Banks Bulletin 28

year 15 • august 2015

CROATIAN NATIONAL BANK

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Banks Bulletin

PUBLISHER

Croatian National Bank
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ISSN 1334-0123 (online)

CROATIAN NATIONAL BANK

BANKS BULLETIN

Zagreb, 2015

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Summary

Banks' business activities have been slowing down for the third year in a row due to the years-long decline in economic activity that has given rise to credit risk materialisation, while holding the level of caution high and pushing demand for loans down. Excluding 2013, which was marked by extraordinary events (preparations for the AQR[1] and changes to the regulatory framework), returns indicators in 2014 reached their lowest level since 1998. The main reason for this was the still high level of provisioning expenses. The ageing of the non-performing loans portfolio spurred activities aimed at the resolution of such loans, such as the sale of claims, while the processes of business optimisation and control of general expenses continued. However, some banks failed to successfully address changed business conditions, causing the number of banks to drop, although at a slow pace, for the fifth consecutive year. The aforementioned trends resulted in the decrease of 0.7% in banks' assets in 2014 (1.3% effectively).

The rise in the domestic sources of financing and the absence of credit growth enabled banks to continue deleveraging, maintaining a good level of liquidity reserves at the same time. Repayment of funds to foreign owners continued in 2014, even more intensively than the year before. Some foreign were replaced by domestic sources, primarily by household and corporate deposits, while liquidity reserves were preserved through investments in securities, especially of the domestic central government, and in other liquid forms of assets. Nevertheless, the growth in domestic sources slowed down. In the corporate sector, this can be partly attributed to a high base, i.e. the increase in such deposits in 2013 encouraged by intensified measures of fiscal discipline. In the household sector, there was a preponderant effect of its reduced funding capacity, coupled with the effect brought about by the introduction of tax on savings interest in 2015. The sector continued to deleverage vis-à-vis banks for the sixth consecutive year, particularly with regard to home loans, with only general-purpose cash loans in kuna exhibiting a noticeable upward trend. A substantial drop in loans to the corporate sector was observed, in spite of the CNB's new model of stimulating corporate sector lending that began in late 2013.

The loan portfolio quality continued deteriorating, although at a much slower pace. The share of partly recoverable and fully irrecoverable loans (risk categories B and C) in total loans rose from 15.7% at the end of 2013 to 17.1% at the end of 2014. The drop in lending activity helped to maintain the high level of loans in the said risk groups, although their growth slowed down substantially,

1 The AQR is the asset quality review of European banks as at 31 December 2013 conducted in 2014 by the European Central Bank (ECB) and the European Banking Authority (EBA) in cooperation with national supervisors.

even if the effects of the sale of claims and of the change in the number of banks are excluded. The quality of loans to both key sectors (corporates and households) deteriorated at almost the same pace. However, in the case of the latter this was predominantly a result of the sale of irrecoverable claims. In the corporate sector, the share of B and C category loans exceeded 30% (30.8%), while the noticeably better quality of household loans (share of B and C risk category loans of 12.0%) and their still leading share in the credit portfolio structure favourably affected the average value of the indicator.

The coverage of B and C category loans by value adjustments went up noticeably in 2014, due to the ageing of non-performing loans and the implementation of rules regarding gradual value adjustment increase depending on the time elapsed since the debtor’s delinquency in repayment. It stood at 51.3%, which was a rise of as much as five percentage points from the end of 2013. The ageing of the portfolio and exposure migrations to riskier categories caused the amount of losses to rise, with regulatory requirements imposing 5% value adjustments every six months adding to the increase. In addition, the level of provisions was significantly affected by the recording of additional value adjustments, primarily based on the AQR and additional assessments related to the AQR in line with the EU Council recommendations. However, provisioning expenses were lower than in 2013, when they were strongly influenced by the preparations of foreign parent banks for the AQR and the changes in the rules on the classification of placements in effect since October 2013 (rules related to collateral had a particularly strong one-off effect). The coverage of B and C risk category loans went up substantially in the corporate sector, while in relation to households, due to the sale of loans well covered by value adjustments, it declined. The growth of the coverage of B and C risk category loans in the corporate sector was a consequence of the strong growth of risk category C (with 100% value adjustments), especially in relation to construction, which contributed the most to the rise in B and C risk category loans over the years, so that, after households, it accounted for the largest source of non-performing bank loans. Trade and manufacturing, especially the manufacture of food products, led the way in terms of the growth of B and C risk category loans in the corporate sector in 2014, followed by the real estate and agriculture, which reported very high growth rates in these types of loans.

Following a sharp drop in 2013, banks’ earnings recovered in 2014, primarily due to lower interest expenses and lower provisioning expenses. Provisioning expenses are still a considerable burden on business results, and, paired with poor economic activity, declining interest rates and decreased lending have a negative impact on interest income and banks’ overall performance. In addition, banks’ earnings in 2014 were strongly impacted by new consumer credit regulations, particularly those restricting the level of interest rates on home loans indexed to the Swiss franc, which were fixed at 3.23% at the beginning of 2014. This measure probably also caused the stagnation in Swiss franc-indexed home loans classified into B and C risk categories. However, due to the accelerated ageing of that portfolio, their share grew and was considerably higher than the share of B and C category loans in euro-indexed home loans. The fixing of interest rates on home loans indexed to the Swiss franc caused the exposure of banks to interest rate risk in the non-trading book to grow considerably. Nevertheless, it remained significantly lower than the legally prescribed limit.

According to audited data for 2014, banks generated HRK 2.1bn in profit from continuing operations (before tax), amounting to an increase of HRK 1.4bn or 197.3% from 2013. Operating profitability (profitability before provision expenses) increased after a two-year drop, primarily as a result of interest rate decrease and lower expenses of financing sources. The decrease in expenses related to household time deposits was particularly prominent. Income from fees and commissions also rose, particularly those related to card operations (especially during the summer months) and additional efforts were made to optimise operations. Banks were able to cut general operating expenses, while income generated from the sale of non-core parts of operations grew. Lower expenses on value adjustments and provisions also contributed to the improvement in the end result, their significant fall being a consequence of the high base. ROAA grew to 0.6% and ROAE to 3.6%. However, the median values of these indicators were much below these averages due to the low profitability of a relative large number of banks. In 2014, losses were reported by twelve banks (of a total of 28 banks) with the share in total bank assets of 15.5%. Some of them strengthened their capital bases over the years. However, the total amount of capital in banks' balance sheets, although high, remained unchanged. This was a consequence of the use of retained earnings to cover losses and make dividend payments. Four banks paid out dividends in 2014, totalling HRK 1.8bn.

Even after the introduction of the new framework for determining capital and capital ratios of credit institutions (CRR/CRD IV), the capital adequacy of domestic banks remained very good. This was a result of the conservative regulatory approach over the past years which ensured high levels and quality of capital. At end-2014 all aggregate capital ratios determined under new rules were considerably higher than the required minimum. The common equity tier 1 capital ratio, as well as the tier 1 ratio totalled 20.6%, while the total capital ratio stood at 21.8%. The total capital ratio increased slightly from the end of 2013, primarily due to the weakening of banks' lending activity. The decrease in the average weight for credit risk, brought about by the changes in the rules of weighting, notably the easing in the retail category, also had an impact.

The increase in the assets of housing savings banks in 2014, primarily in the loans granted, was based on the receipt of government incentives. Home loans went up by 7.0%, maintaining their very good quality. Profit grew strongly, primarily owing to better results of trading in debt securities, bonds and T-bills of the Republic of Croatia. As a result, indicators of returns grew strongly, to 0.9% (ROAA) and 8.9% (ROAE). Their total capital ratio also grew considerably (to 23.5%), predominantly due to the decrease in exposure to credit risk amid new rules of weighting in the retail category.

1.1 Introduction

The number of credit institutions continued decreasing for the fifth consecutive year. The number decreased by two from the end of 2013, so there were altogether 33 credit institutions or 27 banks, one savings bank and five housing savings banks operating in the Republic of Croatia at the end of 2014[2,3]. Their assets stood at HRK 403.0bn, with banks (including the savings bank) accounting for the dominant share or 98.1% of total assets of credit institutions. The housing savings banks accounted for the remaining 1.9% of total assets.

2 There have been no foreign bank branches operating in the Republic of Croatia since 2002.
3 See Attachment I, List of credit institutions.

1.2 Banks

1.2.1 Structural features

Number of banks and concentrations

In early December 2014, one bank went into bankruptcy, and one was merged with another bank[4] so the number of banks (including the savings bank) reduced to 28.

Due to the merger, the share of assets of the first ten banks in the total assets of banks went up from 92.7% at the end of 2013 to 93.1% at the end of 2014 (Figure 1.1). The shares of other observed

FIGURE 1.1 Shares of assets, loans and deposits of the largest banks in total assets, loans and deposits, as at 31 December 2014

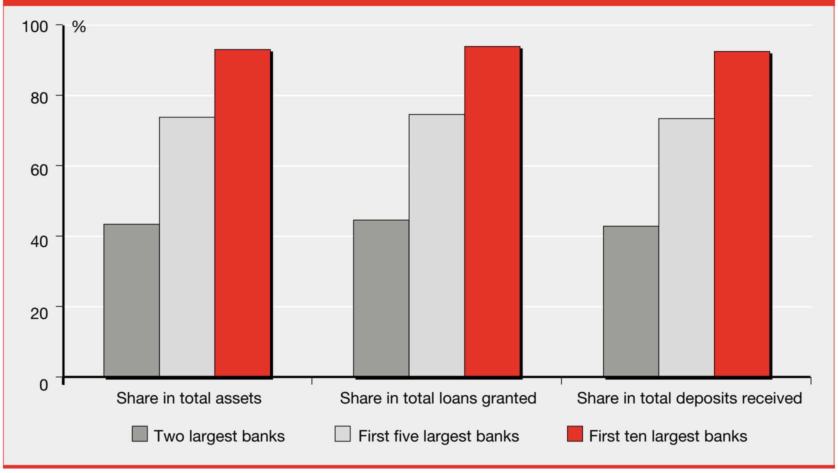
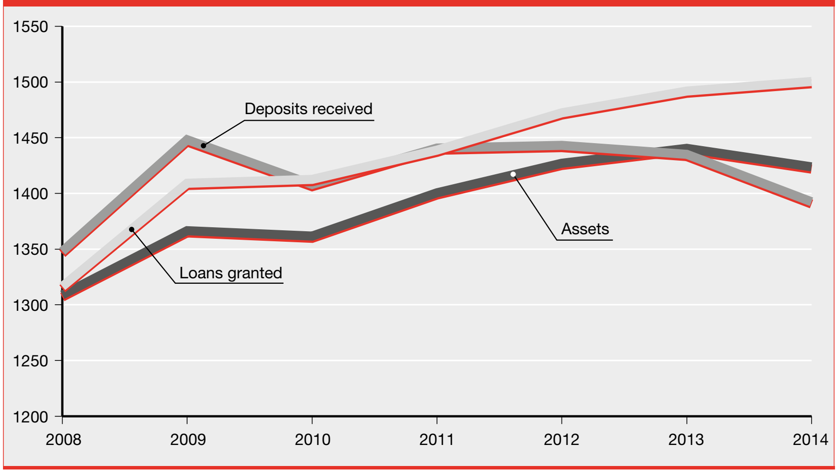


FIGURE 1.2 Herfindahl-Hirschman Index (HHI), all banks



4 On 1 December 2014, bankruptcy proceedings were instituted against Nava banka d.d., while Banco Popolare Croatia d.d. was merged with OTP banka Hrvatska d.d.

bank groups, of the first two and the first five banks, reduced but still remained high. The level of the Herfindahl-Hirschman index (HHI) continued to indicate a moderate level of market concentration of the banking system. In the year under review, the HHI for assets and received deposits decreased, while the HHI for loans granted (net) increased slightly, maintaining its highest value (Figure 1.2).

Ownership structure

The domination of banks in majority foreign ownership continued in 2014. In spite of one bank's merger with another bank, their number remained the same, since one bank switched from domestic to foreign ownership[5], while the size of their assets stagnated. However, due to the reduction in the assets of banks in domestic ownership, mainly influenced by the said change in ownership, the share of assets of foreign banks in the total assets of banks went up to 90.1% (Table 1.1). The number of banks in domestic ownership decreased by two and the assets of that group of banks dropped considerably, as did its share in the total assets of banks (to 9.9%).

TABLE 1.1 Ownership structure of banks and their share in total bank assets, end of period

	Dec. 2012		Dec. 2013		Dec. 2014	
	Number of banks	Share	Number of banks	Share	Number of banks	Share
Domestic ownership	15	9.9	14	10.3	12	9.9
Domestic private ownership	13	5.2	12	5.1	10	4.7
Domestic state ownership	2	4.8	2	5.3	2	5.2
Foreign ownership	16	90.1	16	89.7	16	90.1
Total	31	100.0	30	100.0	28	100.0

As at the end of 2013, the largest number of banks, six of them, were owned by shareholders from Austria, their assets accounting for 59.2% of the total assets of banks. This share had decreased from the end of 2013, when it stood at 60.1%, due to noticeable reductions in the assets of three banks from the group (ranging from 4.1% to 6.0%). They were followed by three banks in the majority ownership of Italian shareholders, one fewer than at the end of 2013 due to the merger of one bank from the group with a bank majority-owned by shareholders from Hungary. Nevertheless, the share of assets of these banks increased slightly, to 18.7%, due to the noticeable rise in the assets of one bank from the group (5.0%). Shareholders from Hungary, France, San Marino, Switzerland, Serbia and Turkey continued to have one bank each in their ownership, and for the first time, the Czech Republic joined the list in June 2014, when shareholders from that country became majority owners of a bank which had previously been in private domestic ownership (see footnote 5).

Business network

The number of operating units of banks, as well as the number of their employees continued falling

5 At the session of the CNB Council of 9 June 2014, J&T banka a.s., Prague, was granted approval to acquire a qualifying holding constituting more than 50% of the initial capital of Vaba d.d. banka, Varaždin.

in 2014 (although at the lower pace than in the year before), while the ATM network continued expanding. This, to an extent, was reflected in the reduction of general and administrative expenses (by 0.2%), although employee expenses rose by 1%.

In the previous year, as in the two before, the number of employees in banks again decreased. However, this reduction was much smaller than that in 2013. At the end of 2014, banks employed 269 employees fewer than the year before, that is 20,713 employees. This is a decrease of 1.3% compared with the decrease of 3.0% (657 employees) in 2013. It should be noted that 10% of the figure (27 employees) were employees of a bank against which bankruptcy proceedings were opened at the end of last year. Slightly more than a half of banks (15) cut their staff numbers, while two banks made no changes to their employee numbers.

Bank assets continued decreasing in the same period, by slightly over HRK 2.6bn or 0.7%. However, given that the decline in assets was weaker than the decrease in the number of employees, assets per employee increased, exceeding HRK 19bn (HRK 19.1bn) for the first time in years.

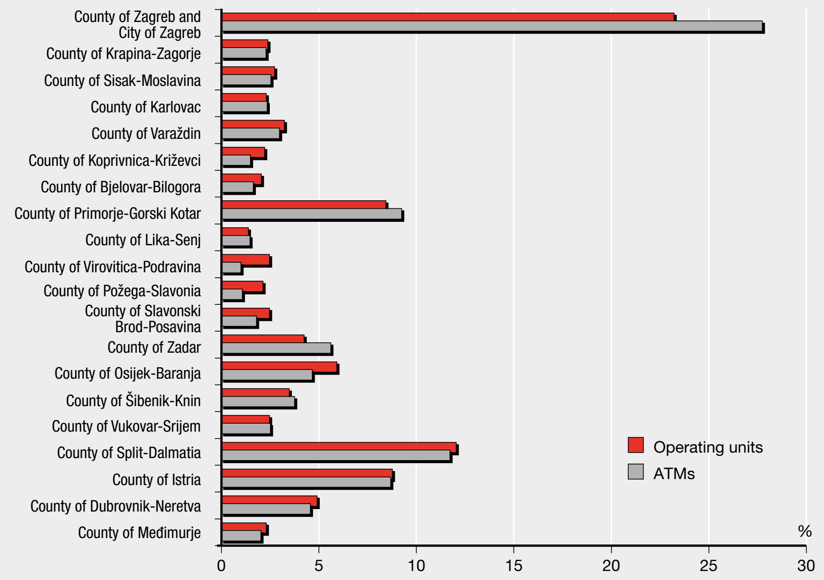
The number of bank operating units continued decreasing at almost the same pace as in 2013. Their number stood at 1,192 (Table 1.2) at the end of 2014, down 28 operating units or 2.3% relative to 2.7% the year before. A years-long reduction in the number of bank operating units led to there being 82 operating units fewer than at the end of 2010, when they counted 1,274 units (a reduction of 6.4%). On average, banks had 43 operating units at the end of 2014, with only three banks operating in all counties of the Republic of Croatia, while two had only one operating unit each.

The most operating units were in the County of Zagreb and the City of Zagreb (Figure 1.3), almost one fourth of the total (277 or 23.2%). This was at the same time the only county where all 28 banks

TABLE 1.2 Territorial distribution of operating units and ATMs by counties, end of period

	Dec. 2012		Dec. 2013		Dec. 2014	
	Operating units	ATMs	Operating units	ATMs	Operating units	ATMs
County of Zagreb and City of Zagreb	297	1,158	282	1,163	277	1,193
County of Krapina-Zagorje	29	97	29	97	29	100
County of Sisak-Moslavina	35	109	38	107	33	111
County of Karlovac	30	93	30	100	28	103
County of Varaždin	41	132	38	130	39	130
County of Koprivnica-Križevci	33	68	28	66	27	66
County of Bjelovar-Bilogora	25	70	24	70	25	72
County of Primorje-Gorski Kotar	108	374	104	378	101	399
County of Lika-Senj	18	56	19	62	17	65
County of Virovitica-Podravina	27	44	26	45	30	45
County of Požega-Slavonia	25	51	24	46	26	48
County of Slavonski Brod-Posavina	31	76	31	76	30	79
County of Zadar	58	227	55	230	51	243
County of Osijek-Baranja	78	202	74	199	71	202
County of Šibenik-Knin	43	144	40	153	42	163
County of Vukovar-Srijem	30	112	31	109	30	110
County of Split-Dalmatia	149	466	150	475	144	505
County of Istria	108	343	106	351	105	375
County of Dubrovnik-Neretva	59	175	61	180	59	198
County of Međimurje	30	86	30	86	28	89
Total	1,254	4,083	1,220	4,123	1,192	4,296

FIGURE 1.3 Concentration of bank operating units and ATMs by counties, as at 31 December 2014



operated. The next in terms of attractiveness was the County of Primorje-Gorski Kotar, where 22 banks had operating units. The County of Lika-Senj, where only six banks operated, was at the end of the list. After the County of Zagreb and the City of Zagreb, the County of Split-Dalmatia boasted the highest share in the total number of operating units (12.1%), followed by the County of Istria (8.8%) and the County of Primorje-Gorski Kotar (8.5%). In 2014, the number of operating units decreased the most in the County of Sisak-Moslavina (by five operating units or 13.2%), while the greatest increase was reported in the County of Virovitica-Podravina (by four operating units or 15.4%).

The decrease in the number of bank operating units continued to push up the average number of persons to one operating unit in the Republic of Croatia[6], which stood at 3,595 at the end of 2014. The access to banking services was best in the County of Istria (which had the lowest number of persons to one operating unit (1,981) and was the only one that boasted a figure lower than 2,000), and in the County of Dubrovnik-Neretva (2,077).

The number of ATMs of banks[7] continued increasing, going up by 173 or 4.2%. At the end of 2014, the figure reached 4,296. Three banks provided no ATM services.

6 The source of data on the population of the Republic of Croatia is the CBS.
7 Including ATMs provided by other companies, available for use by certain banks' clients.

1.2.2 Bank balance sheet and off-balance sheet items

Assets

At the end of 2014, total bank assets amounted to HRK 395.2bn, which is almost HRK 2.6bn or 0.7% less than at the end of 2013 (Table 1.3), that is, 1.3%, excluding the effect of changes in the exchange rate of the kuna against the tree most represented currencies.

TABLE 1.3 Structure of bank assets, end of period, in million HRK and %

	Dec. 2012		Dec. 2013			Dec. 2014		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Money assets and deposits with the CNB	51,169.4	12.8	51,284.0	12.9	0.2	50,252.6	12.7	–2.0
Money assets	6,438.9	1.6	6,369.7	1.6	–1.1	6,462.7	1.6	1.5
Deposits with the CNB	44,730.5	11.2	44,914.3	11.3	0.4	43,789.9	11.1	–2.5
Deposits with financial institutions	23,847.3	6.0	21,464.2	5.4	–10.0	26,369.8	6.7	22.9
MoF treasury bills and CNB bills	10,701.6	2.7	13,634.0	3.4	27.4	15,353.5	3.9	12.6
Securities	32,095.1	8.0	30,033.7	7.5	–6.4	34,236.2	8.7	14.0
Derivative financial assets	910.6	0.2	1,583.6	0.4	73.9	1,357.0	0.3	–14.3
Loans[a]	267,965.1	67.0	263,822.4	66.3	–1.5	253,132.3	64.0	–4.1
Loans to financial institutions	10,130.1	2.5	8,912.2	2.2	–12.0	6,355.2	1.6	–28.7
Loans to other clients	257,835.1	64.5	254,910.2	64.1	–1.1	246,777.2	62.4	–3.2
Investments in subsidiaries, associates and joint ventures	3,120.0	0.8	3,185.7	0.8	2.1	2,722.1	0.7	–14.6
Foreclosed and repossessed assets	1,268.5	0.3	1,541.2	0.4	21.5	1,544.8	0.4	0.2
Tangible assets (net of depreciation)	4,320.1	1.1	4,253.5	1.1	–1.5	4,243.0	1.1	–0.2
Interest, fees and other assets	7,411.0	1.9	7,061.5	1.8	–4.7	6,026.3	1.5	–14.7
Net of: Collectively assessed impairment provisions[b]	2,888.9	0.7	–	–	–	–	–	–
TOTAL ASSETS	399,919.8	100.0	397,863.7	100.0	–0.5	395,237.7	100.0	–0.7

[a] As of October 2013, loan amount is reduced by the amount of collected fees (formerly recorded as deferred income in liabilities).
[b] As of October 2013, the amounts of financial instruments are reduced by the amount of the corresponding collectively assessed impairment provisions (for category A).

The third consecutive year of the decrease in the total assets of banks is to the greatest extent a reflection of negative developments relating to their most important item, net loans. Lending activity subsided in all domestic sectors, particularly to corporates. Funds raised from domestic sources were mostly directed at securities and deposits, while some were used for further deleveraging, particularly vis-a-vis majority foreign owners. The absence of new lending activity and the channelling of bank assets towards highly liquid forms of assets continue to be motivated by high costs of previously assumed credit risks, which particularly affected the business performance of several banks and also prompted some banks to resolve some parts of problematic portfolios by selling them. One merger and one bankruptcy which took place late in the year had a smaller negative effect on the aggregate assets of banks.

