./Deutsche Bank	4.48
6. Erste & Steiermärkische bank d.d./ CSC	4.32
7. Ingra d.d.	4.08
8. HPB d.d./Kapitalni fond d.d.	3.78
9. Hypo Alpe-adria-Bank d.d./SZIF d.d.	3.38

Audit firm for 2006:
 Revizija Zagreb d.o.o., Zagreb

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	17,190
1.1. Total interest income	33,677
1.2. Total interest expenses	16,487
2. Net income from fees and commissions	3,992
2.1. Total income from fees and commissions	5,789
2.2. Total expenses on fees and commissions	1,798
3. Net other non-interest income	822
3.1. Other non-interest income	1,609
3.2. Other non-interest expenses	786
4. Net non-interest income	4,814
5. General administrative expenses and depreciation	16,197
6. Net operating income before loss provisions	5,807
7. Total expenses on loss provisions	224
7.1. Expenses on value adjustments and provisions for identified losses	160
7.2. Expenses on provisions for unidentified losses	64
8. Income/loss before taxes	5,583
9. Income tax	1,174
10. Current year profit/loss	4,410

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	123,628
1.1. Money assets	15,828
1.2. Deposits with the CNB	107,800
2. Deposits with banking institutions	152,328
3. MoF treasury bills and CNB bills	27,726
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	75
6. Securities and other financial instruments held to maturity	47,834
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	1
9. Loans to financial institutions	17,500
10. Loans to other clients	542,355
11. Investments in subsidiaries and associates	6,171
12. Foreclosed and repossessed assets	3,047
13. Tangible assets (net of depreciation)	29,093
14. Interest, fees and other assets	8,977
15. Net of: Specific reserves for unidentified losses	7,761
TOTAL ASSETS	950,974

Structure of Liabilities	
1. Loans from financial institutions	37,598
1.1. Short-term loans	0
1.2. Long-term loans	37,598
2. Deposits	714,328
2.1. Giro account and current account deposits	102,267
2.2. Savings deposits	79,964
2.3. Time deposits	532,097
3. Other loans	16,453
3.1. Short-term loans	0
3.2. Long-term loans	16,453
4. Derivative financial liabilities and other financial liabilities held for trading	1
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	26
8. Interest, fees and other liabilities	40,832
9. CAPITAL	141,736
TOTAL LIABILITIES AND CAPITAL	950,974

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Management Board

Ivan Mihaljević – chairperson, Tadija Vrdoljak, Branka Štinc

Supervisory Board

Thomas Morgl – chairperson, Paul Kocher, Zlata Vrdoljak

Shareholders

	Share in share capital (%)
1. Hypo Alpe-Adria-Bank International AG	99.93

Audit firm for 2006:
 Confida revizija d.o.o., Zagreb

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	109,000
1.1. Total interest income	249,164
1.2. Total interest expenses	140,164
2. Net income from fees and commissions	38,203
2.1. Total income from fees and commissions	47,986
2.2. Total expenses on fees and commissions	9,783
3. Net other non-interest income	7,659
3.1. Other non-interest income	9,483
3.2. Other non-interest expenses	1,824
4. Net non-interest income	45,862
5. General administrative expenses and depreciation	90,603
6. Net operating income before loss provisions	64,259
7. Total expenses on loss provisions	47,791
7.1. Expenses on value adjustments and provisions for identified losses	40,791
7.2. Expenses on provisions for unidentified losses	7,000
8. Income/loss before taxes	16,468
9. Income tax	4,696
10. Current year profit/loss	11,771

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	2,236,837
1.1. Money assets	71,325
1.2. Deposits with the CNB	2,165,512
2. Deposits with banking institutions	715,837
3. MoF treasury bills and CNB bills	19,643
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	109,235
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	122
9. Loans to financial institutions	0
10. Loans to other clients	6,405,373
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	81,338
13. Tangible assets (net of depreciation)	64,551
14. Interest, fees and other assets	102,167
15. Net of: Specific reserves for unidentified losses	78,053
TOTAL ASSETS	9,657,050

Structure of Liabilities	
1. Loans from financial institutions	369,663
1.1. Short-term loans	67,600
1.2. Long-term loans	302,063
2. Deposits	7,944,097
2.1. Giro account and current account deposits	987,745
2.2. Savings deposits	429,106
2.3. Time deposits	6,527,247
3. Other loans	42,123
3.1. Short-term loans	0
3.2. Long-term loans	42,123
4. Derivative financial liabilities and other financial liabilities held for trading	322
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	27,532
8. Interest, fees and other liabilities	195,887
9. CAPITAL	1,077,426
TOTAL LIABILITIES AND CAPITAL	9,657,050