Banks’ net loans totalled HRK 253.1bn at the end of 2014, which is an annual decline of HRK 10.7bn or 4.1% (4.5% effectively). The decline was primarily caused by loans to corporates. In that sector, the intensity of the decline in loans to public corporates (7.4%) was somewhat more pronounced than the decline in loans to other corporates (6.7%). In terms of the nominal decrease, loans to the household sector followed as the sector continued to deleverage for the sixth consecutive year. A fall was noticed in all types of loans, with the exception of general-purpose cash loans, which grew slightly over HRK 1.8bn, or 5.4%, and thus mitigated the drop in total loans to the household sector, which declined by 1.5%. The largest relative decrease was recorded in loans to financial institutions (by HRK 2.6bn or 28.7%) as a result of the repayment of an unused part of CBRD's syndicated loan under the Economic Development Programme. The only increase in net loans at the annual level was recorded in loans to non-residents, which due to the low base grew at a two-digit rate (16.4%), driven by the increase in reverse repo loans granted to majority foreign owners. The fall in loan quality continued to have a strong negative impact on the amount of net loans and total assets so the increase in loan value adjustments of HRK 3.7bn (16.3%) was slightly less pronounced than reported in 2013 (HRK 3.8bn or 19.7%). The level of loan value adjustments in 2013 and 2014 was largely influenced by asset quality review (the AQR), as well as by the additional requirements imposed as a part of the EU Council's recommendations.[8]

The most substantial nominal increase at the annual level, of HRK 5.9bn, was recorded by banks' investments in securities which reached HRK 49.6bn. This raised the share of these investments to 12.6% of total assets, nearing its all-time high of 12.8% reported at the end of 2005. The increase was to the largest extent based on the rise in banks' investments in bonds (more in foreign than in domestic) of HRK 6.5bn (32.8%). Bonds were the single most important instrument, with their share in 2014 rising by 7.8 percentage points to 54.0% of all debt securities. Slightly more than a half of all bonds were accounted for by domestic government bonds and one quarter by foreign government bonds, while the only other sizeable category was constituted by bonds of foreign financial institutions. In addition to bonds, a more noticeable increase at annual level was reported only by T-bills of the Ministry of Finance, which went up HRK 1.7bn (12.6%). In contrast, a strong decrease in investments was registered by money market instruments (by HRK 2.4bn or 27.6%) predominantly due to the decrease in investments in commercial papers of the majority foreign owner. The total investments in securities of that particular issuer were not in fact reduced; rather, commercial papers were replaced by bonds at maturity. An increase in investments in bills of exchange, particularly noticeable in the past two years, did not continue in 2014 so total investments decreased by 5.7%. This reduced the share of investments in bills in total investment in debt securities from 10.5% (2013) to 8.7%.

As a result, investments in domestic debt securities went up by 14.6%, bringing their share up to 73.6% of all banks' debt securities. Investments in foreign securities, which increased by 13.7% in the period under review, accounted for the remaining one fourth. Share of investments in debt securities grew slightly relative to the end of last year, thus strengthening its dominant share to 98.9% of total securities. In contrast, the banks' investments in equity securities abated somewhat (by 2.1%), continuing the downward trend which has been observed since 2007, with the exception of 2013.

Banks distributed some two thirds of their total investments into securities in the portfolio of financial assets available for sale (66.3%), which grew by 18.6% from the end of 2013 on the basis of bonds. Unrealised gain on value adjustments of assets in that portfolio continued its strong growth, ending 2014 at HRK 617.5m, up 39.1% on the year before. The trend from 2013, when the value of unrealised gain was around one third higher than in 2012, thus continued. Unrealised gain increases revaluation reserves, thereby increasing the total bank capital. In addition to the increase of securities in the available-for-sale portfolio, the other portfolio that saw a rise in 2014 was the portfolio of instruments that are not actively traded and are carried at fair value. This trend was due to an increase

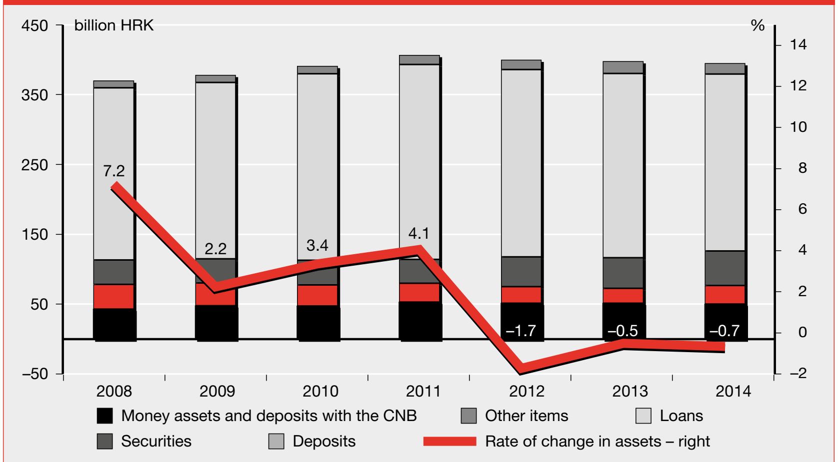
8 The requirements were included in the 8th Council Recommendation of 8 July 2014 on the National Reform Programme 2014 for Croatia, requiring additional asset quality review and stress tests to those conducted by the European Central Bank in 2014 as well as an additional comprehensive portfolio screening exercise, with a focus on significant portfolios of key medium-sized and small banks not covered by the exercise performed by the European Central Bank.

in T-bills. The significance of this portfolio in total securities thereby grew to almost 14.0%. The share of securities allocated to the loans and receivables portfolio remained virtually unchanged from the end of the preceding year, while the remaining two portfolios shrank somewhat, primarily due to the effect of a decline in bills of exchange (in the held-to-maturity securities portfolio) and bonds and T-bills (in the held-for-trading securities portfolio).

By the size of their nominal increase in total assets, deposits with financial institutions, which went up by HRK 4.9bn (22.9%) in 2014, followed immediately after investments in securities. Deposits with foreign financial institutions, which grew by HRK 5.3bn (26.1%), contributed the most to this growth. The bulk of the growth was produced by deposits with other foreign financial institutions (majority foreign owners excluded), while only slightly more than a third was accounted for by deposits with majority foreign owners. In contrast, banks decreased deposits with domestic financial institutions and the CNB by 25.2% and 2.0% respectively. The latter was more significant in nominal terms (HRK 1.0bn) and may primarily be attributed to the reduction of allocated reserve requirements, and, to a smaller extent, to the reduction of other deposits with the CNB and compulsory CNB bills. At end-2014, compulsory CNB bills stood at HRK 3.2bn, which is only slightly less than the amount purchased initially (HRK 3.6bn). In order to stimulate corporate sector lending, the CNB reduced the reserve requirement rate in mid-December 2013, while banks purchased compulsory CNB bills in the amount of released funds from the kuna component of the reserve requirement.[9] Compulsory CNB bills bear no interest and are non-transferable. They can be submitted to the CNB for redemption in the amount of 50% of the monthly increase in placements to domestic non-financial corporations.

Changes in other, less significant, asset structure items included the drop in interest, fees and other assets (of HRK 1.0m or 14.7%) and investments in subsidiaries, associates and joint ventures (of HRK 463.6.m or 14.6%). The fall in investments was observed in investments in the capital of non-financial corporations, resulting from the sale of two corporations in which banks owned a majority share. In contrast, investments in the capital of financial institutions increased as a result of the acquisition of a

FIGURE 1.4 Bank assets



9 Decision on amendments to the Decision on reserve requirements (OG 142/2013) and the Decision on the purchase of compulsory CNB bills (OG 142/2013)

sister institution, although to a significantly smaller extent. The value of assets taken in exchange for unsettled claims held at HRK 1.5bn, reversing the trend observed in the several preceding years when banks recorded double-digit increase rates. Slight changes in these assets reflected opposed movements in their components. Thus, construction projects and tangible assets held for sale decreased, while investments in land and residential buildings and flats increased. Portfolio ageing, evident in the strong rise of 33.5% in assets acquired more than two years ago (included in the legislative limits on holdings of tangible assets), coupled with the simultaneous reduction of shorter terms of acquisition, was more significant than the changes in the total acquired assets. Banks increased investments in tangible assets by 1.1%, primarily by increasing investments in land and real estate. Nevertheless, the ratio of total investments in tangible assets to own funds increased only slightly to 10.0% (compared with 9.7% in 2013), which was still considerably lower than the permitted 40%.

The drop in the derivative financial assets of banks (of 14.3%) was mostly attributable to the decline in concluded cross-currency interest rate swaps with government units and state enterprises. The decline was mitigated by the increase in swaps concluded with majority foreign owners. However, owing to the very low share of this item in total assets of banks (of only 0.3%) this change had a negligible effect on the developments in size and structure of total assets.

Liabilities and capital

At the end of 2014, total liabilities of banks stood at HRK 339.7bn, down by HRK 2.7bn (0.8%) from the end of 2013 (Table 1.4). If exchange rate effects are excluded, the annual rate of decrease was two times higher, standing at 1.6%.

The decrease in bank liabilities was for the most part influenced by banks continuing to deleverage, particularly vis-à-vis majority foreign owners. The trend in bank deleveraging, which has, with minor oscillations, been observed since mid-2012, gained new momentum last year. The sources of majority foreign owners[10] decreased over the past year in all segments (except for subordinate instruments) by HRK 9.7bn or 18.8%, which was much stronger than the 7.6% observed the previous year. This reduced the significance of these sources to 12.8% of total sources of financing, their lowest level since September 2008 (12.3%). In contrast to the negative trends in the sources received from majority foreign owners described above, in 2014 banks increased their funding (through deposits and loans) from other non-residents, primarily other foreign financial institutions, by HRK 2.4bn (13.3%). Consequently, these sources reached the level of close to HRK 20bn, accounting for 6.1% of all banks' sources of financing.

Domestic sources constituted the majority (81.1%) of all sources of financing and the increase in their share over the period concerned was more a result of the decline in the sources of majority foreign owners (as the second most important source of banks' financing) than of their nominal growth. Domestic sources grow slightly in 2014, by 2.1% or HRK 5.6bn, almost exclusively due to the increase in deposits (of all sectors except for financial institutions), while financing through loans and debt instruments with the characteristics of equity decreased.

10 Sources received from majority foreign owners include: received deposits, received loans, debt instruments with the characteristics of equity (issued subordinated and hybrid instruments) and issued debt securities.

TABLE 1.4 Structure of bank liabilities and capital, end of period, in million HRK and %

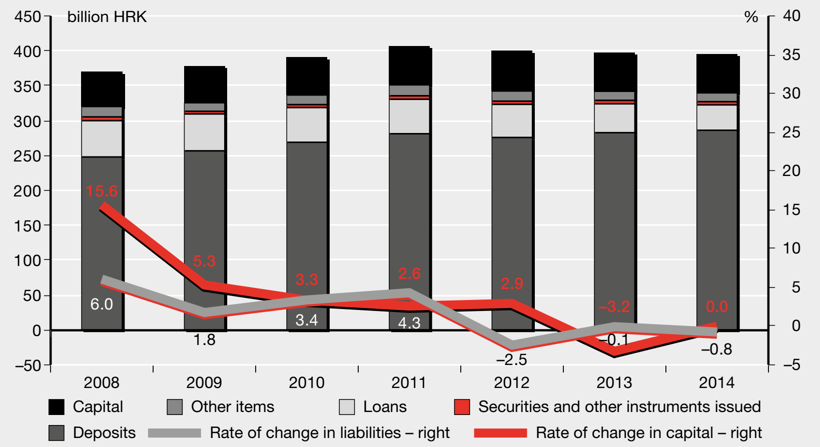
	Dec. 2012		Dec. 2013			Dec. 2014		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Loans from financial institutions	16,802.9	4.2	15,146.0	3.8	–9.9	14,617.1	3.7	–3.5
Short-term loans	3,273.9	0.8	2,124.8	0.5	–35.1	2,428.3	0.6	14.3
Long-term loans	13,529.0	3.4	13,021.2	3.3	–3.8	12,188.9	3.1	–6.4
Deposits	275,844.0	69.0	282,805.6	71.1	2.5	286,075.4	72.4	1.2
Transaction account deposits	47,466.3	11.9	54,245.1	13.6	14.3	67,556.2	17.1	24.5
Savings deposits	21,229.8	5.3	21,785.7	5.5	2.6	18,045.1	4.6	–17.2
Time deposits	207,147.9	51.8	206,774.8	52.0	–0.2	200,474.1	50.7	–3.0
Other loans	30,599.2	7.7	26,337.2	6.6	–13.9	21,944.3	5.6	–16.7
Short-term loans	4,669.1	1.2	4,531.3	1.1	–3.0	3,806.9	1.0	–16.0
Long-term loans	25,930.1	6.5	21,805.9	5.5	–15.9	18,137.4	4.6	–16.8
Derivative financial liabilities and other financial liabilities held for trading	1,752.3	0.4	1,878.1	0.5	7.2	1,180.5	0.3	–37.1
Debt securities issued	300.0	0.1	299.9	0.1	0.0	299.9	0.1	0.0
Short-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt securities issued	300.0	0.1	299.9	0.1	0.0	299.9	0.1	0.0
Subordinated instruments issued	1,391.0	0.3	1,453.5	0.4	4.5	2,050.0	0.5	41.0
Hybrid instruments issued	3,243.0	0.8	3,005.9	0.8	–7.3	2,319.4	0.6	–22.8
Interest, fees and other liabilities[a]	12,611.7	3.2	11,445.8	2.9	–9.2	11,231.2	2.8	–1.9
TOTAL LIABILITIES	342,544.1	85.7	342,371.9	86.1	–0.1	339,717.8	86.0	–0.8
Share capital	34,231.0	8.6	33,964.7	8.5	–0.8	33,757.2	8.5	–0.6
Current year profit (loss)	2,687.6	0.7	477.6	0.1	–82.2	1,534.6	0.4	221.3
Retained earnings (loss)	15,706.9	3.9	16,315.3	4.1	3.9	15,943.0	4.0	–2.3
Legal reserves	1,081.1	0.3	1,108.6	0.3	2.5	1,046.0	0.3	–5.7
Reserves provided for by the articles of association and other capital reserves	3,292.4	0.8	3,035.4	0.8	–7.8	2,600.4	0.7	–14.3
Revaluation reserves	427.0	0.1	610.4	0.2	42.9	727.9	0.2	19.2
Previous year profit (loss)	–50.1	0.0	–20.2	0.0	–59.8	–89.1	0.0	342.2
TOTAL CAPITAL	57,375.7	14.3	55,491.8	13.9	–3.3	55,519.9	14.0	0.1
TOTAL LIABILITIES AND CAPITAL	399,919.8	100.0	397,863.7	100.0	–0.5	395,237.7	100.0	–0.7

[a] As of October 2013, the amount of granted loans in assets is reduced by the amount of fees collected on loans (formerly recorded as deferred income in liabilities).

Total deposits stood at HRK 286.1bn at the end of 2014, up by HRK 3.3bn or 1.2% (only 0.3% if the exchange rate effect is excluded). This increase was due exclusively to an increase in deposits of domestic sectors, while deposits of non-residents, as a result of a fall in deposits of majority foreign owners, declined considerably (HRK 2.6bn or 6.5%). The slowdown in the growth of these deposits has (with the exception of 2012) persisted since 2008. The deposit growth rate in 2014 was the lowest in the last 17 years (with the exception of 2012, when a drop in deposits of 2.0% was recorded at the annual level for the first time after 1999). The trends in total deposits in the last three years were significantly affected by the deleveraging processes of banks vis-à-vis their majority foreign owners, but the growth in domestic deposits, particularly household deposits, slowed down considerably as well. Although the household sector remained a stable and safe source of financing for banks over the entire period of crisis in the last six years, its growth rate decelerated. In 2014, it grew by only HRK 3.3bn or 1.9% (0.6% effectively), the lowest growth rate in household deposits in the last twelve years. The slow increase in these deposits in 2014 reflects the absence of growth in its dominant share – household time deposits. At the same time, strong opposite trends were observed in household transaction accounts (which grew by HRK 7.6bn or 41.5%) and savings accounts (which declined by HRK 4.3bn or 24.8%), which may primarily be attributed to the changes in the reporting of instruments.[11]

11 Giro and current account deposits of households had previously been grouped into savings deposits. Following the amendment of the Foreign Exchange Act and the Payment System Act, these accounts acquired the functionality of a transaction account, whereby requirements were met for the accounts to be reported under the "transaction accounts" instrument. The CNB requested of banks to report such accounts under the transaction account position as of the reporting date of 31 December 2014.

FIGURE 1.5 Bank liabilities and capital



Household deposits accounted for 53.9% of total sources and for as much as 61.6% of total deposits. Despite the slowdown in their growth due to the negative trends in deposits of other sectors (primarily domestic and foreign financial institutions), the share of household deposits has been constantly growing. The largest share of this increase in household deposits has been generated, as expected, in the second half of the year, which is usually attributed to seasonal inflows from tourism. Despite the unusual drop in time deposits, the bulk of household savings remained in time deposit accounts (78.0%), of which deposits with maturities from three months to one and a half years made up the largest share (67.6%). Most household deposits were denominated in foreign currency, some 77.0%, predominantly in the euro (68.2%). In the last five years (since data segmented in this way have been available), no significant changes were observed in these predominant characteristics, except for the slight contraction of the share of euro deposits mostly in favour of the expanding share of kuna deposits and, to a smaller extent, of dollar deposits.

Corporate deposits saw an increase of HRK 1.9bn compared with the previous year (4.3%). Negative changes in corporate deposits were observed for the largest part of the year, so their annual increase is due to the strong growth in the third quarter of 2014, when they went up by 12.3%. The noticeable increase in the third quarter was particularly prominent in activities normally associated with inflows related to the tourist season. The share of corporate deposits in total deposits went up to 15.7% at the end of 2014, which was still considerably lower than in the pre-crisis period.

Deposits of government units and non-profit institutions also boasted high annual growth rates of 12.5% and 8.3% respectively. Noticeable growth rates are primarily a reflection of their low base (and consequently their low share) so these changes did not have a significant effect on total deposits. The bulk of this growth in deposits of government units and non-profit institutions was generated by transaction accounts, while their time deposits shrank. The only annual decrease among domestic deposits was observed in the deposits of financial institutions, by HRK 369.9m or 2.1%, as a result of the strong decline in deposits of monetary financial institutions (HRK 2.0bn or 26.1%) which reversed developments in all other deposits of this sector. The strong decline in deposits was primarily a reflection of the reduction in time deposits of open-ended investment funds.

At the end of 2014, the balance of received loans was HRK 36.6bn, down HRK 4.9bn or 11.9% from the end of the previous year. This contributed to the continued decline of the share of received deposits in all sources of bank financing from 12.6% to 11.2%. As in the preceding years, loans received from majority foreign owners, which declined even more (by HRK 6.0bn or 30.0%), had a crucial effect on the slide in loans received in 2014. The fall was partially mitigated by the increase in loans received from other foreign financial institutions (up by HRK 1.2bn or 20.8%). At the same time, banks slightly reduced their debt to domestic sectors as well (by 0.8%) by repaying loans to other financial intermediaries and credit institutions.

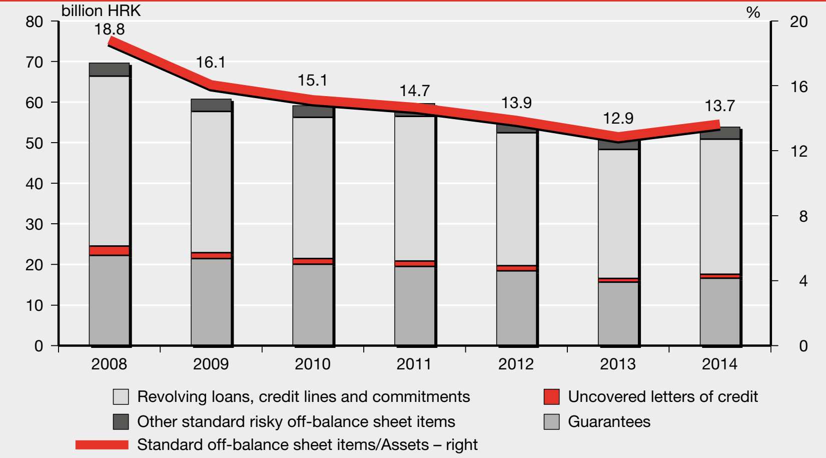
Trends recorded in 2013 also continued in debt instruments with the characteristics of equity (subordinated and hybrid instruments). Their amount decreased somewhat (2.0%), as did their share in total sources (which dropped to 1.3%). Issued debt securities remained at the same level. The debt security in question is the single kuna-denominated long-term bond, issued as early as at the end of 2012, which, due to its small share at the aggregate level (smaller than 0.1%), does not contribute to the diversification of the banks' sources of financing.

As at the end of 2013, total balance sheet capital of banks stood at HRK 55.5bn. The exit of one bank from the system did not, due its small share, have a significant effect on the aggregate level of the banks' capital. The share of capital in the liabilities of banks increased slightly, to 14.0%, due to negative developments in the total banks' balance sheet. The unchanged level of capital in the period under review was a result of equally strong but opposed movements in its components. Of all capital items, the annual change observed in the current year profit was the greatest (it increased by HRK 1.1bn, more than three times as much as in the preceding year), primarily as a consequence of the exceptionally low profit in the basis period. In addition to the current year profit, the only other item to go up at the annual level was revaluation reserves, influenced by the rise in unrealised gain on value adjustments of financial assets available for sale. All other capital items were reduced, reserves stipulated by the articles of association and other capital reserves and retained profit the most (by 14.3% and 2.3% respectively). The fall in these items represents a continuation of the policy of using these so-called capital surpluses primarily to pay out dividends, then to increase share capital and, finally, to cover operating losses. Only four banks paid out dividends to their shareholders in 2014. Dividend payments totalled slightly below HRK 1.8bn, and almost all were paid out from reinvested earnings from the previous years and from capital reserves. In 2014, nine banks increased their share capital, the majority (six of them) through payments in cash totalling HRK 341.7m. However, the increase in the share capital from reinvested earnings in the previous years was more significant in terms of amount (HRK 0.5bn). In order to boost capital, almost HRK 100m worth of hybrid instruments was additionally transformed into capital. Nevertheless, negative effects of the simplified reduction of share capital, aimed at covering losses, exceeded all mentioned positive trends, causing a fall of HRK 207.4m (0.6%) in share capital.

Standard off-balance sheet items

At the end of 2014, standard off-balance sheet items stood at almost HRK 54.0bn, which is an increase of HRK 2.7bn or 5.3% from the end of 2013. All items (except revolving loans) contributed towards halting the downward trend in standard off-balance sheet items, which has persisted, with brief interruptions, since 2007. The standard off-balance sheet items to assets ratio thereby increased from 12.9% to 13.7% (Figure 1.6.). Credit lines and commitments rose by HRK 1.9bn or 8.1%,

FIGURE 1.6 Bank standard off-balance sheet items



primarily owing to transactions concluded with public enterprises and the government, thus providing the most substantial positive contribution to the amount of standard off-balance sheet items. In terms of the level of nominal change, issued guarantees followed with an increase of HRK 0.9bn or 6.0% due to the rise in guarantees issued to domestic corporates. Other risky items and uncovered letters of credit grew at a somewhat slower pace (by 7.3% and 3.7% respectively). The only decrease in 2014 was seen in revolving loans, which dropped by HRK 341.1m or 4.0%.

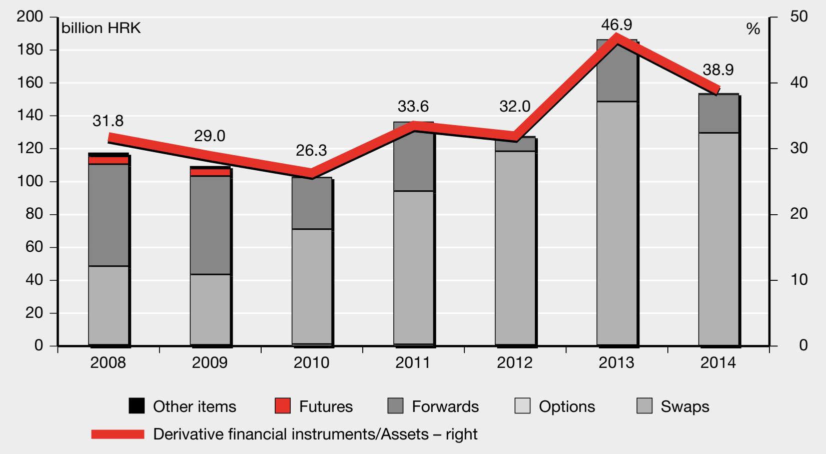
The aforementioned developments allowed credit lines and commitments to further increase their already dominant share to 46.7%. According to share size, guarantees came next (30.8%), remaining almost entirely stagnant from the end of 2013 (30.6%). Negative developments caused the share of revolving loans to slide by 1.5 percentage points, dropping to 15.0%. The three types of off-balance sheet items mentioned accounted for the majority of all standard off-balance sheet items, while the shares of remaining items were not significant.

Derivative financial instruments

After having strongly increased in the year before, total notional value of derivative financial instruments shrank again during 2014, totalling HRK 153.8bn. The changes in derivative financial instruments in 2014 were brought about by the decline in the notional value of two instruments dominating their structure, which totalled HRK 32.8bn (17.6%). The decrease in swaps was larger in nominal terms, dropping by HRK 18.9bn or 12.7%, while the decrease in forwards was larger in relative terms, dropping by HRK 14.3bn or 37.9%. The noticeable changes in the structure of total derivative financial instruments led to an increase in the share of swaps to 84.1% and a decrease in the share of forwards to 15.3%. Other types of derivative financial instruments accounted for the remaining 0.6%. The increase in their amount in 2014 did not affect total developments.

The fall in the notional value of derivative financial instruments contributed to the fall in their ratio to bank assets, from 46.9% in 2013 to 38.9% at the end of 2014 (Figure 1.7). This ratio was higher than the system average in only three banks.

FIGURE 1.7 Bank derivative financial instruments (notional amount)



Banks use derivative financial instruments to hedge their positions and arrange these instruments for the account of clients, closing them primarily with foreign financial institutions (carrying out transactions with opposite effects). At end-2014, the major share of the total amount of derivative financial instruments was arranged with foreign financial institutions (66.0%), primarily with majority foreign owners and other financial institutions from parent banking groups. Instruments concluded with government units constituted the second largest share (12.1%), followed by those concluded with domestic financial institutions (11.8%). The decline of HRK 21.3bn (17.3%) in the amount of derivative financial instruments arranged with foreign financial institutions was nominally the largest relative to 2013. The drop in the amount of derivative financial instruments arranged with domestic financial institutions (HRK 10.1bn or 35.6%) and corporates (HRK 2.6bn or 14.8%) also affected the total change.

The bulk of the decrease in the total notional value of derivative financial instruments is attributable to the decline in the notional amount of instruments with exchange rate as the underlying variable of HRK 27.0bn or 26.9%. This resulted in a decrease of their share in total instruments from 53.7% at the end of 2013 to 47.6% at the end of 2014. Instruments with interest rate as the underlying variable decreased by HRK 7.5bn (21.7%), causing the share of these instruments in the structure observed by the type of underlying variable to drop to 17.5%. The significance of instruments with both the exchange rate and interest rate as underlying variables, i.e. cross-currency interest rate swaps, continued to increase, growing by 3.1% and reaching 34.9% of total derivative financial instruments.

At the end of 2014, almost all derivative financial instruments were distributed to the held-for-trading portfolio (97.0%), with the decline in derivative instruments involving only instruments from that portfolio. Banks allocated the remaining share of derivative financial instruments to the portfolios of instruments for fair value and cash flow hedging. The fact that a very small share of instruments was allocated to portfolios used for hedging is related to the complexity of hedge accounting rules to be applied in such a case.

Derivative financial instruments are normally present in the operation of leading banks in terms of their asset size, while banks with a smaller scope of operation use such instruments less frequently, if at all.

1.2.3 Earnings

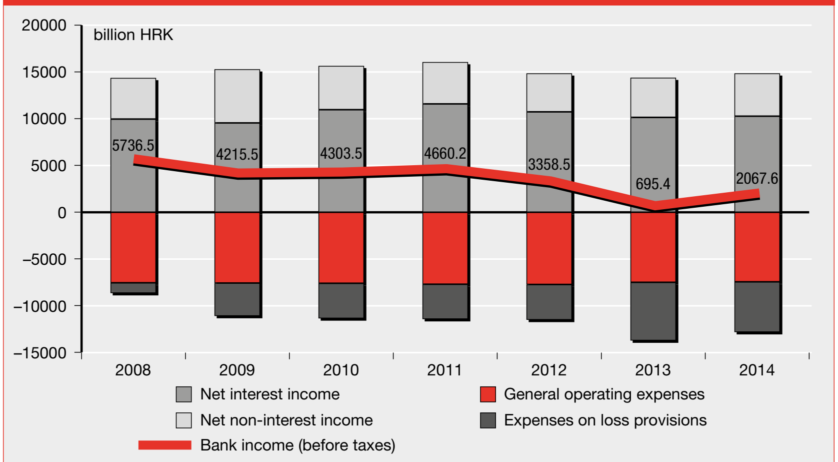
Income statement

Following a sharp drop in 2013, the banks' earnings recovered in 2014, primarily due to lower interest expenses and lower provisioning expenses. However, despite improvement, indicators of returns remained low compared with the previous years. Provisioning expenses are still a considerable burden on business results and, paired with poor economic activity, declining interest rates and decreased lending, have a negative impact on banks' performance. In addition, banks' earnings in 2014 were strongly impacted by new consumer credit regulations, particularly those restricting the level of interest rates on home loans indexed to the Swiss franc.

Weak demand for loans and high liquidity reserves enabled the banks to continue to deleverage, particularly vis-à-vis majority foreign owners. Furthermore, the level of interest expenses was also significantly affected by favourable trends in deposit interest rates. This was the reason why interest expenses decreased sharply, while net interest income, despite the decline in interest income, did grow a little. Income from fees and commissions also rose, particularly those related to card operations (especially during the summer months) and additional efforts were made towards optimising operations. Banks were able to cut general operating expenses, while income generated from the sale of parts of operations grew. Such developments resulted in the improvement of operating profitability (profitability before provision expenses) after two consecutive years of decline. Lower expenses on value adjustments and provisions also contributed to the improvement in the end result. Their significant fall was due in part to the high base. Namely, in 2013, expenses on value adjustments and provisions were exceptionally high due to the preparations of foreign parent banks for the AQR and the changes in the rules on the classification of placements (rules related to collateral had a particularly strong one-off effect).

According to audited data for 2014, banks generated HRK 2.1bn in profit from continuing operations (before tax), accounting for an increase of HRK 1.4bn or 197.3% (Figure 1.8) from 2013, when they generated a profit of HRK 695.4m. The business performance of the majority of banks improved, but a dominant role was played by a change in one bank. Its profit grew by HRK 902.0m or

FIGURE 1.8 Bank income before taxes



156.6%, owing to lower provisioning expenses and the sale of a subsidiary. In 2014, losses amounting to a total of HR 1.2bn were reported by twelve (out of a total of 28) banks with a share in total bank assets of 15.5%. In comparison, one half of all banks (15 banks of 30), accounting for 14.0% of total bank assets, operated with losses in 2013.

In 2014, interest expenses went down by HRK 1.1bn or 11.1% (Table 1.5), with the decrease in expenses on time deposits (of HRK1.2bn or 17.3%) contributing the most to the downward trend, particularly the decrease in the expenses on household time deposits (of HRK 673.3m or 14.6%). Household time deposits grew, but their average cost dropped by almost 16%, from 3.4% to 2.9%.[12] The sector of non-residents followed the household sector in terms of decrease in time deposit interest expenses (HRK 224.9m or 20.8%). Then came the corporate sector with a decrease of HRK 153m or 28.4%. Expenses related to time deposits of all other sectors decreased as well. Foreign financial institutions accounted for the bulk of the decrease in the non-resident sector. The trend was primarily produced by the changes in one bank, which probably occurred as a result of favourable refinancing through the parent bank in 2014 and the trends in expenses related to kuna sources (linked to ZIBOR[13]), which in that bank constitute a significant share of total sources from the parent bank.

Bank interest income was lower by HRK 953.2m or 4.8% in 2014, mostly due to the decrease in the interest income from assets in the loans and receivables portfolio, particularly the interest income

TABLE 1.5 Bank income statement, in million HRK and %

	Jan. – Dec. 2013	Jan. – Dec. 2014	Change
CONTINUING OPERATIONS			
Interest income	19,798.0	18,844.8	–4.8
Interest expenses	9,642.5	8,575.2	–11.1
Net interest income	10,155.5	10,269.6	1.1
Income from fees and commissions	4,274.9	4,378.7	2.4
Expenses on fees and commissions	1,321.4	1,283.5	–2.9
Net income from fees and commissions	2,953.5	3,095.2	4.8
Income from equity investments	362.1	215.6	–40.5
Gains (losses)	1,230.0	1,262.4	2.6
Other operating income	422.6	422.5	0.0
Other operating expenses	731.9	792.2	8.2
Net other non-interest income	1,282.7	1,108.2	–13.6
Total operating income	14,391.7	14,473.0	0.6
General administrative expenses and depreciation	7,489.6	7,428.7	–0.8
Net operating income before loss provisions	6,902.2	7,044.3	2.1
Expenses on value adjustments and provisions	6,206.8	5,371.1	–13.5
Other gains (losses)	0.0	394.5	–
Profit (loss) from continuing operations, before taxes	695.4	2,067.6	197.3
Income tax on continuing operations	221.2	688.9	211.4
Profit (loss) from continuing operations, after taxes	474.2	1,378.7	190.8
DISCONTINUED OPERATIONS			
Profit (loss) from discontinued operations, after taxes	3.4	155.9	4,435.2
Current year profit (loss)	477.6	1,534.6	221.3
Number of banks operating with losses, before taxes	15	12	–20.0

12 The average cost is calculated as the ratio of household time deposit expenses to the average time deposit balance of the sector. The average deposit balance is calculated as the arithmetic mean of their amounts at the end of 2014 and 2013.

13 ZIBOR (*Zagreb Interbank Offered Rates*) is the reference interest rate on the Croatian interbank market.

from loans. It dropped by HRK 1.0bn or 6.3%, continuing the trend from the previous two years. In 2014, the drop in interest income from household loans had the most significant effect, while in the previous two years, the changes in the corporate sector played the key role. In spite of the decrease, interest income from loans granted to the household sector still accounted for the largest share of total interest income from loans – 53.2%. Two types of loans stood out: general-purpose cash loans and home loans, with respective shares of 41.4% and 32.9% in the total interest income from household loans, i.e. with a joint share of almost three quarters.

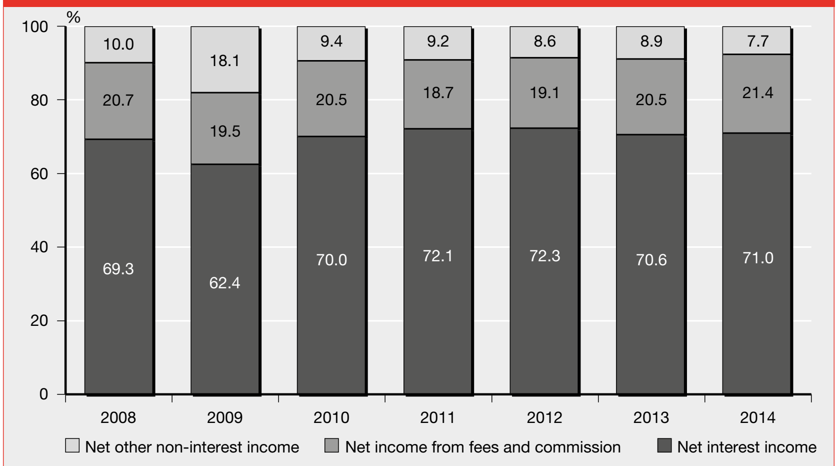
Interest income from household loans shrank by HRK 886.7m or 9.7% in 2014. The sharpest fall, of HRK 506.0m or 15.7%, was seen in interest income from home loans, followed by the drop in the respective incomes from overdraft facilities and car loans, which decreased by almost equal amounts (of some HRK 70m). The drop in the income from general-purpose cash loans, the only significant type of household loan which recorded an upward trend in 2014, was marginal (0.8%). The decrease in the amount of granted car loans was the primary cause of the marked decline in the income arising from that type of loan (32.6%), while the effect of new consumer credit regulations, restricting the level of interest rates, had a significant effect on other types of loans in 2014, as did the rise in non-interest bearing loans (B and C risk category loans). Restrictions (maximum allowed interest rates, contingent upon average weighted interest rates on respective loan balances) were introduced for home loans and all other (consumer) loans, with an additional restriction imposed for home loans with a foreign currency clause in case the currency to which they are indexed appreciates substantially. The restriction limited the interest rates on home loans indexed to the Swiss franc to 3.23% at the beginning of 2014.[14] This was the main reason for the decrease of HRK 440.8m or 40.1% in the interest income from home loans indexed to the Swiss franc in 2014. For the sake of comparison, the decrease stood at 7.9% in 2013. On the other hand, the decline in interest income from home loans indexed to the euro was significantly less noticeable than that of loans indexed to the Swiss franc, standing at HRK 48.2m or 2.6%. In terms of the level of decrease in interest income from loans, the corporate sector followed the household sector, although the drop was considerably smaller than in 2013. It amounted to HRK 290.6m or 5.8%, with the lion's share of the decrease caused by the drop in interest income from loans for working capital. Only a few types of corporate loans saw a rise in interest income, most notably the shares in syndicated loans, which recorded an increase of HRK 22.4m or 3.9%. The income from syndicated loans mostly increased in the subsector of public enterprises, which also saw a slight rise (of 2.6%) in the total interest income from loans. On the other hand, interest income in the subsector of other corporates decreased noticeably, by 7.9%. In contrast to other sectors, interest income from loans granted to government units and non-residents grew as a result of somewhat intensified lending activity[15]. Interest income from loans to government units grew by HRK 147.0m or 7.3%, while loans made to non-residents increased by HRK 18.6m or 19.0%.

14 New regulations stipulate that, when the exchange rate of the currency to which the loan is indexed appreciates by more than 20% against the kuna, the interest rate on home loans must not exceed the average weighted interest rate at which the loans were initially granted, reduced by 30%. In Official Gazette 149/2013, the CNB announced that the average weighted interest rate at which Croatian credit institutions granted home loans in Swiss francs and in kuna indexed to the Swiss franc amounted to 4.62%. Reduced by 30%, the interest rate stands at 3.23%. Most home loans indexed to the Swiss franc are subject to the aforementioned restriction which is to remain in force until the exchange rate of the Swiss franc depreciates to a level below the mentioned appreciation of 20% and remains at that level for a continuous period of 30 days.

15 Considered are average balances of loans granted to individual sectors. The average loan balance is calculated as the arithmetic mean of their amounts at the end of 2014 and 2013.

Savings generated on the side of interest expenses exceeded the effects of the decrease in interest income, resulting in a slight recovery of the most significant and most stable source of bank income – net interest income. It stood at HRK 10.3bn, up by HRK 114.1m or 1.1% from 2013. Its share reached 71.0% of the banks' operating income (Figure 1.9). The amount and the share of the remaining part of operating income, net non-interest income, dropped, the income from net fees and commissions growing (4.8%) but other net non-interest income falling by a noticeable 13.6%. This was primarily a result of lower income from equity investment, in contrast to the previous year's exceptional income that one of the banks generated by the sale of an investment firm (in the amount of HRK 133.5m). In addition, operating expenses grew, which, among other things was impacted by the introduction of the supervision fee to be paid to the Croatian National Bank. As a result, banks paid slightly over HRK 40m. Net income from fees and commissions grew as a result of a rise in income and a decrease in expenses on that basis. The rise in income was due to the increase in almost all items, whereby income associated with credit cards recorded the most significant rise, followed by fees and commissions related to contracts with insurance companies and fees and commissions associated with asset management. Fees and commissions pertaining to credit cards saw the most substantial increase in the subsector of foreign financial institutions, due to the higher turnover generated at the points of sale of domestic banks through credit cards issued by foreign banks. The major share of the income was generated in the third quarter, probably as a result of the tourist season. Lower expenses on fees and commissions were a consequence of lower payment operations costs.

FIGURE 1.9 Structure of bank operating income



Further savings were achieved in general administrative expenses and depreciation, although the decrease in these expenses was marginal in 2014 (HRK 60.9m or 0.8%). The drop was by and large brought about by lower depreciation expenses, but also by the decline in all other items apart from employee expenses. Employee expenses increased slightly (1.0%) and since the number of employees in banks dropped by 269 or 1.3%[16] to 20,713 in 2014 (the lowest figure since 2007), the increase in employee expenses may be attributed to the rise in the rate of the contribution for health insurance (which began with the payment of wages for April 2014). However, a part of the increase may be

16 The bank that went into bankruptcy had 27 employees.

associated with special payments to employees at the end of the business year (Christmas and other bonuses, etc.), since employee expenses rose more noticeably precisely in the last quarter.

Total expenses on value adjustments and provisions stood at HRK 5.4bn in 2014, dropping by HRK 835.7m or 13.5% relative to 2013. The decline was mostly affected by lower expenses on placement value adjustments and provisions for identified losses arising from off-balance sheet liabilities (for risk categories B and C), particularly the expenses on loan value adjustments which were HRK 621.1m or 11.5% lower. In 2014, expenses on value adjustments and provisions took 76.2% of net operating income (before loss provisions), while in 2013, the same indicator stood at 89.9%. In 2013, the level of provisioning expenses was extremely high as a result of the tightening of regulations on the classification of placements[17] and the preparations of foreign parent banks for the AQR.

Although such expenses decreased considerably in 2014, thus contributing the most to the increase in profit together with lower interest expenses, they remained a considerable burden to the banks' business performance. Resolution of non-performing loans was slow despite activities relating to pre-bankruptcy settlements and the sale of placements, and portfolio ageing and exposure migrations to riskier categories caused the amount of losses to climb, additionally driven by the regulatory requirement for gradual value adjustment increase (depending on the time elapsed since the debtor's delinquency in repayment). Furthermore, the recording of additional provisions also had a significant effect, primarily based on the AQR and the additional assessments related to the AQR in line with the EU Council recommendations. In the period from March to June 2014, the AQR was carried out in four domestic banks[18], and, following the recommendations of the EU Council, the exercise was extended to additional portfolios and banks.

Banks sought to mitigate the effects of the unfavourable recessionary environment and thus connected losses in their loan portfolios by making adjustments in their operations such as stringent control of general expenses and selling parts of operations. The level of profit in 2014 was also significantly affected by the item of other gains (losses), i.e. gains from non-current assets or held-for-sale disposal groups not qualified as discontinued operations. Banks reported HRK 386.5m of profit under this item, which was to the greatest extent a consequence of the sale of a subsidiary (operating in tourism), by which one bank generated an income of HRK 428.1m.

Indicators of returns

Excluding 2013, which was marked by extraordinary events (preparations for the AQR and changes to the regulatory framework), returns indicators in 2014 reached their lowest level since 1998. The main reason for this is the increase in the level of provisioning expenses.

At the beginning of the crisis, banks were able to offset the growth of provisioning expenses through interest rate spread widening and stringent control of general expenses. However, in 2012 the interest

17 In October 2013, new regulations pertaining to collateral came into force (through the introduction of minimum impairment factors of the market price and the minimum collection periods), as well as to gradual value adjustment increase (adding a 5% value adjustment every six months for placements with long history of non-payment).

18 Based on an agreement with the consolidating supervisors from Italy and Austria, the CNB was involved in the AQR of domestic banks. Details are available in the CNB's press release of 26 October 2014, www.hnb.hr.

FIGURE 1.10 Bank return on average assets (ROAA) and return on average equity (ROAE)

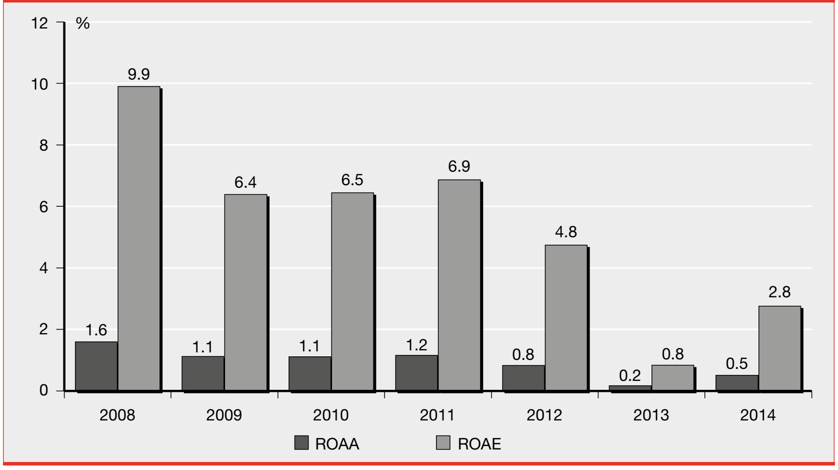


FIGURE 1.11 Income from interest-bearing assets and expenses on interest-bearing liabilities

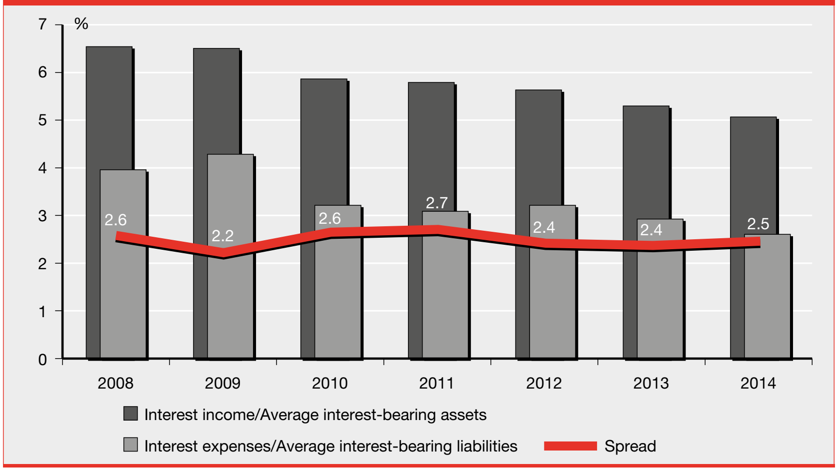
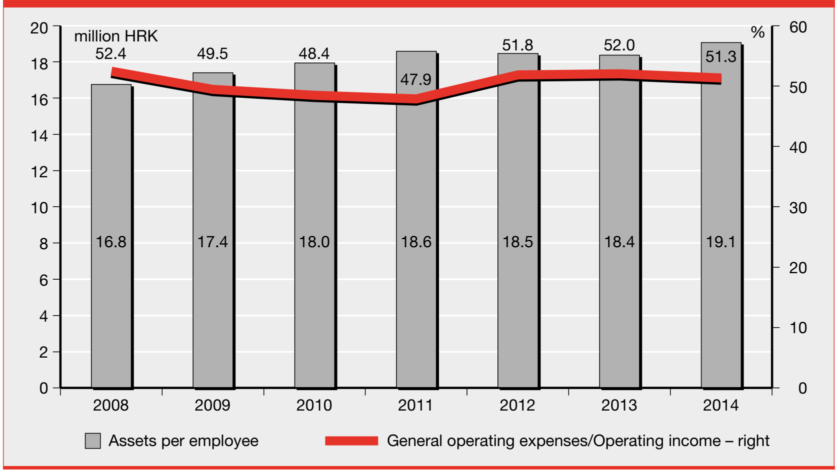


FIGURE 1.12 Bank cost efficiency



rate spread narrowed considerably (Figure 1.11) under the influence of the decline in average interest income. It continued declining, but predominant contribution in 2014 came from the decrease in average interest expense. As a result, operating profitability increased and lower risk expenses additionally improved returns indicators. Return on average assets (ROAA) grew to 0.5%, and the return on average equity (ROAE) to 2.8% (Figure 1.10).