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Shareholders

1. Soci t  G n rale

**Share in share
 capital (%)**
 99.76

Audit firm for 2006:
 KPMG Croatia d.o.o., Zagreb

Management Board

Pierre Boursot – chairperson, Philippe Marcotte de
 Quivi res, Henri Bellenger, Ivo Bili , Vedrana Carevi , Florian Urban

Supervisory Board

Jean-Didier Reigner – chairperson, Serge Eveill , Alexis Juan

**Income Statement
 as at 30 June 2007, in thousand HRK**

1. Net interest income	307,400
1.1. Total interest income	684,956
1.2. Total interest expenses	377,556
2. Net income from fees and commissions	94,131
2.1. Total income from fees and commissions	118,639
2.2. Total expenses on fees and commissions	24,507
3. Net other non-interest income	60,166
3.1. Other non-interest income	64,443
3.2. Other non-interest expenses	4,277
4. Net non-interest income	154,298
5. General administrative expenses and depreciation	297,105
6. Net operating income before loss provisions	164,593
7. Total expenses on loss provisions	18,886
7.1. Expenses on value adjustments and provisions for identified losses	16,286
7.2. Expenses on provisions for unidentified losses	2,600
8. Income/loss before taxes	145,708
9. Income tax	20,899
10. Current year profit/loss	124,809

**Balance Sheet
 as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	4,694,176
1.1. Money assets	232,472
1.2. Deposits with the CNB	4,461,704
2. Deposits with banking institutions	1,306,713
3. MoF treasury bills and CNB bills	427,469
4. Securities and other financial instruments held for trading	53,642
5. Securities and other financial instruments available for sale	2,628,386
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	1,901
9. Loans to financial institutions	696,074
10. Loans to other clients	15,470,815
11. Investments in subsidiaries and associates	11,277
12. Foreclosed and repossessed assets	903
13. Tangible assets (net of depreciation)	276,236
14. Interest, fees and other assets	537,325
15. Net of: Specific reserves for unidentified losses	213,445
TOTAL ASSETS	25,891,472

Structure of Liabilities	
1. Loans from financial institutions	1,449,871
1.1. Short-term loans	310,000
1.2. Long-term loans	1,139,871
2. Deposits	11,896,123
2.1. Giro account and current account deposits	2,849,683
2.2. Savings deposits	1,751,214
2.3. Time deposits	7,295,226
3. Other loans	9,039,506
3.1. Short-term loans	2,014,231
3.2. Long-term loans	7,025,275
4. Derivative financial liabilities and other financial liabilities held for trading	4,861
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1,099,697
9. CAPITAL	2,401,414
TOTAL LIABILITIES AND CAPITAL	25,891,472

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Management Board

Ante Babić – chairperson, Zdravko Zrинуšić, Christian Panjol-Tuflija

Supervisory Board

Ivo Andriјanić – chairperson, Đuro Benček, Petar Čurković

Shareholders

1. Šted-Invest d.d.	89.71
2. Paveko 2000 d.o.o.	5.50

Share in share capital (%)

Audit firm for 2006:

Revizija Zagreb d.o.o., Zagreb

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	19,960
1.1. Total interest income	34,906
1.2. Total interest expenses	14,946
2. Net income from fees and commissions	3,389
2.1. Total income from fees and commissions	4,415
2.2. Total expenses on fees and commissions	1,026
3. Net other non-interest income	8,402
3.1. Other non-interest income	8,810
3.2. Other non-interest expenses	408
4. Net non-interest income	11,791
5. General administrative expenses and depreciation	9,687
6. Net operating income before loss provisions	22,065
7. Total expenses on loss provisions	-8,184
7.1. Expenses on value adjustments and provisions for identified losses	-7,888
7.2. Expenses on provisions for unidentified losses	-297
8. Income/loss before taxes	30,249
9. Income tax	4,351
10. Current year profit/loss	25,897

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	90,879
1.1. Money assets	2,406
1.2. Deposits with the CNB	88,474
2. Deposits with banking institutions	112,274
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	72,531
6. Securities and other financial instruments held to maturity	3,518
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	113
9. Loans to financial institutions	19,000
10. Loans to other clients	630,882
11. Investments in subsidiaries and associates	20
12. Foreclosed and repossessed assets	1,126
13. Tangible assets (net of depreciation)	70,747
14. Interest, fees and other assets	24,003
15. Net of: Specific reserves for unidentified losses	8,194
TOTAL ASSETS	1,016,898