In contrast to 2013, banks managed to improve their cost efficiency in 2014. Their cost-to-income ratio dropped from 52.0% to 51.3% (Figure 1.12). However, a relatively large number of banks were heavily burdened by general operating expenses, especially the smaller institutions. Five banks were not able to cover general administrative expenses and depreciation with operating income, and all operated with losses. In addition, after loss provisions seven more banks reported losses.

1.2.4 Credit risk

Placements and assumed off-balance sheet liabilities

Total placements and assumed off-balance sheet liabilities of banks, which are exposed to credit risk[19] and subject to classification into risk categories, continued declining for the third year in a row. They stood at HRK 416.7bn at the end of 2014, down HRK 1.2bn (0.3%) at the end of 2013 (Table 1.6). In contrast to the preceding two years, when almost all major components of bank placements declined, in 2014 the decline in loans had the key impact on overall developments. A smaller impact on the overall change came from further decline in receivables based on income and the reduction in investments in securities (which are subject to classification into risk categories). In contrast to the mentioned items, after declining for two consecutive years placed deposits and assumed off-balance sheet liabilities increased in 2014.

The drop in the quality of total placements and assumed off-balance sheet liabilities continued in 2014, as the share of partly recoverable and fully irrecoverable claims increased. The key factors in the deterioration in the quality of placements and assumed off-balance sheet liabilities are the ageing of the existing portfolio and the more difficult collection of claims. The banks continued their sale activities in 2014 to mitigate the pressures on the growth in claims which may not be fully recovered, eliminating some irrecoverable claims and transferring more than a HRK 1.2bn worth of placements to acquirers. The bulk of the amount was related to claims on the household sector, which is why the effect of the sale was more significant for developments and quality in the household loan portfolio. The rate of growth in claims not fully recoverable in 2014, i.e. the rate of growth in total placements and off-balance sheet liabilities classified into B and C risk categories thus decreased, standing at 5.2%. At the same time, claims assessed by banks as those of the highest quality and classified into risk category A dropped by 1.0% due to the deleveraging of bank clients and the deterioration of the existing loan portfolio. The above mentioned developments in risk categories caused the share of partly recoverable placements and assumed off-balance sheet liabilities (risk category B) and fully irrecoverable place-

19 Total exposure to credit risk comprises placements (balance sheet items) and assumed off-balance sheet liabilities. The placements are divided into a loan and receivables portfolio and a portfolio of held-to-maturity financial assets, with the receivables on interest and fees being shown under a separate item (receivables based on income). The portfolios of financial assets comprise various instruments such as loans, deposits, bonds and T-bills, and assumed off-balance sheet liabilities comprise guarantees, credit lines, etc.

TABLE 1.6 Classification of bank placements and assumed off-balance sheet liabilities by risk categories, end of period, in million HRK and %

Risk (sub) category	Dec. 2012			Dec. 2013			Dec. 2014		
	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage
A	378,979.1	3,418.1	0.9	369,289.2	3,326.4	0.9	365,613.1	3,363.4	0.9
B-1	18,812.4	2,608.7	13.9	19,330.6	3,055.0	15.8	15,728.9	2,364.5	15.0
B-2	13,703.7	6,346.6	46.3	15,913.8	7,500.3	47.1	19,774.4	9,768.0	49.4
B-3	2,839.8	2,290.3	80.6	4,339.3	3,547.4	81.8	5,559.4	4,615.6	83.0
C	7,630.9	7,629.7	100.0	8,991.4	8,972.1	99.8	10,022.4	10,020.4	100.0
Total	421,965.9	22,293.4	5.3	417,864.4	26,401.2	6.3	416,698.2	30,131.8	7.2

ments and assumed off-balance sheet liabilities (risk category C) in total placements and off balance-sheet liabilities to rise from 11.6% at the end of 2013 to 12.3% at the end of 2014.

The decline in banks' loan portfolios continued for the sixth consecutive year. The share of losses in total credit risk exposure (the total value adjustments and provisions to total placements and assumed off-balance sheet liabilities ratio) reached 7.2% at the end of 2014, primarily as a result of the rate of growth in value adjustments for B and C risk categories (14.1%) being several times higher than the growth rate of the exposure of the said risk groups (5.2%). The coverage of exposures classified into B and C risk categories by value adjustments and provisions thereby rose to 52.4%, while the coverage of exposures classified into risk category A remained at the usual level of 0.9%.

Difficulties in the collection of receivables were evident in the further growth in due but unpaid receivables, while the deterioration of the ageing structure of due receivables indicated that slow collection processes were still present. The sale of placements slowed down the growth in due receivables to 1.3% (HRK 0.4bn), with the entire increase in the amount involving receivables more than one year overdue. Receivables overdue for more than three to five years and more than five to ten years grew at particularly high rates as a result of the ageing of claims and their reallocation to higher maturity bands. Out of a total of HRK 32.8bn of due bank receivables based on placements, as much as HRK 24.9bn or 76.0% was overdue for more than one year, while the bulk of overdue receivables at the end of 2014 was overdue for more than three to five years (25.7%). Loans for working capital and investments and home loans were the greatest source of growth in due receivables in 2014.

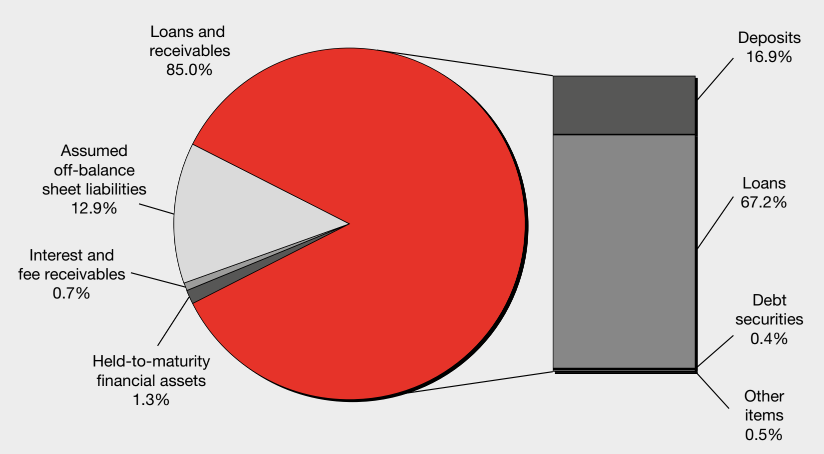
In 2014, all domestic sectors deleveraged, resulting in a decrease in the total amount of loans made of HRK 6.9bn (2.4%). Corporates played a dominant role in the deleveraging process, but the decline in loans granted to financial institutions also had a significant impact on total developments. Burdened by recession, the household sector continued to deleverage for the sixth consecutive year, particularly on the basis of long-term borrowing for the purchase of real estate or movable assets. General-purpose cash loans were the only form of household borrowing to increase. In contrast to 2013, loans to government units declined in 2014.

Banks reported 7.8% lower receivables based on income than in 2013, while the reduction of investments in bills of exchange held to maturity resulted in the narrowing of the entire portfolio of held-to-maturity financial assets (5.6%). The change in these types of placements, due to their small share in the structure of total placements and off balance-sheet liabilities, did not have a significant impact on total developments.

The propensity of banks for less risky placements is evident in the increase in the amount of deposits made, which grew by HRK 3.7bn or 5.6% from the end of 2013. The total increase in deposits involved deposits with foreign financial institutions, primarily with foreign banks other than parent banks, while at the same time the deposits with the CNB and domestic credit institutions decreased. Owing to the increase in deposits abroad, banks maintained a good coverage of foreign currency liabilities by foreign currency claims (22.4%) at the end of 2014.

After three consecutive years of decline, banks upped their off balance-sheet liabilities by HRK 2.7bn (5.3%) in 2014. If the sectoral structure of off-balance sheet liabilities is considered, it is apparent that total developments were primarily affected by the increase in these liabilities to corporates (HRK 2.3bn or 8.5%), particularly to public enterprises, to which the banks assumed HRK 1.8bn (50.9%) more off-balance sheet liabilities than at the end of 2013. They comprised an increase in credit lines and assumed commitments to finance public enterprises, while the banks' off-balance sheet exposure to other corporates increased mostly as a result of issued guarantees. Banks increased their off-balance sheet liabilities to the household sector by a total of HRK 0.6bn (3.3%), mainly on the basis of revolving loans and credit lines. Changes in the amounts of assumed liabilities to other sectors were minor and did not significantly affect the total developments in off-balance sheet liabilities.

FIGURE 1.13 Structure of bank placements and assumed off-balance sheet liabilities, as at 31 December 2014



The aforementioned developments in certain types of placements and assumed off-balance sheet liabilities effected slight changes in their structure. The most significant change was related to the share of loans, which dropped by 1.5 percentage points within the observed one-year period. In spite of the decrease in amount and significance, granted loans maintained their dominance in total placements and off-balance sheet liabilities of banks (67.2%). Deposits made remained the second major source of credit risk for banks, with the share of 16.9% in total placements and assumed off-balance sheet liabilities, which is almost one percentage point more than at the end of 2013. The share of assumed off-balance sheet liabilities, accounting for 12.9% of total credit risk exposure at the end of 2014, also increased slightly.

Loans

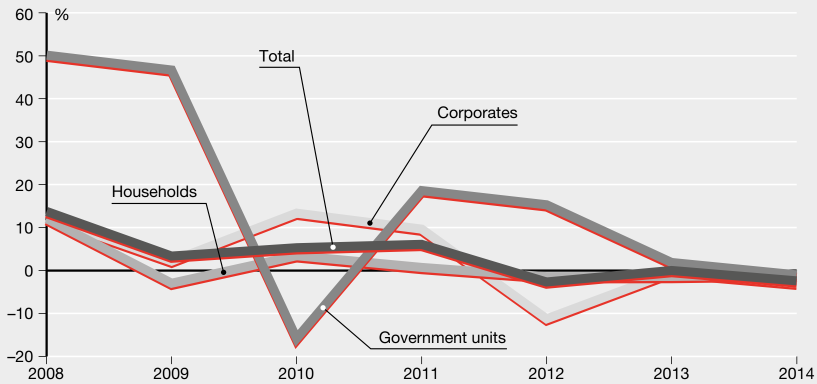
Granted bank loans (classified into the loans and receivables portfolio, in gross amount) stood at HRK 279.9bn at the end of 2014 (Table 1.7). The exchange rate changes impacted the annual rate of decline in bank loans (2.4%). Their effects excluded, loans decreased by 2.9% effectively.

The decline in loans in 2014 reflected the deleveraging of all domestic institutional sectors, while loans to non-residents grew (HRK 0.5bn or 17.9%). The increase in loans to this sector primarily involved foreign financial institutions and reverse repo loans to majority foreign owners. Loans to corporates went down the most in 2014 (HRK 3.2bn or 3.0%) due to the nominally equal decrease in loans to public enterprises and other corporates. The second sharpest decline was recorded in loans to financial institutions (HRK 2.5bn or 28.0%), followed by loans to households (HRK 1.2bn or 1.0%) and government units (HRK 0.4bn or 1.0%). The decline in loans to the CBRD by HRK 2.7bn brought about by the return of the unused part of a loan granted under the Economic Development Programme had a crucial impact on the decrease in loans to financial institutions[20].

Changes described above had no significant effect on the structure of the overall credit portfolio broken down by institutional sectors. The household sector continued to hold the largest share in the total loans of banks (43.7%), even increasing slightly from 2013 (by 0.6 percentage points) despite further household deleveraging. The share of government units grew as well (by 0.2 percentage points), while growth of the share of loans to these sectors was a consequence of the higher rate of decline in the loans to enterprises and financial institutions and the fall in their share in the structure of total loans.

The rise in the share of partly recoverable and fully irrecoverable loans in total loans from 15.7% at the end of 2013 to 17.1% at the end of 2014, continued to push up the loan quality indicator. This rise was at the same time influenced by the deleveraging which caused loans from risk category A to decline by 4.0%, and by the ageing and deterioration of the existing loan portfolio, which caused

FIGURE 1.14 Rates of change of bank loans



Note: As of 1 January 2010, loans to non-profit institutions serving households are included in household loans. As of 31 October 2013, loan amount is reduced by the amount of collected fees (formerly recorded as deferred income in liabilities).

20 Within the Economic Development Programme, a total of 13 banks granted a syndicated loan of HRK 3.4bn to the CBRD. Loans under the Programme were to be granted until 31 December 2013 at the latest, and paid out no later than 30 June 2014.

loans from risk categories B and C to grow by 6.1%. The decline in risk category A loans was considerable (HRK 9.7bn) and present in all domestic sectors, with the largest nominal decrease seen in corporates, which accounted for a half of the amount. At the same time, corporates affected the rise in total loans classified into risk categories B and C the most, causing these claims to rise by HRK 1.7bn (5.6%). The share of risk category B and C loans to corporates thus reached 30.8%, which is 2.5 percentage points more than at the end of 2013. The decrease in risk category A was also a result of an outflow of low-risk clients from the sector of financial institutions and, to a smaller extent, from

TABLE 1.7 Bank loans, end of period, in million HRK and %

	Dec. 2012		Dec. 2013			Dec. 2014		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Loans								
Government units	37,720.1	13.3	43,460.8	15.2	15.2	43,017.4	15.4	–1.0
Corporates	107,997.5	38.0	107,989.4	37.6	0.0	104,781.2	37.4	–3.0
Households	126,198.0	44.5	123,595.3	43.1	–2.1	122,346.5	43.7	–1.0
Home loans	59,235.9	20.9	57,629.7	20.1	–2.7	56,127.3	20.1	–2.6
Mortgage loans	3,073.7	1.1	3,007.4	1.0	–2.2	2,843.3	1.0	–5.5
Car loans	3,174.9	1.1	2,162.6	0.8	–31.9	1,439.3	0.5	–33.4
Credit card loans	3,941.2	1.4	3,834.6	1.3	–2.7	3,831.0	1.4	–0.1
Overdraft facilities	8,611.7	3.0	8,353.5	2.9	–3.0	8,157.5	2.9	–2.3
General-purpose cash loans	36,436.4	12.8	37,229.0	13.0	2.2	39,123.4	14.0	5.1
Other household loans	11,724.3	4.1	11,378.5	4.0	–3.0	10,824.7	3.9	–4.9
Other sectors	11,990.1	4.2	11,822.1	4.1	–1.4	9,784.8	3.5	–17.2
Total	283,905.6	100.0	286,867.6	100.0	1.0	279,929.8	100.0	–2.4
Partly recoverable and fully irrecoverable loans								
Government units	68.2	0.2	47.4	0.1	–30.6	47.4	0.1	0.1
Corporates	26,952.3	68.1	30,542.9	67.8	13.3	32,248.3	67.5	5.6
Households	11,977.6	30.3	13,755.2	30.5	14.8	14,718.9	30.8	7.0
Home loans	3,654.2	9.2	4,690.6	10.4	28.4	4,934.7	10.3	5.2
Mortgage loans	732.7	1.9	894.1	2.0	22.0	929.1	1.9	3.9
Car loans	157.7	0.4	121.3	0.3	–23.1	92.7	0.2	–23.5
Credit card loans	174.8	0.4	174.3	0.4	–0.3	157.7	0.3	–9.5
Overdraft facilities	1,280.5	3.2	1,241.9	2.8	–3.0	1,052.0	2.2	–15.3
General-purpose cash loans	3,297.5	8.3	3,522.3	7.8	6.8	3,807.8	8.0	8.1
Other household loans	2,680.2	6.8	3,110.8	6.9	16.1	3,745.0	7.8	20.4
Other sectors	552.3	1.4	681.9	1.5	23.5	740.4	1.6	8.6
Total	39,550.4	100.0	45,027.3	100.0	13.8	47,755.1	100.0	6.1
Value adjustments of partly recoverable and fully irrecoverable loans								
Government units	25.4	0.2	10.1	0.0	–60.2	11.7	0.0	15.4
Corporates	9,812.1	58.3	12,596.9	60.6	28.4	15,714.9	64.2	24.8
Households	6,690.5	39.7	7,790.8	37.5	16.4	8,273.8	33.8	6.2
Home loans	1,257.3	7.5	1,848.7	8.9	47.0	2,161.0	8.8	16.9
Mortgage loans	213.8	1.3	338.8	1.6	58.5	439.1	1.8	29.6
Car loans	124.9	0.7	99.2	0.5	–20.6	76.3	0.3	–23.1
Credit card loans	161.2	1.0	161.3	0.8	0.0	147.1	0.6	–8.8
Overdraft facilities	1,205.3	7.2	1,181.9	5.7	–1.9	1,001.4	4.1	–15.3
General-purpose cash loans	2,455.3	14.6	2,641.2	12.7	7.6	2,660.7	10.9	0.7
Other household loans	1,272.7	7.6	1,519.7	7.3	19.4	1,788.2	7.3	17.7
Other sectors	305.2	1.8	390.4	1.9	27.9	479.4	2.0	22.8
Total	16,833.1	100.0	20,788.2	100.0	23.5	24,479.8	100.0	17.8

Note: As of October 2013, loan amount is reduced by the amount of collected fees (formerly recorded as deferred income in liabilities).

government units, i.e. from sectors that usually have a small share of non-performing loans. This led to risk category B and C loans having a stronger effect on loan portfolio quality. The trend of loan deterioration continued in the household sector as well, despite the mitigation of such developments through the sale of claims based on B and C risk category loans, which caused the amount and the rate of increase of non-performing claims to be reduced by almost one half.

As in 2013, the dynamics of increase in loans estimated by banks as partly or fully irrecoverable was considerably exceeded by the growth rate in value adjustments (17.8%) in 2014. In addition to the regular determination of losses for placements due to the decrease in their value, which also includes more stringent rules for the classification of placements and the making of value adjustments in accordance with the amendments of regulations from the preceding year, the increase in value adjustments was also affected by the AQR and the additional requirements included in the EU Council Recommendation. The rise in value adjustments had a favourable effect on the continued growth in the coverage of total risk category B and C loans by value adjustments, which increased by 5.1 percentage points and reached 51.3%. The increase in value adjustments and coverage of B and C category loans to corporates from 41.2% at the end of 2013 to 48.7% at the end of 2014 had a key impact on the growth in the coverage of total loans. In contrast, the total level of coverage by value adjustments of B and C category loans to households decreased by 0.4 percentage points, dropping to 56.2%. This was a result of the sale of claims well covered by value adjustments.

If corporate loans are observed, it is evident that banks reduced loans both to public enterprises (HRK 1.5bn or 7.0%) and to other corporates (HRK 1.7bn or 2.0%) in 2014. The trends seen in public enterprises in 2014 were mostly affected by the smaller shares of banks in syndicated loans and the drop in the repurchase of receivables (factoring), which mostly involved public enterprises engaged in the construction of roads and motorways. In the subsector of other corporates, almost all significant forms of lending saw a decline. The aforementioned changes at the level of the entire corporate sector resulted in the nominally largest decrease of syndicated loans (HRK 1.4bn or 11.1%), followed by loans for construction (HRK 545.7m or 11.6%) and investment loans (HRK 507.3m or 1.9%). Compared with 2013, the type of corporate lending which decreased the sharpest was factoring (46.7% or HRK 486.4m).

No significant changes were seen in the structure of corporate loans observed by instruments. Loans for working capital were the most widespread form of corporate loans at the end of 2014, with a share of 37.7% of total corporate loans, while investment loans (25.5%) and other loans[21] (12.9%) followed in terms of share size. In addition to the three types of lending mentioned above, shares in syndicated loans were the only other loan type with a significant share (10.7%), while all other forms of corporate financing accounted for 13.2% of the total amount of loans granted to the sector.

Broken down by activities in the corporate sector, the largest nominal decrease in loans was observed in trade (HRK 1.5bn or 7.5%), followed by activities included in manufacturing (HRK 1.2bn or 5.3%) and construction (HRK 498.3m or 1.9%). The decline in loans was seen in most of the other activities as well, while the only significant increase was observed in accommodation and food service activities (HRK 570.6m or 8.4%). Excluding households, construction enterprises remained the major source of credit risk for banks, despite the decline of loans granted to corporates in that sector in

21 All other loans that are not specified are reported in the item of other loans, where banks normally report restructured loans, as well as loans granted under special programmes (for instance, under different CBRD programmes, etc.).

FIGURE 1.15 Structure of bank loans to corporates by activities, as at 31 December 2014

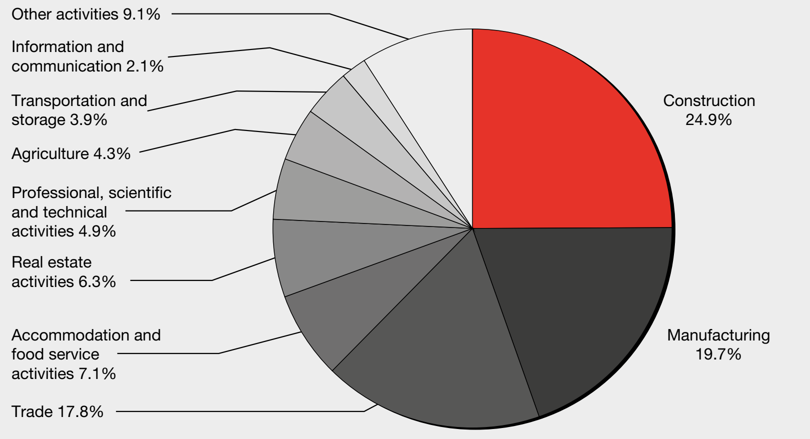
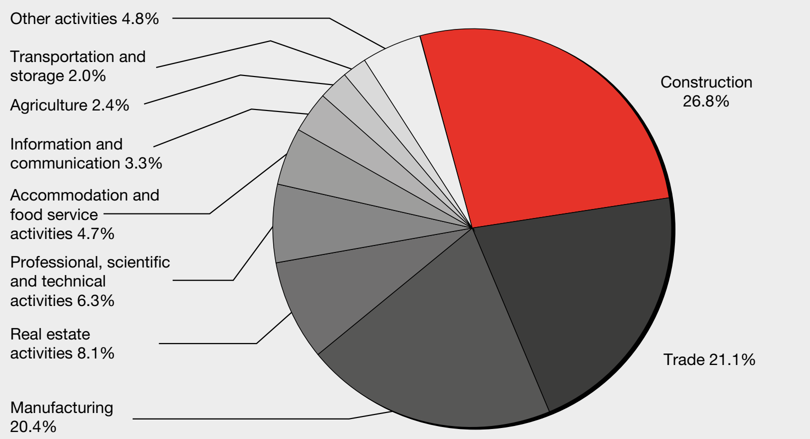


FIGURE 1.16 Structure of bank partly recoverable and fully irrecoverable loans to corporates by activities, as at 31 December 2014



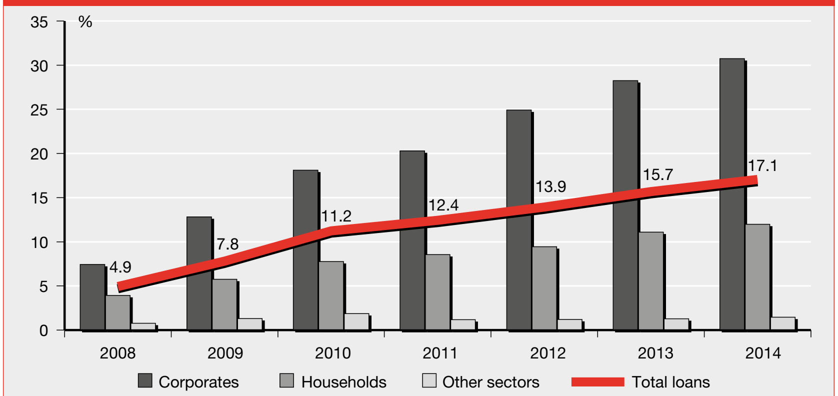
the last three years. At the end of 2014, corporate loans in construction activity accounted for 9.3% of total bank loans or 24.9% of total loans granted to corporates. Construction continued to have the leading role in the distribution of partly recoverable and fully irrecoverable claims based on corporate loans and it accounted for more than one quarter of the total amount of B and C category loans to corporates at the end of 2014. Still, in contrast to the preceding years, when the deterioration in the quality of loans in construction had the greatest impact on total developments, in 2014 the most significant contribution to the rise in B and C category loans in the corporate sector was made by trade and real estate activities. Non-performing claims grew at rates of 12.1% and 28.1% respectively in those activities and caused B and C category loans to reach 36.2% of total loans granted in trade and 39.7% of total loans granted in real estate activities at the end of 2014. Loan value adjustments increased in most activities, particularly in construction, manufacturing and trade, leading to a rise in the coverage of B and C category loans. Among the activities mentioned above, the largest increase in the coverage of B and C category loans was attributable to manufacturing, where the coverage grew from 34.3% at the end of 2013 to 45.3% at the end of 2014.

The deterioration of quality in the most significant forms of corporate lending had a key impact on the increase in risk category B and C loans recorded in the sector in 2014. The sharpest increase in B and C risk category loans relative to 2013 was seen in loans for working capital (HRK 1.0bn or 8.2%), followed by other loans (HRK 632.7m or 15.8%) and investment loans (HRK 174.8m or 2.3%). Increased bank payments based on issued guarantees and other commitments for corporate liabilities, where B and C risk category loans grew by HRK 254.6m (23.7%), also contributed to the increase. The forms of corporate lending described above constituted the majority of partly recoverable or fully irrecoverable claims based on corporate loans at the end of 2014. The share of B and C risk category loans in loans for working capital stood at 33.6%; in investment loans, the share was 29.7% and in other loans 34.4%. Several less significant types of corporate loans had lower quality than those specified above, most notably loans for the construction of residential or commercial buildings intended for sale on the market, where the share of B and C risk category loans stood at 77.5%. Construction loans accounted for a share smaller than 4.0% in the total distribution of the credit portfolio to the corporate sector.

Loans to the household sector stood at HRK 122.3bn at the end of 2014, down HRK 1.2bn or 1.0% (1.6%, if exchange rate effects are excluded), than at the end of 2013. The sale of some claims the collection of which was difficult affected total developments since banks transferred more than HRK 810m of household loans to acquirers. The 2014 decrease in loans is a continuation of the years-long trend of household deleveraging; however, the process lost some of its momentum from the year before. All significant types of household loans went down, a decline of more than HRK 1.5bn or 2.6% in home loans crucially affecting this trend. In terms of its impact on total developments, the continued noticeable drop in car purchase loans came next, declining by HRK 0.7bn or 33.4%. Having trended downward for several years, the share of car purchase loans in the structure of household loans shrank to a mere 1.2% at the end of 2014. For the sake of comparison, at the end of 2008 they accounted for 7.7% of total household loans.

In contrast to the decrease in almost all types of special purpose household loans, general-purpose cash loans continued to increase in 2014, growing by HRK 1.9bn (5.1%). The change increased the share of general-purpose cash loans in the structure of household loans to 32.0%. In spite of their decrease, home loans were still the dominant type of loans in the household sector, accounting for 45.9% of total loans to that sector. Overdraft facilities, credit card loans and other loans to

FIGURE 1.17 Share of bank partly recoverable and fully irrecoverable loans



Note: As of 1 January 2010, loans to non-profit institutions serving households are included in household loans. As of 31 October 2013, loan amount is reduced by the amount of collected fees (formerly recorded as deferred income in liabilities).

households[22] followed with much lower shares than the above mentioned loan types (6.7%, 3.1% and 3.1% respectively), while all other types of loans to households accounted for less than 10% of total household loans.

The above mentioned sale of claims in 2014, decelerated the downward trend in the quality of loans to households, i.e. the growth of partly recoverable and fully irrecoverable claims. The annual growth rate in B and C risk category loans was thus reduced by a half, standing at 7.0%, while the share of B and C risk category loans in total household loans grew from 11.1% at the end of 2013 to 12.0% at the end of 2014. The deterioration in the quality of other loans, which increased risk categories B and C by 20.4%, had the greatest impact on the decline in the quality of loans to households The next to follow were general-purpose cash loans and home loans and to a smaller extent investment loans. Among significant types of loans to households the highest share of risk categories B and C at the end of 2014 was seen in other loans (34.6%). As for general-purpose cash loans, this share totalled 9.7%, up only slightly compared with 2013, owing to the sale of claims but also the rise in this type of loans.

The bulk of the amount of loans to households is made up of loans to natural persons (95.9%), while a small share is accounted for by loans to sole proprietorships (3.8%) and loans to non-profit institutions (0.3%). Loans to sole proprietorships fell by 0.5% in the period observed, while their quality, measured by the share of risk category B and C in total loans, was much worse than the sector average (27.7% compared with the 12.0% overall average). Loans to non-profit institutions shrank by 3.0%, with the share of risk category B and C loans stood at 7.9%.

Until 2010, home loans were the component of household loans with the highest quality; however, after the materialisation of currency-induced credit risk[23], growth of interest rates and portfolio ageing, their quality began to deteriorate. In 2014, home loans in risk categories B and C went up by HRK 244.1m or 5.2%, their share in total home loans reaching 8.8%. In contrast to 2013, when the part of the portfolio of home loans in Swiss francs was the main cause of the increase in B and C category loans, in 2014 the increase was attributable to the portfolio of home loans in the euro. B and C risk category home loans in euros rose by 13.1%, and the part of the portfolio of home loans granted in kuna grew as well (7.7%). At the same time, B and C risk category home loans in Swiss francs stagnated, which may be associated with the previously described statutory protection of borrowers under consumer loans. Nevertheless, the quality of home loans in Swiss francs was still the poorest, with a share of B and C risk category loans of 13.1%. The share was somewhat lower in kuna home loans (12.3%), while the portfolio of home loans in the euro continued to have the smallest share of the said risk categories (5.6%). Loans in Swiss francs accounted for more than half of the total amount of B and C risk category home loans (53.8%), which is considerably more than the share of Swiss franc loans in total home loans (36.1%).

As regards the currency structure of household loans, only the kuna component increased at the end of 2014 as a result of the increase in general-purpose cash loans. Kuna household loans accounted for HRK 34.9bn or 28.6% of the total amount of household loans, with general-purpose cash loans

22 Relates to other loans to households referred to in Table 1.7. Includes all loans that are not individually specified (normally those are restructured loans, and loans granted under special programmes, etc.), as well as other remaining types of loans to households that have not received a special mention in the Table.

23 Currency-induced credit risk is the risk that the borrowers with unmatched foreign currency positions, whose foreign currency liabilities exceed their foreign currency assets (including items in kuna with a currency clause) will not be able to settle their liabilities towards banks in case of a change in exchange rates.

and overdraft facilities as the most common types of household loans in the local currency. In the total amount of household loans, 71.4% involved foreign currency loans or kuna loans indexed to foreign currencies, which is still a major source of currency-induced credit risk. The major share of the amount of these loans can be attributed to loans in euros (HRK 65.8bn or 53.7%), notably home loans and general-purpose cash loans. Loans in Swiss francs accounted for HRK 21.5bn or 17.6% of total household loans, with home loans constituting more than 94.0% of the amount. Loans in other currencies and loans in kuna indexed to other currencies accounted for a mere 0.1% of total household loans.

In the portfolio of corporate loans the foreign currency component accounted for a slightly larger share than in the houeshold loans (72.1%). However, this share remained the highest in the portfolio of loans to government units (86.7%). Due to the large share of the foreign currency component in the currency structure of loans to key sectors, at the end of 2014, 73.3% of total bank loans was granted in foreign currency and in kuna indexed to foreign currency. Loans in euros or in kuna indexed to the euro accounted for the largest share in total loans (64.0%), followed by kuna loans (26.8%) and loans in Swiss francs or in kuna indexed to the Swiss franc (8.3%). All other foreign currencies accounted for less than 1% of total loans. The currency structure of granted loans changed only slightly from 2013 in favour of the increase in the share of kuna loans. This was a consequence of the 0.4%-decline in kuna loans and a noticeably greater reduction in foreign currency loans and loans in kuna indexed to foreign currency (3.1%).

As foreign currency loans decreased faster than kuna loans in 2014, banks were somewhat less exposed to currency-induced credit risk (CICR), i.e. the share of loans exposed to CICR and the share of loans unhedged against such risk in total loans decreased slightly. At the end of 2014, 73.8% of total loans (net) were granted in foreign currency and in kuna indexed to foreign currency and some 87.9% of that amount was not hedged against the effects of CICR, i.e. placed to clients with unmatched currency positions.[24]

The intensity of the deterioration in the quality of total loans was almost the same with all significant components in the currency structure of the portfolio. Kuna loans and euro loans exhibited an increase of 5.7% and 5.8% respectively in B and C risk category loans, while this increase for loans in the Swiss franc was 6.2%. On account of that and due to the concurrent decrease in the level of total loans, shares of B and C risk category loans grew in all foreign currency loans specified above. The quality of kuna loans remained the poorest at the end of 2014 as the share of B and C risk category loans in this group of loans grew to 19.0%. Although kuna loans were equally granted to corporates and households, loans to corporates, particularly working capital and investment loans, continued to have a greater impact on the rate of increase and the size of the share of B and C category loans. Loans in Swiss francs had the second largest share of B and C risk category loans (18.5%), exhibiting the fastest growth from 2013 (2.3 percentage points). In contrast to the previous years, in which home loans were the main cause of quality deterioration of total loans in Swiss francs, in 2014 the growth of B and C category loans was a consequence of the lower quality of other types of household loans indexed to the Swiss franc. The change was primarily a result of a several-fold increase in the risk categories B and C of investment and construction loans granted to households in kuna indexed

24 It is deemed that the foreign exchange position of a credit institution's debtors is not matched if their expected foreign exchange inflow covers less than 80% of their foreign exchange liabilities and liabilities indexed to foreign currency, which they have towards the credit institution and other creditors.

to the Swiss franc, although these types of loans held a small share of 2.4% of total household loans at the end of 2014. Total B and C risk category loans in euros reached 15.8% at the end of 2014, still constituting the smallest share of B and C risk category loans. Households contributed to the better quality of these loans with a share of B and C risk category loans in the total loans in euro of 10.7%. The share of B and C category corporate loans in total euro loans stood at 28.6%.

1.2.5 Liquidity risk

Sources of financing

Total sources of bank financing[25] stood at HRK 327.3bn at the end of 2014, down by 0.5% from the end of 2013 (Table 1.8). If exchange rate effects are excluded, the annual rate of decrease in total sources was markedly higher and stood at 1.4%. The decrease in bank financing sources was almost entirely accounted for by the sources from majority foreign owners, down by as much as HRK 9.7bn or 18.8%. This decline was to some extent mitigated by the increase in the sources from other non-residents, up by HRK 2.4bn or 13.3%. As a result, the annual decrease in foreign sources of financing amounted to 10.6% Concurrently, domestic sources of financing continued to rise, increasing by HRK 5.6bn or 2.1% and ending 2014 at HRK 265.1bn. Hence, their share in total sources of financing strengthened by an additional 2.1 percentage points, to 81.0%. The increase in the share of domestic sources primarily reflected the decline in the sources from majority foreign owners and the growth in domestic sources, primarily household and corporate deposits. Among the domestic sectors, an increase in sources was observed in all other sectors, except in the sector of financial institutions in which sources declined by HRK 1.1bn or 3.2%. The drop in the sources of domestic financial institutions was mainly due to open-ended investment funds reducing their time deposits by one quarter.

TABLE 1.8 Structure of bank sources of financing, end of period, in million HRK and %

	Dec. 2012		Dec. 2013			Dec. 2014		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Deposits	275,844.0	84.1	282,805.6	85.9	2.5	286,075.4	87.4	1.2
Loans	47,402.1	14.4	41,483.1	12.6	–12.5	36,561.4	11.2	–11.9
Debt securities issued	300.0	0.1	299.9	0.1	0.0	299.9	0.1	0.0
Hybrid and subordinated instruments issued	4,634.0	1.4	4,459.3	1.4	–3.8	4,369.4	1.3	–2.0
TOTAL SOURCES OF FINANCING	328,180.1	100.0	329,048.0	100.0	0.3	327,306.2	100.0	–0.5
Total sources of financing from majority foreign owner	55,777.3	17.0	51,514.6	15.7	–7.6	41,849.3	12.8	–18.8

The trends in the sources of financing resembled those from the previous year; the annual changes in the sources of financing from majority foreign owners were the strongest and thus dictated the path of movement of all components of total sources of bank financing, primarily loans received. Total bank loans received fell by HRK 4.9bn or 11.9% (Table 1.9). Bank paying back loans from majority

25 Sources of financing are composed of received deposits, received loans, issued debt securities and issued subordinated and hybrid instruments.

TABLE 1.9 Sectoral structure of received loans, end of period, in million HRK and %

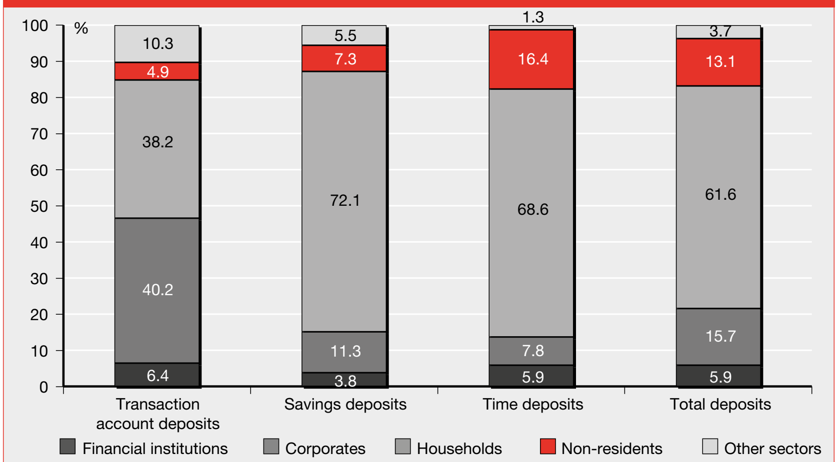
	Dec. 2012		Dec. 2013			Dec. 2014		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Loans from government units	6.0	0.0	0.0	0.0	–100.0	0.0	0.0	0.0
Loans from financial institutions	16,802.9	35.4	15,146.0	36.5	–9.9	14,617.1	40.0	–3.5
Loans from corporates	786.5	1.7	317.0	0.8	–59.7	723.1	2.0	128.1
Loans from foreign financial institutions	29,654.6	62.6	25,714.6	62.0	–13.3	21,029.7	57.5	–18.2
Loans from other non-residents	152.1	0.3	305.5	0.7	100.9	191.6	0.5	–37.3
TOTAL LOANS RECEIVED	47,402.1	100.0	41,483.1	100.0	–12.5	36,561.4	100.0	–11.9
Loans from majority foreign owner	23,846.2	50.3	20,113.3	48.5	–15.7	14,087.0	38.5	–30.0

foreign owners was even stronger (HRK 6.0bn or 30.0%). However, the rise in loans received from other foreign financial institutions (20.8%) partly offset that fall. The deleveraging through loans was also supported by a modest fall in loans on the domestic interbank market (0.8%). As a result, the share of loans received in total sources of financing declined by an additional 2.4 percentage points, to 11.2%, while the share of loans received in assets, which had been on the downward trend since 2006, fell to 9.3% at the end of 2014 (Figure 1.20).

Due to the changes in instruments in the ownership of majority foreign owners, the drop in debt instruments with the characteristics of equity continued (2.0%), partly through the repayment and partly through the transformation into share capital. This led to a marginal decline in the share of these instruments, to 1.3% of all sources. Issued debt instruments (continuing to encompass one bond issued in 2012) remained stagnant, keeping their share in total sources of financing at only 0.1%.

In contrast, deposits rose further (by HRK 3.3bn or 1.2%) but their growth dynamics continued to slow down. The share of deposits grew in the structure of sources of bank financing, reaching 87.4%, its highest level thus far. Due to the weak diversification of bank financing sources and the slowdown in the growth of deposits, the increase in the share of deposits is still a result of a several-year downward trend in loans received that has persisted since 2007 (with the exception of 2009). As in 2013, the most significant contributor to the movement in deposits was domestic deposits, which grew by HRK 5.9bn or 2.4%. In terms of nominal effect, the most significant was household deposits

FIGURE 1.18 Sectoral structure of received deposits, as at 31 December 2014



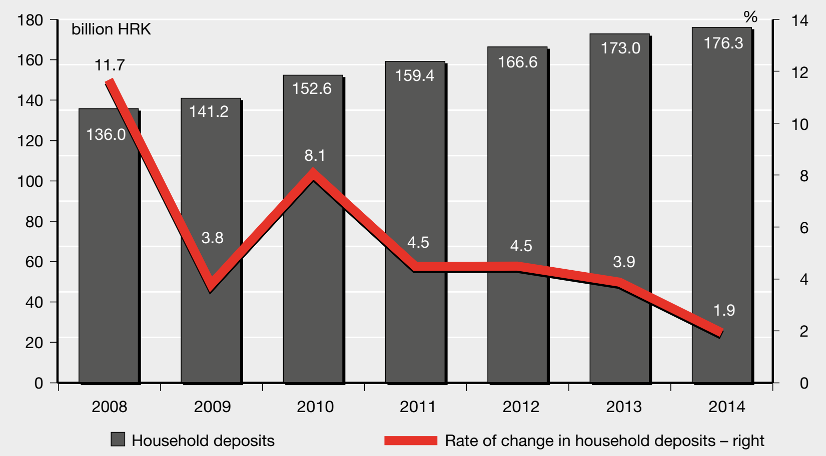
(1.9%), corporate deposits (4.3%) and deposits of government units (12.5%). A small positive effect also came from deposits of non-profit institutions (up by 8.3%). These positive developments were to some extent mitigated by the fall in deposits of financial institutions (2.1%). Deposits of non-residents (down by HRK 2.6bn or 6.5%) had a significant negative impact on total deposits. Specifically, deposits of majority foreign owners declined by 13.3% and deposits of other non-residents (mostly other foreign financial institutions) grew by 10.0%. Hence, the share of domestic deposits in total deposits increased to 86.9%, while the share of deposits of non-residents (due deposit repayments to foreign majority owners) decreased moderately, to 13.1%.

With a share of as much as 54.1%, the household sector was the most significant source of bank financing. At the end of the reference period, it stood at HRK 177.1bn, an increase of HRK 3.3bn (1.9%). Over the past several years, the rise in the share of this sector was brought about by bank deleveraging to majority foreign owners and weak developments in the sources of other sectors. The major share of the household sector sources was accounted for by deposits, which stood at HRK 176.3bn at the end of 2014. Other significant shares were accounted for by instruments with the characteristics of equity (HRK 753.6m) and issued debt securities (HRK 11.7m). The growth rate of household deposits continued to slow down and at 1.9% (0.6% effectively) in 2014 it was lowest growth rate recorded since 2002. Nevertheless, the share of household deposits continued to trend up, reaching 61.6% of total deposits and accounting for the largest share since 2001. Changes broken down by types were more significant than the total changes in household deposits. For the first time, household time deposits stagnated in 2014, or rather, dropped by 0.5% effectively. The standstill in the growth of household savings was partly a result of the persisting crisis forcing some households to spend their savings. Moreover, an additional impact might have been brought about by the announced introduction of the tax on savings interest in 2015.[26] The reporting year was characterised by a strong nominal and relative rise in household transaction account deposits of HRK 7.6bn (41.5%), primarily resulting from the aforementioned change in the reporting of instruments. This change directly caused a decrease in household savings deposits, which dropped by a fourth (HRK 4.3bn) on the annual level.

Bank liabilities to foreign parent banks amounted to HRK 41.8bn at the end of 2014, accounting for 12.8% of total bank sources of financing. Against the backdrop of high system liquidity, moderate growth in domestic deposits and a decrease in total lending activity, banks again intensified the deleveraging vis-à-vis their foreign owners, causing the rate of decrease in these sources (18.8%) to more than double from the year before (7.6%). The sources from majority foreign owners thus came third in terms of the structure of total sources of financing, with the first two positions being held by households and corporates. In the last three years, the cumulative fall in the sources from majority foreign owners amounted to a total of HRK 29.8bn or 41.6%. Almost all components of these sources trended down markedly in 2014, notably loans received (HRK 6.0bn or 30.0%) and deposits (HRK 3.8bn or 13.3%). The only increase was recorded in debt instruments with the characteristics of equity (HRK 0.1bn or 4.6%). The amount of debt securities issued and owned by foreign parent banks remained the same.

26 The Act on Amendments to the Income Tax Act (OG 143/2014) introduced, *inter alia*, a tax on interest on kuna and foreign currency savings deposits (sight and time savings deposits and annuity savings) at a rate of 12%. Interest on the positive balance in giro accounts, current accounts and foreign currency accounts are not subject to tax provided that the interest rate does not exceed 0.5% a year. Interest receipts arising from investments in bonds and receipts based on yields from life insurance premiums which constitute savings and voluntary pension insurance premiums are also exempt from tax.

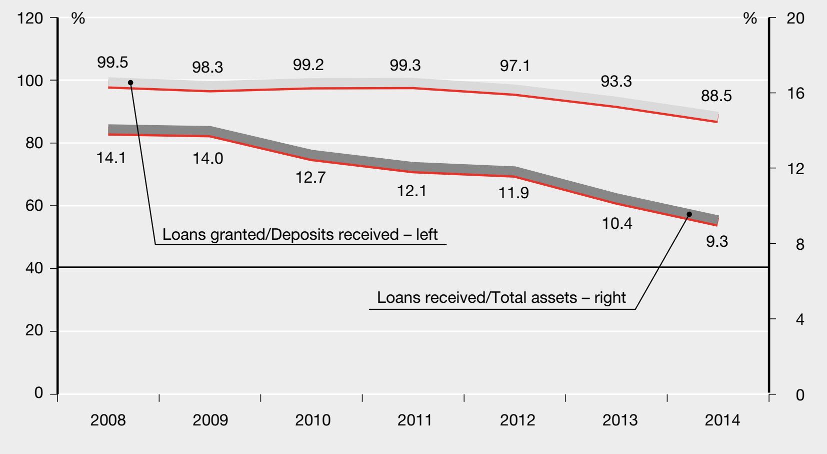
FIGURE 1.19 Household deposits



Corporate sources saw an increase of HRK 2.3bn (5.3%), reaching HRK 45.7bn at the end of 2014 and accounting for the second largest share in the bank sources of financing. In 2014, the rate of increase in corporate deposits was twice as low as in 2013, when the increase was encouraged by intensified measures of fiscal discipline. The bulk of the increase in the corporate sources was spurred by the growth in deposits (HRK 1.9bn or 4.3%) and loans (HRK 406.0m or 128.1%), with a modest increase being observed in debt instruments with the characteristics of equity (HRK 2.6m or 2.4%). The increase in corporate deposits in 2014 was entirely accounted for by the rise in transaction account deposits of almost HRK 3bn (12.4%), while savings and time deposits declined by 0.8% and 6.6% respectively. The increase in transaction account deposits of this sector was mostly effected in kuna, which, in turn, caused the share of kuna funds in total corporate deposits to grow further (reaching 60.7%). The total annual increase in corporate deposits was achieved in the third quarter, particularly in the construction of roads and motorways, accommodation and food service activities, transportation and storage activities and trade, which is commonly associated with inflows from tourism. The rest of the year saw a decline in corporate deposits. Loans received from corporates grew strongly, which was primarily the result of their low base. It involved a rise in loans on the basis of repo operations with an enterprise. This increase notwithstanding, their share in total corporate sources remained small (1.6%).