Structure of Liabilities	
1. Loans from financial institutions	30,136
1.1. Short-term loans	25,524
1.2. Long-term loans	4,612
2. Deposits	584,247
2.1. Giro account and current account deposits	74,055
2.2. Savings deposits	43,173
2.3. Time deposits	467,018
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	55,137
9. CAPITAL	347,378
TOTAL LIABILITIES AND CAPITAL	1,016,898

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Shareholders

1. Fima Validus d.d.
2. Fima grupa d.d.
3. Retis d.o.o.

Share in share capital (%)

73.06
10.10
5.19

Management Board

Igor Čičak – chairperson, Marinko Benić

Audit firm for 2006:

Deloitte d.o.o., Zagreb

Supervisory Board

Milan Horvat – chairperson, Mika Mimica, Stjepan Bunić, Vladimir Košćec, Željko Filipović, Artur Gedike, Ljiljana Weissbarth

Income Statement as at 30 June 2007, in thousand HRK

1. Net interest income	8,520
1.1. Total interest income	22,947
1.2. Total interest expenses	14,427
2. Net income from fees and commissions	3,862
2.1. Total income from fees and commissions	4,956
2.2. Total expenses on fees and commissions	1,095
3. Net other non-interest income	12,834
3.1. Other non-interest income	17,408
3.2. Other non-interest expenses	4,574
4. Net non-interest income	16,696
5. General administrative expenses and depreciation	21,031
6. Net operating income before loss provisions	4,185
7. Total expenses on loss provisions	4,003
7.1. Expenses on value adjustments and provisions for identified losses	2,433
7.2. Expenses on provisions for unidentified losses	1,570
8. Income/loss before taxes	182
9. Income tax	0
10. Current year profit/loss	182

Balance Sheet as at 30 June 2007, in thousand HRK

Structure of Assets	
1. Money assets and deposits with the CNB	132,795
1.1. Money assets	11,006
1.2. Deposits with the CNB	121,789
2. Deposits with banking institutions	70,973
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	27,219
5. Securities and other financial instruments available for sale	41
6. Securities and other financial instruments held to maturity	37,217
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	24
9. Loans to financial institutions	44,500
10. Loans to other clients	596,466
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	1,017
13. Tangible assets (net of depreciation)	12,017
14. Interest, fees and other assets	38,399
15. Net of: Specific reserves for unidentified losses	7,521
TOTAL ASSETS	953,147

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	867,851
2.1. Giro account and current account deposits	42,220
2.2. Savings deposits	11,212
2.3. Time deposits	814,419
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	27,888
9. CAPITAL	57,409
TOTAL LIABILITIES AND CAPITAL	953,147

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 www.venetobanka.hr

Shareholders

1. Veneto banca	66.17
2. HPB d.d./custody account	9.80
3. Raiffeisenbank Austria d.d./custody account	8.70

Share in share capital (%)**Management Board**

Adriano Carisi – chairperson, Jasna Mamić, Krešimir Jerin

Audit firm for 2006:
 Repos d.o.o., Zagreb

Supervisory Board

Armando Bressan – chairperson, Mauro Gallea, Stefano Bertolo

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	8,082
1.1. Total interest income	16,051
1.2. Total interest expenses	7,969
2. Net income from fees and commissions	2,016
2.1. Total income from fees and commissions	2,671
2.2. Total expenses on fees and commissions	654
3. Net other non-interest income	-3,639
3.1. Other non-interest income	2,427
3.2. Other non-interest expenses	6,066
4. Net non-interest income	-1,623
5. General administrative expenses and depreciation	17,082
6. Net operating income before loss provisions	-10,623
7. Total expenses on loss provisions	8,976
7.1. Expenses on value adjustments and provisions for identified losses	7,774
7.2. Expenses on provisions for unidentified losses	1,202
8. Income/loss before taxes	-19,599
9. Income tax	821
10. Current year profit/loss	-20,420

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	249,154
1.1. Money assets	19,935
1.2. Deposits with the CNB	229,219
2. Deposits with banking institutions	62,934
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	503
5. Securities and other financial instruments available for sale	963
6. Securities and other financial instruments held to maturity	1,713
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	337,478
11. Investments in subsidiaries and associates	9,090
12. Foreclosed and repossessed assets	4,106
13. Tangible assets (net of depreciation)	32,889
14. Interest, fees and other assets	13,043
15. Net of: Specific reserves for unidentified losses	5,625
TOTALASSETS	706,245

Structure of Liabilities	
1. Loans from financial institutions	66,699
1.1. Short-term loans	28,000
1.2. Long-term loans	38,699
2. Deposits	337,232
2.1. Giro account and current account deposits	71,479
2.2. Savings deposits	25,989
2.3. Time deposits	239,765
3. Other loans	150,629
3.1. Short-term loans	0
3.2. Long-term loans	150,629
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	64,256
9. CAPITAL	87,429
TOTAL LIABILITIES AND CAPITAL	706,245

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Shareholders

1. VB International AG

**Share in share
 capital (%)**
 99.18

Audit firm for 2006:
 Ernst & Young d.o.o., Zagreb

Management Board

Tomasz Jerzy Taraba – chairperson, Andrea Kovacs,
 Dieter Hornbacher

Supervisory Board

Denis Le Moullac – chairperson, Gerhard Woeber,
 Fausto Maritan, Joerg Poglits, David Krepelka

**Income Statement
 as at 30 June 2007, in thousand HRK**

1. Net interest income	91,610
1.1. Total interest income	177,194
1.2. Total interest expenses	85,584
2. Net income from fees and commissions	17,168
2.1. Total income from fees and commissions	21,157
2.2. Total expenses on fees and commissions	3,989
3. Net other non-interest income	985
3.1. Other non-interest income	7,040
3.2. Other non-interest expenses	6,055
4. Net non-interest income	18,153
5. General administrative expenses and depreciation	69,936
6. Net operating income before loss provisions	39,827
7. Total expenses on loss provisions	6,641
7.1. Expenses on value adjustments and provisions for identified losses	3,704
7.2. Expenses on provisions for unidentified losses	2,937
8. Income/loss before taxes	33,186
9. Income tax	4,366
10. Current year profit/loss	28,819

**Balance Sheet
 as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	1,292,949
1.1. Money assets	49,099
1.2. Deposits with the CNB	1,243,850
2. Deposits with banking institutions	317,500
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	11,414
5. Securities and other financial instruments available for sale	159,998
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	12,782
9. Loans to financial institutions	205,500
10. Loans to other clients	4,541,069
11. Investments in subsidiaries and associates	1,000
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	17,594
14. Interest, fees and other assets	84,537
15. Net of: Specific reserves for unidentified losses	54,976
TOTALASSETS	6,589,368

Structure of Liabilities	
1. Loans from financial institutions	465,203
1.1. Short-term loans	434,300
1.2. Long-term loans	30,903
2. Deposits	4,080,767
2.1. Giro account and current account deposits	342,224
2.2. Savings deposits	247,906
2.3. Time deposits	3,490,638
3. Other loans	124,503
3.1. Short-term loans	0
3.2. Long-term loans	124,503
4. Derivative financial liabilities and other financial liabilities held for trading	7,804
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	69,636
8. Interest, fees and other liabilities	214,037
9. CAPITAL	1,627,418
TOTAL LIABILITIES AND CAPITAL	6,589,368

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Shareholders

1. Bank Austria Creditanstalt AG
2. Allianz SE

Share in share capital (%)

84.21
 11.72

Management Board

Franjo Luković – chairperson, Milivoj Goldštajn, Tomica Pustišek, Sanja Rendulić, Miljenko Živaljić, Christian Suppanz

Audit firm for 2006:

KPMG Croatia d.o.o., Zagreb

Supervisory Board

Erich Hampel – chairperson, Stefano Lo Faso, Jakša Barbić, Paolo Fiorentino, Klaus Junker, Thomas Gross, Robert Zadrazil, Marco Iannaccone, Carlo Marini, Franco Andrea Leue, Torsten Leue

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	906,979
1.1. Total interest income	1,845,090
1.2. Total interest expenses	938,111
2. Net income from fees and commissions	371,619
2.1. Total income from fees and commissions	449,047
2.2. Total expenses on fees and commissions	77,428
3. Net other non-interest income	149,140
3.1. Other non-interest income	203,828
3.2. Other non-interest expenses	54,687
4. Net non-interest income	520,759
5. General administrative expenses and depreciation	667,831
6. Net operating income before loss provisions	759,907
7. Total expenses on loss provisions	115,058
7.1. Expenses on value adjustments and provisions for identified losses	52,847
7.2. Expenses on provisions for unidentified losses	62,212
8. Income/loss before taxes	644,848
9. Income tax	118,915
10. Current year profit/loss	525,933