Changes in the currency structure of total sources were moderate. In 2014, foreign currency and kuna sources of financing declined by 0.5% and 0.7% respectively; foreign currency sources increased from 68.2% to 68.3% in total sources of financing while kuna sources experienced a moderate decrease, to 31.7%. Euro-denominated sources again accounted for the bulk of foreign currency sources (85.8%), while sources in Swiss francs and US dollars accounted for the remaining 6.8% and 6.1%, respectively. The negative changes in total foreign currency and kuna sources of banks were largely influenced by the sources from majority foreign owners. Foreign currency sources from majority foreign owners declined by HRK 4.3bn or 11.3%, with kuna sources deceasing by as much as HRK 5.3bn or 40.0%. As a result, the share of kuna sources in total sources received from majority foreign owners fell to 19.1% at the end of 2014 (25.9% in 2013). The reductions mentioned in the kuna part were alleviated by the growth of domestic deposits from all sectors, and those in the foreign currency part by the rise in household deposits and loans received from other non-residents, but not in an extent sufficient to ensure growth. Funds on transaction accounts are normally mostly kuna funds; however, the share of foreign currency funds rose noticeably from 17.1% in 2013 to 26.3%

FIGURE 1.20 Bank liquidity indicators



in 2014. In most cases, this was a consequence of the change in the reporting of foreign currency transaction accounts in the household sector.

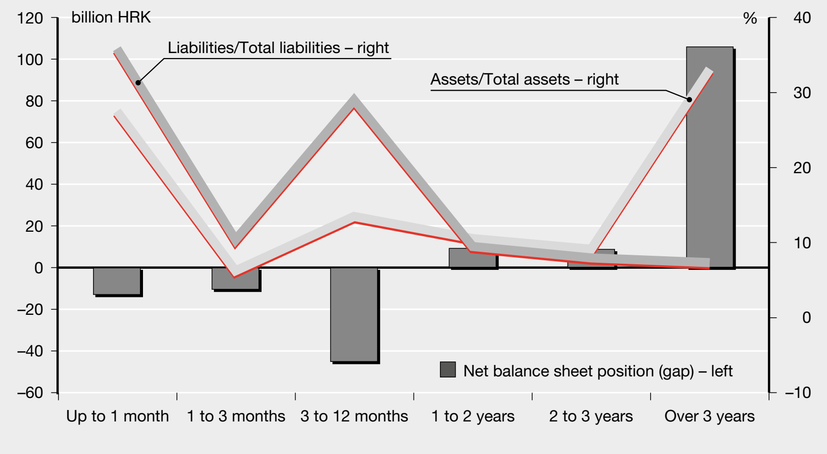
The ratio of loans granted (net) and deposits received dropped to 88.5% at the end of 2014, due mostly to the decrease in the numerator of the indicator. Such a low indicator value was last recorded in 2005. The year-long downward trend in net bank loans was greatly affected by an entire range of factors, including regulatory and methodological changes and the implementation of the AQR as recommended by the EBA and the ECB, which makes it somewhat difficult to compare this indicator with its value in the previous periods. Furthermore, bank deleveraging vis-à-vis majority foreign owners primarily involved the reduction of liabilities arising from loans received, while the decrease in deposits from this source was mostly offset by an increase in domestic deposits. Finally, due to simultaneous changes in balance sheet assets and liabilities (including the sale of claims and the exit of certain banks from the system), some significant events had a relatively mild effect on the values of this indicator.

Maturity adjustment of bank assets and liabilities

Following a noticeable increase in 2013, the mismatch between short-term assets and short-term liabilities of banks was slightly reduced in 2014. The traditionally negative short-term cumulative gap[27] stood at HRK –68.9bn at the end of 2014 (Figure 1.21), while it amounted to HRK –73.9bn at the end of 2013. In spite of that, a considerable widening of the gap from HRK –11.9bn to –20.6bn was still present in the shortest maturity band of *up to 15 days.* The increase of mismatches in that maturity band reflects the rise in transaction account liabilities (of 24.5%), which ultimately increased the amount of liabilities in that band by almost HRK 8bn or 7.8% at the end of 2014. At the same

27 The maturity match or mismatch between assets and liabilities is shown by remaining maturity, i.e. by maturity bands and on a net basis, adjusted for the estimated capacity of each debtor or an entity subject to payment to actually execute the payment in the agreed amount and within the agreed time limit. There are a total of 13 maturity bands, starting from *up to 15 days* and ending with *more than 240 months*. The gap is net cash flow excess or shortfall in each maturity band. The short-term cumulative gap is the sum of net cash flow excesses or shortfalls in all maturity bands of up to 12 months.

FIGURE 1.21 Asset and liability maturity match or mismatch, as at 31 December 2014



time, assets within the same maturity band saw a slight decline (of 0.9%), primarily as a result of a drop in loans. All remaining short-term maturity bands recorded a decrease in mismatches (except the maturity band *more than 6 to 12 months)*, due mostly to the fall in liabilities (time deposits and loans received), which ultimately led to a slight narrowing of the negative short-term cumulative gap.

The short-term liquidity coefficient[28] remained at 0.9. Almost all short-term maturity bands usually have a negative gap, meaning that the amount of liabilities exceeds the amount of assets expected by banks in the respective maturity period. The maturity band *more than 6 to 12 months* exhibited the greatest negative gap, with the mismatch increasing to HRK –29.6bn (or 16.0%) due to faster growth in liabilities (mostly time deposits) than in assets. In contrast, banks continued to report the surplus of assets over liabilities in all long-term maturity bands. However, these positive gaps mostly narrowed in 2014 (due to the decrease in long-term assets, loans notably). The positive gap remained the largest in the maturity band *more than 60 to 120 months* and stood at HRK 34.7bn (down HRK 2.2bn or 5.9% from 2013).

Minimum liquidity coefficient[29]

Observed at the aggregate level, banks maintained rather high values of minimum liquidity coefficients (MLC) in kuna and convertible currencies throughout 2014 in both given periods. At the end of the year, MLC in kuna stood at 2.2 for the period of up to one week and at 1.7 for the period of up to one month, while MLC in convertible currencies stood at 2.6 and 1.7 (Figure 1.22). In 2014,

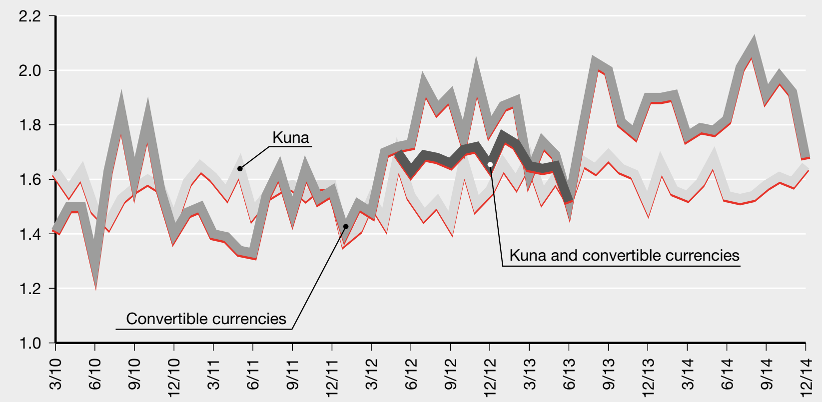
28 This is the ratio of total assets with maturity up to one month to total liabilities with the same maturity.

29 The obligation to calculate the minimum liquidity coefficient (MLC) was introduced in 2010. The MLC is calculated as the ratio of expected inflows (currently negotiable assets included) and the expected outflows in stressed conditions in the two given periods (up to one week and up to one month). The MLC is calculated for kuna, all convertible currencies combined and for each non-convertible currency separately (if it is significant). For the purposes of calculating the minimum liquidity coefficient, inflows and outflows are reported according to an acute short-term stress scenario specified by the CNB that is much more stringent than actual cash flows because of various requirements and haircuts. The purpose of the stress scenario is to determine whether a credit institution has sufficient liquid assets to meet its liquidity needs in stressed conditions within a given period.

MLC for convertible currencies fluctuated much more than that for kuna, which was primarily due to flows arising from derivative financial instruments and transactions with group members. Claims/liabilities arising from derivative financial instruments, followed by inflows arising from loans granted to other corporates and natural persons, played a key role in the changes in MLC for kuna.

Readily marketable assets (RMA)[30] of banks stood at HRK 68.7bn at the end of 2014, growing by HRK 7.3bn or 11.9% from the end of the previous year. The share of RMA in total bank assets trended up by 2 percentage points, to 17.4%. Among individual RMA items, the most prominent increase was seen in securities available for sale (HRK 3.4bn or 34.4%), deposits/loans with credit institutions (HRK 2.3bn or 16.0%) and deposits with the CNB (HRK 2.0bn or 12.7%). With a share of 25.4%, deposits with the CNB remained the largest RMA item, while the share of deposits/loans with credit institutions increased by 0.9 percentage points, reaching 24.3%. Banks held 42.2% of RMA in securities (that meet the conditions for inclusion in this category of assets) or almost the same amount as in 2013 (42.3%). The share of securities allocated to the available-for-sale portfolio grew noticeably, from 16.0% to 19.0%, at the expense of the share of MoF T-bills (which dropped by 2 percentage points to 18.6%) and securities allocated to the held-for-trading portfolio (which dropped by 1.7 percentage points to 1.6%). The share of money assets saw a slight decrease from 9.0% to 8.0% of RMA.

FIGURE 1.22 Minimum liquidity coefficient for period up to one month



Note: By way of exception, in the period from 1 May 2012 to 30 June 2013, credit institutions had to meet the minimum liquidity coefficient on a collective basis, i.e. for both kuna and all convertible currencies combined.

The bulk of the annual increase in RMA was accounted for by items in convertible currencies (up HRK 4.1bn or 15.7%). In contrast, items in kuna[31] grew at a more moderate pace (up HRK 3.2bn or 9.1%). The growth in RMA in convertible currencies was for the most part the result of an equal nominal increase in bank investment in deposits with credit institutions and securities held in the available-for-sale portfolio. The share of assets in convertible currencies grew from 42.8% to 44.2 in the currency structure of RMA, while the share of items in kuna in RMA (due to their slower growth) experienced a moderate decrease, to 55.8%. Slightly over one half of RMA in convertible currencies (52.9%) was placed in deposits/loans with credit institutions, and almost the entire remaining share

30 Readily marketable assets (RMA) are liquid assets available to the credit institution that may be turned into cash quickly (within four working days) and easily (with no significant losses).

31 For the purposes of calculating the MLC, exposures in kuna with a currency clause are considered exposures in kuna.

in securities, mostly held in the available-for-sale portfolio which increased markedly in 2014 (from 26.2% to 29.2%). The lion's share of the kuna RMA was again accounted for by deposits with the CNB (45.5%), increasing by 1.5 percentage points in 2014. MoF T-bills (in kuna or in kuna with a currency clause) accounted for 26.4% of kuna items in these assets, while in 2013, due to a slight decrease, their share declined (by 2.9 percentage points). Concurrently, the share of securities held in the available-for-sale portfolio increased from 8.5% to 11.3% of kuna RMA.

1.2.6 Currency adjustment of bank assets and liabilities

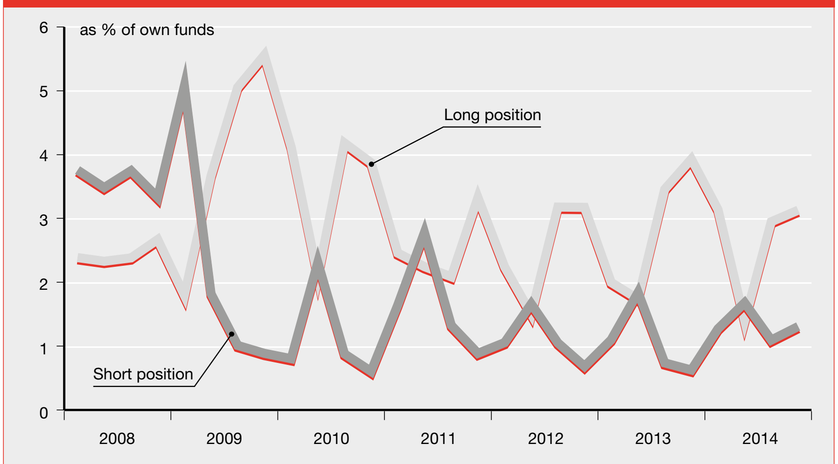
In 2014, shares of total foreign currency assets and liabilities (which comprise assets/liabilities in foreign currencies and items in kuna with a currency clause) dropped slightly, but remained dominant in total assets and liabilities. Total foreign currency assets thus accounted for 61.9% of total assets, and total foreign currency liabilities for 67.3% of total bank liabilities. The bulk of total foreign currency assets and liabilities of banks was accounted for by three traditionally most important currencies: the euro, Swiss franc and US dollar.

In 2014, the kuna weakened against the most widely represented currencies: by a modest 0.3% against the euro, 2.2% against the Swiss franc and as much as 13.6% against the US dollar.

Total foreign currency assets of banks declined by 1.9% (2.9% in real terms, if the above mentioned trends in exchange rates are taken into account). They stood at HRK 244.5bn at the end of 2014, down by HRK 4.6bn from the end of 2013. At the same time, kuna asset items amounted to HRK 150.7bn, accounting for an increase of HRK 2.0bn or 1.4%.

The decline in total foreign currency assets primarily involved kuna assets indexed to a foreign currency, which saw a decrease of 6.6% (HRK 10.1bn) in 2014, mostly as a result of a drop in loans granted. Foreign currency assets grew by 5.7% or HRK 5.4bn, mainly due to a significant increase of 22.6% in deposits with financial institutions.

FIGURE 1.23 Foreign exchange position of banks, quarterly data



Total foreign currency liabilities of banks declined at a somewhat slower pace than total foreign currency assets in the observed period, by 0.8% (or 1.9% in real terms). They amounted to HRK 228.5bn, maintaining their share in total bank liabilities at the level recorded at the end of 2013. As on the total foreign currency asset side, a considerably larger decline of 6.7% was recorded in kuna liabilities indexed to a foreign currency, while foreign currency liabilities fell by 0.4%. The decrease in kuna liabilities indexed to a foreign currency of HRK 848.9m was largely due to the decline in received long-term loans of HRK 0.7bn. The developments related to foreign currency liabilities were affected by the fall in savings and time deposits (by 17.9% and 2.3% respectively) in the total amount of HRK 7.1bn. At the same time, foreign currency deposits on transaction accounts increased by HRK 8.5bn, causing total foreign currency deposits to ultimately see a slight rise (of 0.7%). Furthermore, the decline of HRK 1.7bn (8.7%) in long-term loans received also had a significant effect. The kuna share of liabilities shrank primarily on account of a decline in loans received (of HRK 2.7bn or 27.2%), notably long-term loans (which dropped by HRK 2.1bn).

The average three-month open foreign exchange position of all banks was long and stood at 3.1% of average own funds at the end of 2014. Due to the harmonisation with EU regulations, the cap on open foreign exchange position of banks, previously set at 30% of own funds, was abolished as of 30 June 2014. However, banks are still required to maintain capital requirements for currency risk exposures if their open foreign exchange positions exceed 2% of own funds.

1.2.7 Interest rate risk in the non-trading book

Interest rate risk exposure in the non-trading book accounted for 3.3% of own funds at the end of 2014, trending up markedly relative to the end of 2013 when it stood at a negligible 0.1%. This was the result of the increase in the change in the economic value of the non-trading book, by HRK 1.6bn

TABLE 1.10 Interest rate risk in the non-trading book, end of period, in million HRK and %

Currency	Interest rate type	Net weighted position		Change
		Dec. 2013	Dec. 2014	
HRK	Administered interest rate	–660.3	–672.3	1.8
	Variable interest rate	462.0	432.7	–6.3
	Fixed interest rate	508.6	469.1	–7.8
EUR	Administered interest rate	–184.2	–285.4	54.9
	Variable interest rate	435.8	388.6	–10.8
	Fixed interest rate	–479.2	–630.6	31.6
CHF	Administered interest rate	63.8	–12.3	–119.3
	Variable interest rate	67.5	–26.8	–139.8
	Fixed interest rate	–177.3	1,864.9	–1,152.1
USD	Administered interest rate	–24.7	–34.6	40.3
	Variable interest rate	1.0	2.4	136.0
	Fixed interest rate	–20.1	–2.3	–88.7
Other	Administered interest rate	–59.7	–37.8	–36.7
	Variable interest rate	0.1	–7.6	–6,035.2
	Fixed interest rate	–10.4	300.9	–3,006.1
Change in the economic value of the non-trading book		77.1	1,748.8	2,167.6
Own funds		53,418.8	53,780.0	0.7
Ratio between the change in the economic value of the non-trading book and own funds		0.1	3.3	2,221.4

(or from extremely low HRK 0.1bn to HRK 1.7bn), which together with the growth in own funds of 0.7% contributed to the rise in bank exposures.

The rise in the economic value of the non-trading book was mainly the consequence of the regulatory change from the beginning of 2014, i.e. the adoption of amendments to the Consumer Credit Act. The changes indirectly limited the interest rate on home loans indexed to the Swiss franc to 3.23% and the CNB requested banks to report loans indexed to the Swiss franc at positions with fixed interest rates, according to the remaining maturity. This contributed to the widening of mismatches over the longer term (five years notably) which due to the higher weights applied to longer-term time zones resulted in a significant increase in the change in the economic value of the non-trading book. The analysis by interest rate types and currencies shows the visible impact of the changes in positions with a fixed interest rate and positions in the Swiss franc.

In terms of the amount of net weighted positions observed by interest rate types, the position with a fixed interest rate (HRK 2.0bn) predominated and had a positive sign (i.e. interest sensitive assets exceeding interest sensitive liabilities). Due to the adoption of amendments to the Consumer Credit Act, it hit its historic low at the end of 2013 when it was ten times lower (HRK 200m with a negative sign). The position with an administered interest rate (which is modified according to a decision of a bank's management board) amounted to HRK 1.0bn (with a negative sign, rising by slightly more than 20%), while the position with a variable interest rate stood at HRK 0.8bn with a positive sign (down by 18.3%).

The currency structure of net weighted positions was also subjected to changes in 2014; the position in Swiss francs which, along with the position in US dollars, was the lowest became the dominant one. It amounted to HRK 1.8bn and had a positive sign. The positions in kuna (HRK 0.2bn) and in other currencies (HRK 0.3bn) also showed the predominance of the interest-sensitive assets over liabilities and had a positive sign, while the positions in euros (HRK 0.5bn) and US dollars (HRK 34m) had a negative sign.

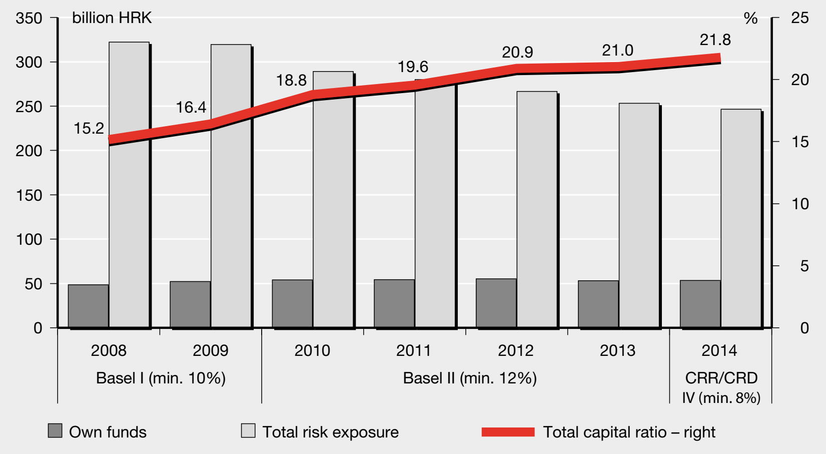
1.2.8 Capital adequacy

Even after the introduction of the new capital regime on 1 January 2014 (CRR/CRD IV)[32], operational risks remained adequately covered. At the end of 2014, all capital ratios at the level of all banks were considerably higher than the required minimum, while only two banks experienced difficulties in maintaining certain ratios.

At the end of 2014, the common equity tier 1 capital ratio of banks stood at 20.6%. As banks do not use the additional tier 1 capital, but only that of the highest quality, i.e. the common equity tier 1

32 As of 1 January 2014, the framework for determining the capital and capital ratios of credit institutions is governed by the Regulation (EU) No 575/2013 and Directive 2013/36/EU (transposed into the Croatian legislation through the Credit Institutions Act). The new rules brought new, stricter definitions of capital and broader scope of risk (for example, the inclusion of the counterparty credit risk associated with over-the-counter (OTC) derivatives), but also a different regulation of capital ratios. The minimum total capital ratio (previously referred to as the capital adequacy ratio) was thus reduced from 12% to 8%. The remaining two ratios, which were indirectly determined by restrictions in the structure of own funds, have been tightened – the common equity tier 1 capital ratio has been set at 4.5% and the tier 1 capital ratio at 6%.

FIGURE 1.24 Bank total capital ratio



capital, the tier 1 capital ratio stood at 20.6%. The total capital (own funds) ratio stood at 21.8%, an increase from the end of 2013, when it stood at 21.0% (Figure 1.24). Notwithstanding a slight decrease in own funds, total risk exposure, in relation to which the adequacy of the own funds amount is measured, trended down somewhat more strongly, contributing to a slight increase in the total capital ratio.

TABLE 1.11 Own funds, risk exposure and capital ratios of banks, as at 31 December 2014, in million HRK and %

	Amount	Share
OWN FUNDS	53,780.0	100.0
TIER 1 CAPITAL	50,931.0	94.7
Common equity tier 1 capital	50,931.0	94.7
Capital instruments eligible as common equity tier 1 capital	33,482.2	62.3
Retained earnings	16,707.9	31.1
Other items	740.9	1.4
Additional tier 1 capital	0.0	0.0
TIER 2 CAPITAL	2,849.0	5.3
TOTAL RISK EXPOSURE AMOUNT	246,959.2	100.0
RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	218,615.5	88.5
Standardised approach	185,416.7	75.1
Central governments or central banks	2,843.2	1.2
Corporates	63,408.8	25.7
Retail	61,537.1	24.9
Exposures in default	26,710.5	10.8
Other items	30,917.2	12.5
Internal ratings based approach (IRB)	33,198.8	13.4
POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS	4,193.0	1.7
OPERATIONAL RISK	23,796.0	9.6
CREDIT VALUATION ADJUSTMENT	354.7	0.1
OTHER	0.0	0.0
Common equity tier 1 capital ratio	20.6	–
Tier 1 capital ratio	20.6	–
Total capital ratio	21.8	–

Almost all types of risk exposure trended down, which led to a decline in total exposure by HRK 6.8bn (2.7%) or to HRK 247.0bn (Table 1.11). The major contributor was the decrease in the exposure to credit risk (including the counterparty, dilution and free delivery risks) which accounts for almost 90% of total risk exposure (Figure 1.25). The reported decrease amounted to HRK 4.1bn or 1.9% and was unquestionably the consequence of the fall in the lending activity of banks. The lion's share of the exposure to credit risk, almost 85%, was calculated by applying the standardised approach (STA approach), while the rest was calculated using the internal ratings based approach (IRB approach), still applied by only one bank.