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	9,930,410
1.1. Money assets	1,052,515
1.2. Deposits with the CNB	8,877,894
2. Deposits with banking institutions	5,906,431
3. MoF treasury bills and CNB bills	2,332,270
4. Securities and other financial instruments held for trading	781,585
5. Securities and other financial instruments available for sale	4,486,058
6. Securities and other financial instruments held to maturity	376,988
7. Securities and other financial instruments not traded in active markets but carried at fair value	118,615
8. Derivative financial assets	124,899
9. Loans to financial institutions	1,176,233
10. Loans to other clients	48,565,580
11. Investments in subsidiaries and associates	881,940
12. Foreclosed and repossessed assets	17,524
13. Tangible assets (net of depreciation)	1,122,086
14. Interest, fees and other assets	1,401,988
15. Net of: Specific reserves for unidentified losses	730,791
TOTAL ASSETS	76,491,814

Structure of Liabilities	
1. Loans from financial institutions	3,295,422
1.1. Short-term loans	2,886,323
1.2. Long-term loans	409,099
2. Deposits	51,262,105
2.1. Giro account and current account deposits	11,254,249
2.2. Savings deposits	6,378,257
2.3. Time deposits	33,629,599
3. Other loans	5,322,174
3.1. Short-term loans	1,931,806
3.2. Long-term loans	3,390,368
4. Derivative financial liabilities and other financial liabilities held for trading	233,668
5. Debt securities issued	3,276,771
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	3,276,771
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	2,180,255
9. CAPITAL	10,921,419
TOTAL LIABILITIES AND CAPITAL	76,491,814

HPB STAMBENA ŠTEDIONICA d.d.

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Shareholders

1. Hrvatska poštanska banka d.d.

Share in share capital (%)

100.00

Audit firm for 2006:

KPMG Croatia d.o.o., Zagreb

Management Board

Dunja Vidošević – chairperson, Jasminka Makarun

Supervisory Board

Marijo Kirinić – chairperson, Ana Klarić, Josip Ivančić

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	619
1.1. Total interest income	734
1.2. Total interest expenses	115
2. Net income from fees and commissions	212
2.1. Total income from fees and commissions	240
2.2. Total expenses on fees and commissions	28
3. Net other non-interest income	-517
3.1. Other non-interest income	87
3.2. Other non-interest expenses	604
4. Net non-interest income	-305
5. General administrative expenses and depreciation	1,851
6. Net operating income before loss provisions	-1,537
7. Total expenses on loss provisions	42
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on provisions for unidentified losses	42
8. Income/loss before taxes	-1,579
9. Income tax	0
10. Current year profit/loss	-1,579

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	0
1.1. Money assets	0
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	1,282
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	30,653
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	4,152
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	6
14. Interest, fees and other assets	2,139
15. Net of: Specific reserves for unidentified losses	324
TOTAL ASSETS	37,909

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	10,345
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	10,345
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	6,802
9. CAPITAL	20,762
TOTAL LIABILITIES AND CAPITAL	37,909

PBZ STAMBENA ŠTEDIONICA d.d.

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Management Board

Mirko Brozović – chairperson, Branimir Čosić

Supervisory Board

Tomislav Lazarić – chairperson, Zoran Kureljušić,
 Dražen Kovačić, Nenad Štimac, Andrea Pavlović

Shareholders

1. Privredna banka Zagreb d.d.

Share in share capital (%)

100.00

Audit firm for 2006:
 Deloitte d.o.o., Zagreb

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	3,591
1.1. Total interest income	22,472
1.2. Total interest expenses	18,881
2. Net income from fees and commissions	4,891
2.1. Total income from fees and commissions	5,481
2.2. Total expenses on fees and commissions	589
3. Net other non-interest income	-1,520
3.1. Other non-interest income	-282
3.2. Other non-interest expenses	1,237
4. Net non-interest income	3,372
5. General administrative expenses and depreciation	5,459
6. Net operating income before loss provisions	1,504
7. Total expenses on loss provisions	934
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on provisions for unidentified losses	934
8. Income/loss before taxes	570
9. Income tax	0
10. Current year profit/loss	570

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	0
1.1. Money assets	0
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	1,297
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	922,488
6. Securities and other financial instruments held to maturity	195,352
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	6,208
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	337
14. Interest, fees and other assets	17,865
15. Net of: Specific reserves for unidentified losses	9,709
TOTAL ASSETS	1,133,838

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	1,065,172
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	1,065,172
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	33,028
9. CAPITAL	35,639
TOTAL LIABILITIES AND CAPITAL	1,133,838

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Shareholders

1. Zagrebačka banka d.d.

**Share in share
 capital (%)**
 100.00

Audit firm for 2006:

KPMG Croatia d.o.o., Zagreb

Management Board

Snježana Herceg – chairperson, Srećko Maceković

Supervisory Board

Tomica Pustišek – chairperson, Zvonimir Jurjević,
 Davor Pavlić

**Income Statement
 as at 30 June 2007, in thousand HRK**

1. Net interest income	8,164
1.1. Total interest income	40,267
1.2. Total interest expenses	32,103
2. Net income from fees and commissions	7,148
2.1. Total income from fees and commissions	9,145
2.2. Total expenses on fees and commissions	1,997
3. Net other non-interest income	-5,198
3.1. Other non-interest income	-1,536
3.2. Other non-interest expenses	3,661
4. Net non-interest income	1,950
5. General administrative expenses and depreciation	9,196
6. Net operating income before loss provisions	918
7. Total expenses on loss provisions	750
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on provisions for unidentified losses	750
8. Income/loss before taxes	168
9. Income tax	282
10. Current year profit/loss	-113

**Balance Sheet
 as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	0
1.1. Money assets	0
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	1,343
3. MoF treasury bills and CNB bills	260,152
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	1,025,734
7. Securities and other financial instruments not traded in active markets but carried at fair value	38,700
8. Derivative financial assets	0
9. Loans to financial institutions	7,000
10. Loans to other clients	577,156
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	1,707
14. Interest, fees and other assets	152,976
15. Net of: Specific reserves for unidentified losses	17,782
TOTAL ASSETS	2,046,984

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	1,821,456
2.1. Giro account and current account deposits	0
2.2. Savings deposits	11
2.3. Time deposits	1,821,445
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	159,620
9. CAPITAL	65,908
TOTAL LIABILITIES AND CAPITAL	2,046,984

RAIFFEISEN STAMBENA ŠTEDIONICA d.d.

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Shareholders

1. Raiffeisen Bausparkasse GmbH	74.00
2. Raiffeisenbank Austria d.d.	26.00

Share in share capital (%)**Management Board**

Hans Christian Vallant – chairperson, Franjo Franjić

Audit firm for 2006:

KPMG Croatia d.o.o., Zagreb

Supervisory Board

Johann Ertl – chairperson, Zdenko Adrović, Christian Ratz

**Income Statement
as at 30 June 2007, in thousand HRK**

1. Net interest income	20,982
1.1. Total interest income	55,501
1.2. Total interest expenses	34,519
2. Net income from fees and commissions	10,622
2.1. Total income from fees and commissions	12,141
2.2. Total expenses on fees and commissions	1,519
3. Net other non-interest income	-9,615
3.1. Other non-interest income	-7,773
3.2. Other non-interest expenses	1,842
4. Net non-interest income	1,007
5. General administrative expenses and depreciation	27,039
6. Net operating income before loss provisions	-5,050
7. Total expenses on loss provisions	4,009
7.1. Expenses on value adjustments and provisions for identified losses	666
7.2. Expenses on provisions for unidentified losses	3,343
8. Income/loss before taxes	-9,059
9. Income tax	0
10. Current year profit/loss	-9,059

**Balance Sheet
as at 30 June 2007, in thousand HRK**

Structure of Assets	
1. Money assets and deposits with the CNB	4
1.1. Money assets	4
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	33,220
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	621,636
8. Derivative financial assets	9,297
9. Loans to financial institutions	0
10. Loans to other clients	1,240,130
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	3,746
14. Interest, fees and other assets	95,227
15. Net of: Specific reserves for unidentified losses	12,277
TOTAL ASSETS	1,990,983

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	1,783,217
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	1,783,217
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	51,123
8. Interest, fees and other liabilities	121,220
9. CAPITAL	35,423
TOTAL LIABILITIES AND CAPITAL	1,990,983

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Shareholders

1. Bausparkasse Wüstenrot AG
2. Wüstenrot Bank AG
3. Wüstenrot Versicherungs AG

Share in share capital (%)

- 64.44
25.63
9.93

Management Board

Zdravko Anđel – chairperson, Herbert Weinzetl

Audit firm for 2006:

Ernst & Young d.o.o., Zagreb

Supervisory Board

Wolfgang Radlegger – chairperson, Marlies Wiest-Jetter, Frank Weber, Werner Wabscheg, Klaus Wöhry