The exposure to operational risk (accounting for slightly less than 10% in total exposure) went down by HRK 1.0bn or 3.9%, while the exposure to market risks (position, foreign exchange and commodity risks) fell strongly in the reference period, by almost a third (i.e. by HRK 2.1bn or 33.2%). The decrease in the exposure to market risks was for the most part the result of the decrease in the exposure arising from traded debt instruments (by HRK 1.2bn or 33.8%), which may be attributed to the changes in regulations linked with general position risk (i.e. the application of lower weights). The newly introduced reporting of the exposure to credit valuation adjustment risk had a negligible effect, amounting to only HRK 354m and accounting for a mere 0.1% of total risk exposure.

The drop in the exposure to credit risk (weighted amount) was mostly produced by the decrease in the amount of exposures that are subject to weighting, primarily due to the slowdown in lending activity, but also due to the marginal decline in the average weight for credit risk. The weight dropped from 54.0% at the end of 2013 to 53.7% at the end of 2014 as a result of the decrease in the average weight in the calculation of exposure under the STA approach, from 55.7% to 54.3% (while the weight calculated under the IRB approach increased to some extent). The use of 35%, 75% and 150% weights rose and the use of 100% and 50% weights dropped in the STA approach.

In the distribution of exposures weighted by credit risk weights under the STA approach, the most significant change in the absolute amount was observed in the amount of exposures weighted by 100% (a decline of HRK 27.0bn or 19.1%), significantly affected by the redistribution of exposures to weights of 75%, 35% and 150%. In the new framework, the 75% weight is the only weight envisaged for the retail category, and the conditions to be met for its assignment have been eased (the maximum amount of exposure has been increased to EUR 1m, and institutions are allowed to determine the existence of a sufficient level of portfolio granularity independently). This fact, coupled with the increased use of a preferential weight of 35% for exposures secured by residential real estate, was the main cause of the decline in the average weight for credit risk. Exposures weighted by 75% grew by HRK 15.7bn or 38.5% to 16.6% of total exposure weighted under the STA approach. Exposures weighted by 35% saw a sharp increase of HRK 4.6bn or 39.4%, because certain banks began using that weight for the first time in 2014 (even though it existed under the previous regime). In spite of their surge, the share of exposures secured by residential real estate remained relatively small (4.8% of total exposure weighted under the STA approach).

In addition to the transition to weights of 75% and 35%, some exposures previously weighted by 100% were transferred to the newly introduced category of exposures in default. Exposures classified into that category are weighted by 150% provided that their value adjustments do not exceed

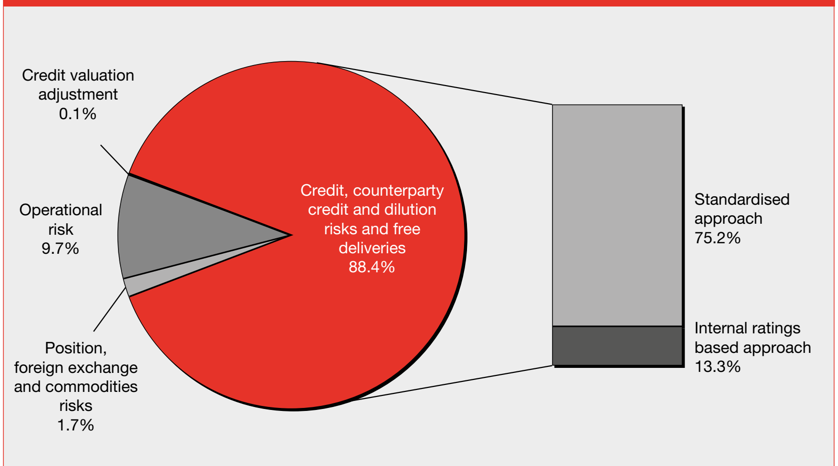
33 It includes all exposures to clients who have at least one due but unpaid receivable which has been overdue for more than 90 days or who are considered unlikely to settle their obligations in full (excluding the option of collection from collateral).

20% of the unsecured part of total exposure. The category of exposures in default was introduced to replace the category of due but unpaid receivables, but its scope is much wider[33]. Banks reported HRK 11.2bn of exposure, or 3.3% of total exposure weighted under the STA approach at the weight of 150%, which is a substantial increase from HRK 6.4bn or 1.8% recorded at the end of 2013.

A marked change was also recorded in exposures weighted by 50%, which plunged by HRK 8.3bn or as much as 71.9%. At the end of 2013, most items weighted by that weight belonged to the category of public sector entities, followed by items pertaining to the institutions category. In the new regime, weights for exposures classified into those categories (in the event of the absence of credit assessment, with a maturity of exposures longer than three months) depend on the credit quality step assigned to the central government. Therefore, it may be assumed that a significant portion of exposures is now weighted by 100% as a result of the domicile country's low credit assessment. Under the influence of changes described above, the share of items weighted by 100% declined considerably, from 40.2% to 33.4% of total exposure weighted under the STA approach. They thus became the second most represented item in the distribution according to weights, while the most represented items were those weighted by 0%, the share of which amounted to 34.3% in the distribution of exposures according to weights (under the STA approach), remaining virtually unchanged from the end of 2013 (33.7%).

The recently introduced weight of 250% applied to investments in financial sector entities lower or equal to 10% of the institution's common equity tier 1 capital did not have an appreciable effect. Banks distributed HRK 1.1bn of exposure into that category, accounting for only 0.3% of total exposure weighted under the STA approach.

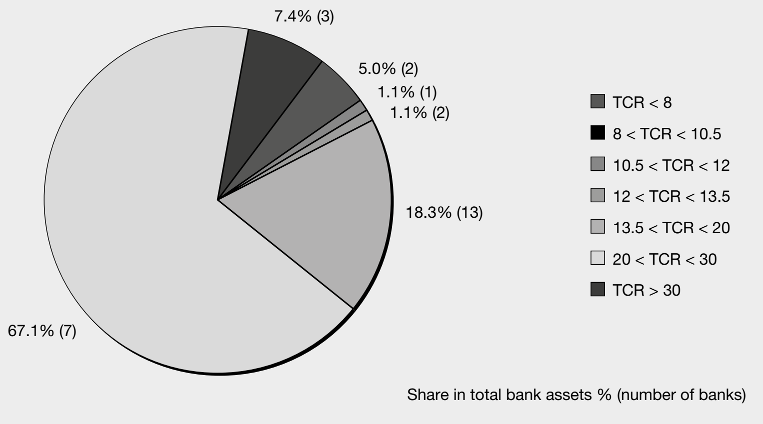
FIGURE 1.25 Structure of bank total risk exposure, as at 31 December 2014



Own funds fell by a little less than one percent (0.7% or HRK 391.9m) in 2014, with the most significant change accounted for by the rise in the deduction from common equity tier 1 capital – other intangible assets. In the new regime, the definition of this deduction item was expanded by software.

The capital requirement for own funds decreased markedly from the end of 2013 due to the reduction of the minimum total capital ratio from 12% to 8%. However, at the end of 2014, credit institutions were obliged to allocate almost HRK 9.0bn to capital buffers – HRK 6.2bn to the capital conservation

FIGURE 1.26 Distribution of the bank total capital ratio (TCR), as at 31 December 2014



buffer and HRK 2.7bn to the structural systemic risk buffer. The purpose of the capital conservation buffer, which amounts to 2.5% of risk exposures and has been in effect since the beginning of 2014, is to accumulate capital that will enable the credit institution to continue normal operation (i.e. to maintain capital adequacy above the legally prescribed minimum even if it suffers significant losses due to financial difficulties). The purpose of the structural systemic risk buffer is to prevent and minimise long-term systemic or macroprudential risks which may have serious negative consequences for the financial system and real economy. The structural systemic risk buffer was introduced by the CNB at the end of May; it amounts to 1.5% of risk exposures for all credit institutions and is increased by an additional 1.5% for institutions of larger scope and complexity of operations. It should be noted that the capital requirement for structural systemic risk does not apply to institutions that on the day of the introduction of the obligation were subject to the decision on maintaining the capital adequacy adopted on the basis of the joint decisions of the colleges of supervisors, i.e. until the time the decision ceases to have effect.

Nevertheless, the majority of banks were well capitalised, particularly the leading banks in terms of asset size. Seven banks, with a share in total bank assets somewhat higher than two thirds, had total capital ratios ranging from 20% to 30%. In the majority of banks (13) the ratios amounted from 13.5% to 20%. In two banks, the total capital ratio was lower than 8%, leading to the imposition of supervisory measures.

1.3 Housing savings banks

At the end of 2014, there were five housing savings banks operating in the Republic of Croatia. Four housing savings banks were directly or indirectly owned by foreign shareholders and one was in domestic ownership. Housing savings banks' assets increased slightly in 2014, in contrast to bank assets, but their share in the total assets of credit institutions was still low and stood at only 1.9%.

1.3.1 Balance sheet and off-balance sheet items

Housing savings banks' assets grew by HRK 210.2m or 2.8%, reaching HRK 7.8bn in 2014. Despite the abolition of incentives for housing savings deposited in 2014, the growth in assets was mainly based on an increase in household savings (of HRK 333.9m or 5.3%). In 2014, housing savings banks received the government incentives for 2012 and 2013 on two occasions during the year. The increased sources were primarily used for an increase in loans granted (of HRK 346.7m or 8.6%). Compared with the end of 2013, deposits placed with financial institutions saw a decline (of HRK 88.8m or 17.0%), while investments in securities recorded a rise (of HRK 224.7m or 10.0%).

The increase in total sources of financing was principally a consequence of a rise in household time

FIGURE 1.27 Assets, deposits and home loans of housing savings banks

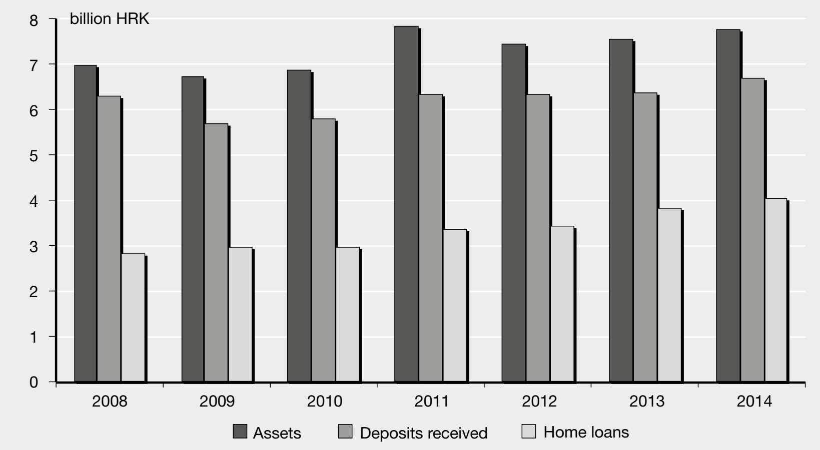


TABLE 1.12 Structure of housing savings bank assets, end of period, in million HRK and %

	Dec. 2012		Dec. 2013			Dec. 2014		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Money assets and deposits with the CNB	0.0	0.0	0.0	0.0	92.9	0.0	0.0	–48.1
Money assets	0.0	0.0	0.0	0.0	92.9	0.0	0.0	–48.1
Deposits with the CNB	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deposits with financial institutions	723.1	9.7	522.8	6.9	–27.7	434.1	5.6	–17.0
MoF treasury bills and CNB bills	594.1	8.0	435.9	5.8	–26.6	350.8	4.5	–19.5
Securities	2,056.4	27.6	2,256.5	29.8	9.7	2,481.2	31.9	10.0
Derivative financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans[a]	3,767.6	50.5	4,034.6	53.3	7.1	4,381.4	56.4	8.6
Loans to financial institutions	69.3	0.9	20.8	0.3	–70.0	141.6	1.8	580.6
Loans to other clients	3,698.3	49.6	4,013.8	53.1	8.5	4,239.7	54.5	5.6
Investments in subsidiaries, associates and joint ventures	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreclosed and repossessed assets	0.2	0.0	0.2	0.0	0.0	0.2	0.0	0.0
Tangible assets (net of depreciation)	5.3	0.1	3.9	0.1	–27.1	3.0	0.0	–22.1
Interest, fees and other assets	363.5	4.9	310.8	4.1	–14.5	124.4	1.6	–60.0
Net of: Collectively assessed impairment provisions[b]	54.1	0.7	–	–	–	–	–	–
TOTAL ASSETS	7,456.1	100.0	7,564.7	100.0	1.5	7,774.9	100.0	2.8

[a] As of October 2013, loan amount is reduced by the amount of collected fees (formerly recorded as deferred income in liabilities).
[b] As of October 2013, the amounts of financial instruments are reduced by the amount of the corresponding collectively assessed impairment provisions (for category A).

deposits of HRK 554.4m or 9.0%. In contrast to the year before, when loans received saw a substantial increase, the opposite trend was recorded in 2014, when loans received declined by HRK 78.8m or 33.5% (mostly on account of short-term loans received). In addition to deposits received, which accounted for 86.1% of housing savings bank liabilities, the bulk of the remaining share was accounted for by capital, which rose by 18.7%, reaching HRK 716.1m. The aforementioned increase in capital was based on a rise of 97.3% in current year profit; retained earnings also saw an increase, although at a slightly slower pace (31.9%).

Home loans, loans to financial institutions and securities increased on the assets side, while other items recorded a decline. The rise in the amount of securities was the result of investments in RC bonds, which increased by 10.0%, reaching HRK 2.5bn. With the share of 92.4% in total loans and 52.1% in assets, home loans were the most significant asset item, growing at the rate of 6.9% or HRK 262.7m in 2014. The asset items which recorded the largest fall were deposits with financial institutions (17.0% or HRK 88.8m) and T-bills (19.5% or HRK 85.2m).

Total foreign currency items and items in kuna accounted for 86.0% and 14.0% respectively in the

TABLE 1.13 Structure of housing savings bank liabilities and capital, end of period, in million HRK and %

	Dec. 2012		Dec. 2013			Dec. 2014		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
Loans from financial institutions	0.0	0.0	139.6	1.8	–	60.5	0.8	–56.7
Short-term loans	0.0	0.0	139.6	1.8	–	60.5	0.8	–56.7
Long-term loans	0.0	0.0	0.0	0.0	–	0.0	0.0	0.0
Deposits	6,344.9	85.1	6,359.0	84.1	0.2	6,694.3	86.1	5.3
Transaction account deposits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Savings deposits	160.7	2.2	223.8	3.0	39.3	4.7	0.1	–97.9
Time deposits	6,184.1	82.9	6,135.2	81.1	–0.8	6,689.6	86.0	9.0
Other loans	94.3	1.3	95.5	1.3	1.2	95.8	1.2	0.3
Short-term loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term loans	94.3	1.3	95.5	1.3	1.2	95.8	1.2	0.3
Derivative financial liabilities and other financial liabilities held for trading	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subordinated instruments issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid instruments issued	97.8	1.3	88.4	1.2	–9.6	83.4	1.1	–5.7
Interest, fees and other liabilities[a]	345.5	4.6	278.9	3.7	–19.3	124.9	1.6	–55.2
TOTAL LIABILITIES	6,882.4	92.3	6,961.4	92.0	1.1	7,058.8	90.8	1.4
Share capital	487.9	6.5	487.9	6.4	0.0	487.9	6.3	0.0
Current year profit (loss)	67.5	0.9	29.9	0.4	–55.7	58.9	0.8	97.3
Retained earnings (loss)	25.1	0.3	91.1	1.2	262.6	120.1	1.5	31.9
Legal reserves	6.7	0.1	8.2	0.1	22.8	9.0	0.1	10.0
Reserves provided for by the articles of association and other capital reserves	3.6	0.0	3.5	0.0	–1.2	–8.0	–0.1	–326.7
Revaluation reserves	–17.1	–0.2	–17.2	–0.2	0.7	48.1	0.6	–380.0
Previous year profit (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL CAPITAL	573.7	7.7	603.4	8.0	5.2	716.1	9.2	18.7
TOTAL LIABILITIES AND CAPITAL	7,456.1	100.0	7,564.7	100.0	1.5	7,774.9	100.0	2.8

[a] As of October 2013, the amount of granted loans in assets is reduced by the amount of fees collected on loans (formerly recorded as deferred income in liabilities).

currency structure of total assets at the end of 2014. Specifically, items in kuna with a currency clause constituted the majority of foreign currency assets. Items in kuna fell by HRK 78.9m or 6.8% in the reference year, while foreign currency items went up by HRK 289.1m or 4.5% (due to the increase in investments in securities). Moreover, total foreign currency items accounted for as much as 94.6% of total liabilities, mostly including items in kuna with a currency clause. Kuna liabilities accounted for 5.4% of total liabilities, trending down noticeably in 2014 (by HRK 140.6m or 27.0%).

Housing savings banks' standard off-balance sheet items amounted to HRK 33.3m at the end of the observed period, sliding by HRK 75.0m or 69.9% from 2013. Their ratio to total assets was very low, which is traditionally the case, standing at only 0.4%, and they comprised only credit lines and commitments, usually involving granted, but unrealised home loans.

1.3.2 Income statement

In 2014, housing savings banks generated HRK 71.4m in profit from continuing operations (before tax), 62.5% more than the year before (Table 1.14). The main cause of profit growth was the better performance in debt instrument trading, which included RC bonds and T-bills. All housing savings banks improved their business performance and operated at a profit, as opposed to 2013, when one housing savings bank operated at a loss.

TABLE 1.14 Housing savings bank income statement, in million HRK and %

	Amount		Change
	Jan. – Dec. 2013	Jan. – Dec. 2014	
CONTINUING OPERATIONS			
Interest income	337.6	353.8	4.8
Interest expenses	197.8	205.9	4.1
Net interest income	139.8	147.9	5.8
Income from fees and commissions	66.9	55.8	–16.6
Expenses on fees and commissions	9.0	8.8	–1.8
Net income from fees and commissions	58.0	47.0	–18.9
Income from equity investments	0.0	0.0	0.0
Gains (losses)	–5.3	20.0	–480.0
Other operating income	6.3	2.7	–57.1
Other operating expenses	23.7	25.3	6.8
Net other non-interest income	–22.6	–2.6	–88.6
Total operating income	175.1	192.3	9.8
General administrative expenses and depreciation	122.8	116.3	–5.3
Net operating income before loss provisions	52.3	76.0	45.4
Expenses on value adjustments and provisions	8.3	4.6	–44.3
Other gains (losses)	0.0	0.0	0.0
Profit (loss) from continuing operations, before taxes	43.9	71.4	62.5
Income tax on continuing operations	13.9	12.4	–10.7
Profit (loss) from continuing operations, after taxes	30.0	58.9	96.4
DISCONTINUED OPERATIONS			
Profit (loss) from discontinued operations, after taxes	–0.1	0.0	–100.0
Current year profit (loss)	29.9	58.9	97.3
Note: Number of housing savings banks operating with losses, before taxes	1	0	–100.0

In addition to the profit from trading in domestic securities in the amount of HRK 15.4m (as opposed to the HRK 7.3m in losses recorded in 2013), interest income, particularly interest income from home loans, had a significant and positive effect on the income statement of housing savings banks. It grew by HRK 18.8m or 10.0% as a result of a noticeable rise in home loans observed in 2014 (6.9%). Housing savings banks managed to cut general administrative expenses and depreciation (5.4%) and almost halve the expenses on value adjustments and provisions (mainly for losses on a collective basis). The cost to income ratio dropped from 70.1% to 60.5% and the loss provision expenses to net operating income ratio fell from 15.9% to 6.1%.

The substantial drop of HRK 11.1m or 18.9% in income from fees and commissions had a negative effect on business performance. The effect was due to the fall in income from fees and commissions pertaining to housing savings contracts. At the same time, interest expenses increased considerably (by HRK 8.2m or 4.1%) due to the growth in household deposits in 2014. ROAA and ROAE indicators grew from 0.6% and 5.1% at the end of 2013 to 0.9% and 8.9% respectively at the end of 2014.

1.3.3 Credit risk

In 2014, total housing savings bank placements and off-balance sheet liabilities (items exposed to credit risk that are classified into risk categories) decreased by 4.9%, to HRK 5.9bn. This was caused by a significant decrease in investments in debt securities and, partially, by a decline in standard off-balance sheet items, while loans, particularly home loans, recorded an increase. As 98.8% of home loans were classified into risk category A at the end of 2014, their quality was very good, as was the quality of total exposure owing to the dominance of household home loans and their excellent quality. Risk categories B and C accounted for only 1.2% of total placements and off-balance sheet liabilities of housing savings banks.

TABLE 1.15 Classification of housing savings bank placements and assumed off-balance sheet liabilities by risk categories, end of period, in million HRK and %

Risk category	Dec. 2012		Dec. 2013			Dec. 2014		
	Amount	Share	Amount	Share	Change	Amount	Share	Change
A	5,979.0	99.5	6,234.4	99.2	4.3	5,907.3	98.8	–5.2
B	29.7	0.5	48.3	0.8	62.7	67.1	1.1	38.9
C	2.7	0.0	3.8	0.1	42.7	5.4	0.1	41.1
Total	6,011.4	100.0	6,286.5	100.0	4.6	5,979.7	100.0	–4.9

At the end of 2014, at system level, housing savings banks accounted for HRK 4.1bn or 6.8% of home loans. In the distribution of loans according to sectors, loans to housing savings banks savers accounted for 92.4% of gross loans, while the remaining share was distributed between the sector of financial institutions and the corporate sector. The dominance of household home loans, granted at fixed interest rates, mainly in kuna indexed to the euro, continued to contribute positively to the high quality of total loans granted by housing savings banks. B and C category loans consisted only of home loans, with a share of 1.6% in total loans and 1.8% in home loans. The average coverage of B and C category loans by value adjustments increased slightly and stood at 23.5%.

TABLE 1.16 Coverage of housing savings bank total placements and assumed off-balance sheet liabilities by total value adjustments and provisions, end of period, in million HRK and %

	Dec. 2012	Dec. 2013	Dec. 2014
Total value adjustments against placements and provisions for assumed off-balance sheet liabilities	61.2	66.7	69.1
Value adjustments and provisions	6.7	12.1	17.5
Collectively assessed value adjustments and provisions	54.5	54.6	51.5
Total placements and assumed off-balance sheet liabilities	6,011.4	6,286.5	5,979.7
Coverage	1.0	1.1	1.2

1.3.4 Capital adequacy

At the end of 2014, the total capital ratio of housing savings banks was 23.5%, having increased noticeably from the end of 2013, when it stood at 20.5%. The ratio grew substantially as a result of both an increase in own funds and a decrease in risk exposure, with the latter, relating exclusively to a decrease in credit risk exposure, contributing significantly more to the trend. Reduced risk exposure was largely affected by the more favourable weighting in the retail category under the new capital regime. Exposures to market risks and operational risk grew[34], with the exposure arising from traded debt instruments standing out the most due to its substantial rate of growth (of 35.2%).

As was the case with banks, own funds of housing savings banks mostly comprised items of the highest quality, which is why the remaining two capital ratios were also high. The common equity tier 1 capital ratio stood at 21.3%, as did the tier 1 capital ratio. All housing savings banks met the prescribed minimum capital ratios. In order to meet capital buffer requirements, housing savings banks had to allocate HRK 104.7m of common equity tier 1 capital at the end of 2014, of which HRK 75.1m served as the capital conservation buffer and HRK 29.6m as the structural systemic risk buffer.

The decline in the average weight of credit risk from 36.2% at the end of 2013 to 32.9% at the end of 2014 contributed the most to the decrease in the exposure of housing savings banks to credit risk. Housing savings banks noticeably increased the use of weights of 75% and 35% for exposures secured by residential real estate, whereas the use of the 100% risk weight dropped. The 75% risk weight is the only weight envisaged for the retail category under the new regime, and the share of items weighted by 75% climbed from 17.8% to 29.5% of total weighted exposure35. Notwithstanding a marked improvement in the share of exposure weighted by 35%, from 11.3% to 17.0%, the least risky items, those carrying a 0% weight, continued to dominate, accounting for as much as 48.3% of total weighted exposure. This is a result of a large share in the balance sheets of housing savings banks being accounted for by investments in domestic central government securities.