Income Statement as at 30 June 2007, in thousand HRK

1. Net interest income	12,794
1.1. Total interest income	24,135
1.2. Total interest expenses	11,341
2. Net income from fees and commissions	6,895
2.1. Total income from fees and commissions	7,065
2.2. Total expenses on fees and commissions	170
3. Net other non-interest income	-11,179
3.1. Other non-interest income	-6,259
3.2. Other non-interest expenses	4,921
4. Net non-interest income	-4,284
5. General administrative expenses and depreciation	19,107
6. Net operating income before loss provisions	-10,598
7. Total expenses on loss provisions	903
7.1. Expenses on value adjustments and provisions for identified losses	0
7.2. Expenses on provisions for unidentified losses	903
8. Income/loss before taxes	-11,500
9. Income tax	0
10. Current year profit/loss	-11,500

Balance Sheet as at 30 June 2007, in thousand HRK

Structure of Assets	
1. Money assets and deposits with the CNB	23
1.1. Money assets	23
1.2. Deposits with the CNB	0
2. Deposits with banking institutions	19,119
3. MoF treasury bills and CNB bills	5,112
4. Securities and other financial instruments held for trading	196,231
5. Securities and other financial instruments available for sale	103,183
6. Securities and other financial instruments held to maturity	71,232
7. Securities and other financial instruments not traded in active markets but carried at fair value	36,111
8. Derivative financial assets	0
9. Loans to financial institutions	25,500
10. Loans to other clients	485,146
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	2,187
14. Interest, fees and other assets	12,600
15. Net of: Specific reserves for unidentified losses	6,090
TOTAL ASSETS	950,355

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	875,227
2.1. Giro account and current account deposits	0
2.2. Savings deposits	0
2.3. Time deposits	875,227
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	25,196
8. Interest, fees and other liabilities	16,373
9. CAPITAL	33,559
TOTAL LIABILITIES AND CAPITAL	950,355

Attachment I

List of Banking Institutions by Peer Groups, end of period

	Name of banking institution and its registered office	Peer group identifier			
		Dec. 2004	Dec. 2005	Dec. 2006	Jun. 2007
1.	Banco Popolare Croatia d.d., Zagreb ⁵⁾	S	S	S	S
2.	Banka Brod d.d., Slavonski Brod	S	S	S	S
3.	Banka Kovanica d.d., Varaždin	S	S	S	S
4.	Banka Splitsko-dalmatinska d.d., Split	S	S	S	S
5.	Centar banka d.d., Zagreb	S	S	S	S
6.	Credo banka d.d., Split	S	S	S	S
7.	Croatia banka d.d., Zagreb	S	S	S	S
	Dresdner Bank Croatia d.d., Zagreb ¹⁾	S	–	–	–
8.	Erste & Steiermärkische Bank d.d., Rijeka	L	L	L	L
9.	Hrvatska poštanska banka d.d., Zagreb	MS	MS	MS	MS
10.	Hypo Alpe-Adria-Bank d.d., Zagreb	L	L	L	L
11.	Imex banka d.d., Split	S	S	S	S
12.	Istarska kreditna banka Umag d.d., Umag	S	S	S	S
13.	Jadranska banka d.d., Šibenik	S	S	S	S
14.	Karovačka banka d.d., Karlovac	S	S	S	S
15.	Kreditna banka Zagreb d.d., Zagreb	S	S	S	S
	Križevačka banka d.d., Križevci ²⁾	S	–	–	–
16.	Kvarner banka d.d., Rijeka	S	S	S	S
17.	Međimurska banka d.d., Čakovec	S	S	S	S
18.	Nava banka d.d., Zagreb	S	S	S	S
19.	OTP banka Hrvatska d.d., Zadar	MS	MS	MS	MS
20.	Partner banka d.d., Zagreb	S	S	S	S
21.	Podravska banka d.d., Koprivnica	S	S	S	S
	Požeška banka d.d., Požega ³⁾	S	S	–	–
22.	Primorska banka d.d., Rijeka	S	S	S	S
	Privredna banka – Laguna banka d.d., Poreč ⁴⁾	S	–	–	–
23.	Privredna banka Zagreb d.d., Zagreb	L	L	L	L
24.	Raiffeisenbank Austria d.d., Zagreb	L	L	L	L
25.	Samoborska banka d.d., Samobor	S	S	S	S
26.	Slatinska banka d.d., Slatina	S	S	S	S
27.	Slavonska banka d.d., Osijek	MS	MS	MS	MS
28.	Société Générale-Splitska banka d.d., Split	L	L	L	L
29.	Štedbanka d.d., Zagreb	S	S	S	S
30.	Vaba d.d. banka Varaždin, Varaždin	S	S	S	S
31.	Veneto banka d.d., Zagreb ⁶⁾	S	S	S	S
32.	Volksbank d.d., Zagreb	MS	MS	MS	MS
33.	Zagrebačka banka d.d., Zagreb	L	L	L	L
1.	HPB stambena štedionica d.d., Zagreb	–	–	HSB	HSB
2.	PBZ stambena štedionica d.d., Zagreb	–	–	HSB	HSB
3.	Prva stambena štedionica d.d., Zagreb	–	–	HSB	HSB
4.	Raiffeisen stambena štedionica d.d., Zagreb	–	–	HSB	HSB
5.	Wüstenrot stambena štedionica d.d., Zagreb	–	–	HSB	HSB

¹⁾Dresdner Bank Croatia d.d., Zagreb merged with Zagrebačka banka d.d., Zagreb. ²⁾Križevačka banka d.d., Križevci initiated winding-up proceedings.

³⁾Požeška banka d.d., Požega merged with Podravska banka d.d., Koprivnica. ⁴⁾Privredna banka – Laguna banka d.d., Poreč merged with Privredna banka Zagreb d.d., Zagreb. ⁵⁾Banka Sonic d.d., Zagreb changed its name into Banco Popolare Croatia d.d. on 23 April 2007. ⁶⁾Gospodarsko-kreditna banka d.d., Zagreb changed its name into Veneto banka d.d. on 6 April 2007.

Note: L – large bank; MS – medium-sized bank; S – small bank; HSB – housing savings bank

Attachment II

Banking Groups, as at 30 June 2007

Banking group	Superordinate institution	Banking group members
1. ERSTE&STEIERMÄRKISCHE BANK	Erste&Steiermärkische bank d.d., Rijeka	Kvarner banka d.d., Rijeka MBU d.o.o., Zagreb Erste nekretnine d.o.o., Zagreb Erste DMD d.o.o. za upravljanje dobrovoljnim mirovinskim fondom Zagreb Erste d.o.o. za upravljanje obveznim mirovinskim fondom Zagreb Erste Sparkassen osiguranje d.d. za životno osiguranje Zagreb S Immorent leasing Zeta d.o.o. za poslovanje nekretninama Zagreb Erste factoring d.o.o., Zagreb
2. HRVATSKA POŠTANSKA BANKA	Hrvatska poštanska banka d.d.	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-Vrijednosnice d.o.o., Zagreb Hypo Alpe-Adria-Nekretnine d.o.o., Zagreb Alpe Adria Centar d.o.o., Zagreb Magus d.o.o., Zagreb Projekt nekretnine d.o.o., Zagreb
4. OTP BANKA HRVATSKA	OTP banka Hrvatska d.d.	OTP Invest d.o.o., Zagreb OTP Nekretnine d.o.o., Zadar
5. PRIVREDNA BANKA ZAGREB	Privredna banka Zagreb d.d., Zagreb	PBZ Card d.o.o., Zagreb Međimurska banka d.d., Čakovec PBZ Leasing d.o.o., Zagreb PBZ Invest d.o.o., Zagreb PBZ Croatia osiguranje d.d., Zagreb Invest Holding Karlovac d.o.o., Karlovac PBZ Nekretnine d.o.o., Zagreb PBZ Stambena štedionica d.d., Zagreb Cards d.o.o., Skoplje Centurion d.o.o., Ljubljana Centurion d.o.o., Sarajevo
6. RAIFFEISENBANK AUSTRIA	Raiffeisenbank Austria d.d., Zagreb	Raiffeisen leasing d.o.o., Zagreb Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb Raiffeisen mirovinsko društvo za upravljanje dobrovoljnim mirovinskim fondom d.o.o., Zagreb Raiffeisen poslovni prostori d.o.o., Zagreb Raiffeisen upravljanje nekretninama d.o.o., Zagreb Raiffeisen consulting d.o.o., Zagreb Raiffeisen Invest d.o.o., Zagreb Raiffeisen stambena štedionica d.d., Zagreb
7. SLATINSKA BANKA	Slatinska banka d.d.	Turbina d.o.o., Slatina
8. ZAGREBAČKA BANKA	Zagrebačka banka d.d., Zagreb	UniCredit Zagrebačka banka d.d., Mostar Prva stambena štedionica d.d., Zagreb ZB Invest d.o.o., Zagreb Pominvest d.d., Split Zagreb nekretnine d.o.o., Zagreb Allianz ZB društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o., Zagreb Allianz ZB mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb

Abbreviations

bn	– billion
CNB	– Croatian National Bank
IAS	– International Accounting Standards
m	– million
MoF	– Ministry of Finance