34 Housing savings banks did not report the exposure to credit valuation adjustment risk.
35 All housing savings banks calculate exposure to credit risk by applying the standardised approach.

2 Notes on methodology

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

Tables

Table 1.1 Ownership structure of banks and their share in total bank assets

With respect to ownership structure, banks in the Republic of Croatia are divided into domestic and foreign-owned banks, with both direct and indirect ownership being the subject of oversight. Banks under domestic ownership are divided into private domestic banks and state-owned domestic banks. A bank is classified as a private domestic bank if it is majority owned by domestic natural and legal persons (which are not controlled by a foreign person), or as a state-owned domestic bank if it is majority owned by governmental units. A bank is classified as a foreign-owned bank if it is majority owned by foreign natural and legal persons or domestic legal persons, which are controlled by a foreign person.
Up to 31 December 2013, the source of data on the ownership structure of banks was report PD32 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013), and as of 31 December 2014, the source of data is report PD32 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014).
The source of data on the amount of bank assets is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.2 Territorial distribution of operating units and ATMs by counties

The total number of operating units and the total number of ATMs of all banks in the Republic of Croatia are classified by counties. Data for the City of Zagreb are included in the data for Zagreb County.
Up to 31 December 2013, the source of data on the number of operating units and ATMs of banks were bank reports prescribed by the Decision on the obligation to submit the report on payment operations data (OG 189/2004 and 127/2009), and as of 31 December 2014, data are submitted in accordance with the Decision on the obligation to submit payment operations and electronic money data (OG 147/2013).

Table 1.3 Structure of bank assets

This table shows bank asset items, the share of each item in total assets of all banks and the change in the balance relative to the balance at the end of the previous period.
As of 31 October 2013, loan amount is reduced by the amount of collected fees (formerly recorded as deferred income in liabilities) and the amounts of financial instruments are reduced by the amount of the corresponding collectively assessed impairment provisions (for category A).
The source of data on the amount of bank assets is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting

(OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.4 Structure of bank liabilities and capital

This table shows bank liabilities and capital items, the share of each item in total liabilities and capital of all banks and the change in the balance relative to the balance at the end of the previous period.
As of 31 October 2013, the amount of granted loans in assets is reduced by the amount of fees collected on loans (formerly recorded as deferred income in liabilities). The source of data on the amount of bank liabilities and capital is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.5 Bank income statement

This table shows bank income statement items and the rates of change relative to the same period of the previous year.
As at 31 December 2013, the source of data on income statement was report RN compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013), and as at 31 December 2014, the source of data was report RN compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014).

Table 1.6 Classification of bank placements and assumed off-balance sheet liabilities by risk categories

This table shows the placements and assumed off-balance sheet liabilities of banks (gross) by risk categories and the relevant amounts of placement value adjustments and provisions for off-balance sheet items. The coverage is the ratio between value adjustments/provisions and placements and assumed off-balance sheet liabilities.
As at 31 December 2012, the source of data on the classification of placements and assumed off-balance sheet liabilities were reports RS2 and PIV2, and as at 31 December 2013, the source of data were reports RS3 and PIV3 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013). As at 31 December 2014, the source of data were reports RS3 and PIV3 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014).

Table 1.7 Bank loans

This table shows the loan amounts (gross), the amounts of partly recoverable and fully irrecoverable loans (gross) and value adjustments of partly recoverable and fully irrecoverable loans for selected sectors and types of household loans. Loans include exclusively loans distributed in the loans and receivables category, and household loans include loans to non-profit institutions serving households.
As of 31 October 2013, loan amount is reduced by the amount of collected fees (formerly recorded as deferred income in liabilities).
As at 31 December 2012, the source of data on bank loans and value adjustments was report RS2, and as at 31 December 2013, the source of data was report RS3 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013). As at 31 December 2014, the source of data

was report RS3 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014). The distribution of exposure by institutional sectors is conducted by the CNB in accordance with the European System of Accounts 1995 (ESA 95), based on reports submitted by banks in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014).

Table 1.8 Structure of bank sources of financing

This table shows the structure of the sources of financing by instruments. The amount and the share of the sources of financing from majority foreign owner are shown separately.
The source of data on the sources of financing are forms BS2–2, BS/DEP2–8 and BS/OK2–9 from the statistical report, which are based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.9 Sectoral structure of received loans

The amount of loans received from institutional sectors and their shares in total received loans are shown for all banks. The amount and the share of loans of the majority foreign owner are shown separately.
The source of data on the received loans of banks is form BS/OK2–9 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.10 Interest rate risk in the non-trading book

This table shows the change in the economic value of the non-trading book (by currency and interest rate type), own funds, the ratio between the change in the economic value of the non-trading book and own funds and the rates of change relative to the same period of the previous year.
Interest rate risk in the non-trading book is measured by a change in its economic value in the conditions of a standard interest rate shock. A standard interest rate shock is a parallel shift in interest rates of 200 basis points. A change in the economic value of the non-trading book is calculated as a sum total of net weighted positions across all time zones, for each major currency individually (a currency that constitutes over 5% of the total balance sheet assets) and for other currencies on an aggregate basis. The ratio between the change in the economic value and bank own funds must not exceed 20%.
As at 31 December 2013, the source of data on the interest rate risk in the non-trading book were forms EVKI FKS, EVKI PKS, EVKI AKS and EVKI ZBR (Decision on the management of interest rate risk in the non-trading book, OG 2/2010, 34/2010 and 37/2012), and as at 31 December 2014, the source of data were forms EVKI FKS, EVKI PKS, EVKI AKS and EVKI ZBR (Decision on the management of interest rate risk in the non-trading book, OG 41A/2014 and 47/2014).

Table 1.11 Own funds, risk exposure and capital ratios of banks

This table shows the structure of own funds and total risk exposure and the capital ratio at the end of the reporting period.
Reports C 01.00, C 02.00 and C 03.00 (Decision implementing Commission Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013, OG 84/2014 and 116/2014) are the source of data on own funds, risk exposure and capital ratios of banks.

Table 1.12 Structure of housing savings bank assets

This table shows asset items of housing savings banks, the share of each item in total assets of all housing savings banks and the change in the balance relative to the balance at the end of the previous period.
As of 31 October 2013, loan amount is reduced by the amount of collected fees (formerly recorded as deferred income in liabilities) and the amounts of financial instruments are reduced by the amount of the corresponding collectively assessed impairment provisions (for category A).
The source of data on the amount of assets of housing savings banks is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.13 Structure of housing savings bank liabilities and capital

This table shows liabilities and capital items of housing savings banks, the share of each item in total liabilities and capital of all housing savings banks and the change in the balance relative to the balance at the end of the previous period.
As of 31 October 2013, the amount of granted loans in assets is reduced by the amount of fees collected on loans (formerly recorded as deferred income in liabilities).
The source of data on the amount of liabilities and capital of housing savings banks is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Table 1.14 Housing savings bank income statement

This table shows the amounts of income statement items of housing savings banks and the rates of change relative to the same period of the previous year.
As at 31 December 2013, the source of data on income statement was report RN compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013), and as at 31 December 2014, the source of data was report RN compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014).

Table 1.15 Classification of housing savings bank placements and assumed off-balance sheet liabilities by risk categories

This table shows the placements and assumed off-balance sheet liabilities of housing savings banks (gross) by risk categories and their share in the total placements and assumed off-balance sheet liabilities classified into risk categories.
As at 31 December 2012, the source of data on the classification of placements and assumed off-balance sheet liabilities were reports RS2 and PIV2, and as at 31 December 2013, the source of data were reports RS3 and PIV3 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013). As at 31 December 2014, the source of data were reports RS3 and PIV3 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014).

Table 1.16 Coverage of housing savings bank total placements and assumed off-balance sheet liabilities by total value adjustments and provisions

The coverage is calculated by adding up placement value adjustments and provisions for assumed off-balance sheet liabilities (for risk categories B and C) and collectively assessed placement value adjustments and provisions for assumed off-balance sheet liabilities (for risk category A) and by dividing the amount thus obtained by the amount of total placements and assumed off-balance sheet liabilities.

As at 31 December 2012, the source of data on the coverage of housing savings bank total placements and assumed off-balance sheet liabilities by total value adjustments and provisions were reports RS2 and PIV2, and as at 31 December 2013, the source of data were reports RS3 and PIV3 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013). As at 31 December 2014, the source of data were reports RS3 and PIV3 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014).

Figures

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

This figure shows the shares of the two largest banks, the five largest banks and the ten largest banks in total assets, loans and deposits of all banks. The criterion for selecting the two largest banks, the five largest banks and the ten largest banks is the size of their assets.

The source of data on the amount of bank assets, loans and deposits is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.2 Herfindahl-Hirschman Index (HHI)

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

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

Granted loans and received deposits concentration indices are calculated by applying the same formula. The Herfindahl-Hirschman index can vary from 0 (perfectly competitive industry) to 10000 (monopoly).

Up to 31 December 2010, the source of data on the amount of bank assets, granted loans and received deposits was form BS1–2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013), and as of 31 December 2011, the source of data is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.3 Concentration of bank operating units and ATMs by counties

This figure shows in horizontal lines the relative share of the number of operating units and ATMs of banks by counties at the end of the reporting period. Data for the City of Zagreb are included in the data for Zagreb County.
Data submitted in accordance with the Decision on the obligation to submit payment operations and electronic money data (OG 147/2013) are the source of data on the number of operating units and ATMs of banks.

Figure 1.4 Bank assets

This figure shows the bank assets, the amount of individual items and the rates of change in assets. Bank asset items consist of five positions: money assets and deposits with the CNB, deposits (with financial 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).
As of 31 October 2013, loan amount is reduced by the amount of collected fees (formerly recorded as deferred income in liabilities) and the amounts of financial instruments are reduced by the amount of the corresponding collectively assessed impairment provisions (for category A).
Up to 31 December 2010, the source of data on the amount of bank assets was form BS1–2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013), and as of 31 December 2011, the source of data is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.5 Bank liabilities and capital

This figure shows the bank liabilities and capital, the amount of individual items and the rates of change in liabilities and capital. Bank liabilities and capital items consist of five positions: deposits (transaction 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.
As of 31 October 2013, the amount of granted loans in assets is reduced by the amount of fees collected on loans (formerly recorded as deferred income in liabilities).
Up to 31 December 2010, the source of data on the amount of bank liabilities and capital was form BS1–2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013), and as of 31 December 2011, the source of data is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.6 Bank standard off-balance sheet items

This figure shows the bank standard off-balance sheet items, the amount of individual items and the rates of change in standard off-balance sheet items.
Up to 31 December 2009, the source of data on the amount of bank standard off-balance sheet items was form BS/IBS1–3 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013). From 31 December 2010 to 31 December 2013, the source of data was report IBS compiled in accordance with the Decision on supervisory reports of credit institutions

(OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013), and as of 31 December 2014, the source of data is report IBS compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014).

Figure 1.7 Bank derivative financial instruments (notional amount)

This figure shows derivative financial instruments (notional amount), the amount of individual items and the rates of change in derivative financial instruments.
Up to 31 December 2009, the source of data on the amount of bank derivative financial instruments was form BS/IBS1–3 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013). From 31 December 2010 to 31 December 2013, the source of data was report IBS compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013), and as of 31 December 2014, the source of data is report IBS compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014).

Figure 1.8 Bank income before taxes

This figure shows the amount of profit (loss) before taxes and the amount of other income statement items. As of 31 December 2012, data on the profit (loss) before taxes refers exclusively to the profit (loss) from continuing operations (before taxes).
Up to 31 December 2011, the source of data on the amount of bank profit (loss) before taxes was form RDG1–1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013). From 31 December 2012 to 31 December 2013, the source of data was report RN compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013), and as of 31 December 2014, the source of data is report RN compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014).

Figure 1.9 Structure of bank operating income

The columns show the share of net interest income, net income from fees and commissions and net other non-interest income in total bank operating income.
Up to 31 December 2011, the source of data on operating income was form RDG1–1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013). From 31 December 2012 to 31 December 2013, the source of data was report RN compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013), and as of 31 December 2014, the source of data is report RN compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014).

Figure 1.10 Bank return on average assets (ROAA) and return on average equity (ROAE)

The return on average assets is calculated as a ratio between income before taxes (on an annual level) and average bank assets. The average assets is 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.
The return on average equity is calculated as a ratio between income after taxes (on an annual level) and average bank equity. The average equity 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.
Up to 31 December 2011, the source of data on the amount of bank profit (loss) before taxes and the amount of bank profit (loss) after taxes was form RDG1–1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013). From 31 December 2012 to 31

December 2013, the source of data was report RN compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013), and as of 31 December 2014, the source of data is report RN compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014). As of 31 December 2012, data on the profit (loss) before taxes refers exclusively to the profit (loss) from continuing operations (before taxes).

Up to 31 December 2010, the source of data on the amount of bank assets and equity was form BS1–2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013), and as of 31 December 2011, the source of data is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.11 Income from interest-bearing assets and expenses on interest-bearing liabilities

Income from interest-bearing assets is the ratio between total interest income (on an annual level) and average interest-bearing assets. Expenses on interest-bearing liabilities are the ratio between total interest expenses (on an annual level) and average interest-bearing liabilities. The spread is the difference between the share of interest income in the average interest-bearing assets and the share of interest expenses in the average interest-bearing liabilities.

Interest-bearing assets comprise deposits with the CNB, deposits with financial institutions, debt securities, 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.

Up to 31 December 2011, the source of data on income from interest-bearing assets and expenses on interest-bearing liabilities was form RDG1–1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013). From 31 December 2012 to 31 December 2013, the source of data was report RN compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013), and as of 31 December 2014, the source of data is report RN compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014). As of 31 December 2012, data on the profit (loss) before taxes refers exclusively to the profit (loss) from continuing operations (before taxes).

Up to 31 December 2010, the source of data on interest-bearing assets and interest-bearing liabilities was form BS1–2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013), and as of 31 December 2011, the source of data is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.12 Bank cost efficiency

This figure shows the asset to employee ratio and the ratio of general operating expenses (general administrative expenses and depreciation) to operating income.

The source of data on the number of employees are reports submitted by banks in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014).

Up to 31 December 2011, the source of data on general operating expenses and operating income was form RDG1–1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013). From 31 December 2012 to 31 December 2013, the source of data was report RN compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013), and as of 31 December 2014, the source of data is report RN compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014).
Up to 31 December 2010, the source of data on the amount of bank assets was form BS1–2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013), and as of 31 December 2011, the source of data is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.13 Structure of bank placements and assumed off-balance sheet liabilities

This figure shows the structure of exposure to credit risk (gross) of balance sheet (placements) and off-balance sheet items. The placements are divided into the loans and receivables category and into the category of financial assets held to maturity, with claims from interest and fees being covered under the item interest and fee receivables. The structure of the loans and receivables category is shown by instruments.
Report RS3 (Decision on supervisory reports of credit institutions, OG 41A/2014 and 127/2014) is the source of data on the structure of placements and assumed off-balance sheet liabilities of banks.

Figure 1.14 Rates of change of bank loans

As regards loans to selected sectors and total loans (gross), the figure shows the rates of change relative to the balance at the end of the previous period. As of 31 March 2010, loans include exclusively loans distributed in the loans and receivables category, and household loans include loans to non-profit institutions serving households. As of 31 October 2013, loan amount is reduced by the amount of collected fees (formerly recorded as deferred income in liabilities).
Up to 31 December 2009, the source of data on bank loans was form RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006). From 31 December 2010 to 31 December 2012, the source of data was report RS2, and as at 31 December 2013, the source of data was report RS3 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013). As of 31 December 2014, the source of data is report RS3 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014).
As of 31 December 2010, the distribution of exposure by institutional sectors is conducted by the CNB in accordance with the European System of Accounts 1995 (ESA 95), based on reports submitted by banks in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014).

Figure 1.15 Structure of bank loans to corporates by activities

This figure shows the structure of bank loans to corporates (gross) by activities at the end of the reporting period. The distribution of exposure by activities and institutional sectors is conducted by the CNB in accordance with the National Classification of Economic Activities 2007, and the European System of Accounts 1995 (ESA 95), based on reports submitted by banks in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014).

Figure 1.16 Structure of bank partly recoverable and fully irrecoverable loans to corporates by activities

This figure shows the structure of bank partly recoverable and fully irrecoverable loans to corporates (gross) by activities at the end of the reporting period. The distribution of exposure by activities and institutional sectors is conducted by the CNB in accordance with the National Classification of Economic Activities 2007, and the European System of Accounts 1995 (ESA 95), based on reports submitted by banks in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014).

Figure 1.17 Share of bank partly recoverable and fully irrecoverable loans

The total partly recoverable and fully irrecoverable loans (gross) of banks are expressed as a share of total bank loans (gross). Shown are the selected sectors at the end of the reporting period. As of 31 December 2010, loans include exclusively loans distributed in the loans and receivables portfolio and household loans include loans to non-profit institutions serving households. As of 31 October 2013, loan amount is reduced by the amount of collected fees (formerly recorded as deferred income in liabilities).

Up to 31 December 2009, the source of data on bank loans was form RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006). From 31 December 2010 to (including) 31 December 2012, the source of data was report RS2, and as at 31 December 2013, the source of data was report RS3 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013). As of 31 December 2014, the source of data is report RS3 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014).

As of 31 December 2010, the distribution of exposure by institutional sectors is conducted by the CNB in accordance with the European System of Accounts 1995 (ESA 95), based on reports submitted by banks in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014).

Figure 1.18 Sectoral structure of received deposits

This figure shows the share of an individual institutional sector in transaction account deposits, savings deposits, time deposits and total deposits.

The source of data on received deposits is form BS/DEP2–8 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.19 Household deposits

This figure shows total household deposits at the end of reporting period and the rates of change relative to the balance at the end of the previous period.

Up to 31 December 2010, the source of data on household deposits was form BS/DEP1–8 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013), and as of 31 December 2011, the source of data is form BS/DEP2–8 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.

Figure 1.20 Bank liquidity indicators

Total bank loans granted (net amount) are expressed as a share of total deposits received at the end of the reporting period. Total bank loans received are as expressed as a share of total bank assets at the end of reporting period.
Up to 31 December 2010, the source of data on the amount of loans granted and assets and received loans and deposits of banks was form BS1–2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013), and as of 31 December 2011, the source of data is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls

Figure 1.21 Asset and liability maturity match or mismatch

The maturity match or mismatch between assets and liabilities is shown by remaining maturity and on a net basis. The structure of assets by remaining maturity is calculated as a ratio between assets classified by remaining maturity terms and total assets at the end of the reporting period. The liabilities by remaining maturity are calculated as a ratio between liabilities classified by remaining maturity terms and total liabilities at the end of the reporting period. The net balance sheet position (gap) shows the mismatch between the maturity structures of assets and liabilities and represents the difference between assets and liabilities classified by remaining maturity terms.
Report ROC1 (Decision on supervisory reports of credit institutions, OG 41A/2014 and 127/2014) is the source of data on the assets and liabilities classified by remaining maturity terms.

Figure 1.22 Minimum liquidity coefficient for period up to one month

Minimum liquidity coefficient (MLC) for period up to one month is calculated as the ratio between the expected inflows (readily negotiable assets included) and the expected outflows in the given period. MLC is calculated for kuna, all convertible currencies combined and for each non-convertible currency separately (where outflows in an individual non-convertible currency account for over 1% of the total assets of a credit institution). MLC has to equal or be greater than 1 on each day. By way of exception, in the period from 1 May 2012 to 30 June 2013, credit institutions had to meet the minimum liquidity coefficient on a collective basis, i.e. for both kuna and all convertible currencies combined.
Up to 31 January 2014, the source of data on MLC was form KL compiled in accordance with the Decision on liquidity risk management (OG 2/2010, 73/2011, 47/2012, 142/2012 and 60/2013), and as of 28 February 2014 the source of data is form KL compiled in accordance with the Decision on liquidity risk management (OG 20/2014 and 41A/2014).

Figure 1.23 Foreign exchange position of banks

The ratio of bank long foreign exchange position (f/c claims exceeding f/c liabilities) to own funds and the ratio of bank short foreign exchange position (f/c liabilities exceeding f/c claims) to own funds is calculated by dividing the sum of the quarterly average long foreign exchange positions of banks and the sum of the quarterly average short foreign exchange positions of banks by own funds of banks.
Up to 29 June 2011, the source of data on the long and short foreign exchange position was form VR-2 (Decision on the limitation of bank exposure to foreign exchange risk, OG 17/2003, 39/2006, 130/2006 and 25/2009 and Decision on foreign exchange risk exposure limits of credit institutions, OG 38/2010). From 30 June 2011 to 29 June 2014, the source of data on the long and short foreign exchange position was form VR compiled in accordance with the Decision on foreign exchange risk exposure limits of credit institutions (OG 38/2010, 62/2011 and 128/2013), and as of 30 June 2014, the source of data is form VR compiled in accordance with the Decision on reporting on foreign-exchange risk exposure of credit institutions (OG 66/2014). Up to 31 December 2009, the source of data on own funds was form JK2 (Instructions for the uniform implementation of the Decision on the capital

adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009), and from 31 March 2010 to 31 December 2013, the source of data was form JKAP (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012). As of 31 March 2014, the source of data on own funds is report C 01.00 (Decision implementing Commission Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 (OG 84/2014 and 116/2014).

Figure 1.24 Bank total capital ratio

The total capital ratio (up to 31 December 2013, the capital adequacy ratio) is calculated as a ratio between total bank own funds and total risk exposure. Up to 31 December 2009, the total risk exposure was calculated as the sum of assets weighted by credit risk (including risky and derivative off-balance sheet items weighted by credit risk), increased by total foreign exchange position exposure to currency risk, capital requirements for position risks (multiplied by 10), capital requirements for settlement risk and capital requirements for counterparty risk (multiplied by 10), and capital requirements for exceeding the permissible exposure limits (multiplied by 10). Up to 31 December 2013, the total risk exposure was calculated as the sum of exposures to credit, counterparty credit and dilution risks and free deliveries, increased by the initial capital requirements for settlement/delivery risk (multiplied by 12.5), the initial capital requirements for position, foreign exchange and commodity risk (multiplied by 12.5), the initial capital requirements for exceeding the permissible exposure limits (multiplied by 12.5) and the initial capital requirements for operational risk (multiplied by 12.5). As of 31 March 2014, the total risk exposure is calculated as the sum of credit risk exposure (including exposures to counterparty credit and dilution risks and free deliveries), settlement/delivery risk exposure, position, foreign exchange and commodities risk exposure, operational risk exposure, additional risk exposure amount due to fixed overheads, credit valuation adjustment risk exposure and total risk exposure amount related to large exposures in the trading book.
From 1 January 2010 to 31 December 2013, the banks had to maintain a minimum capital adequacy ratio of 12% (previously 10%). As of 1 January 2014, the total capital ratio is set at 8%.
Up to 31 December 2009, the source of data on the capital adequacy of banks was form SAK (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009), and up to 31 December 2013, the source of data was form SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009, 2/2010 and 37/2012). As of 31 March 2014, reports C 01.00, C 02.00 and C 03.00 (Decision implementing Commission Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013, OG 84/2014 and 116/2014) are the source of data on own funds, total risk exposure and capital ratios.

Figure 1.25 Structure of bank total risk exposure

The bank total risk exposure comprises the following: credit risk exposure (including exposures to counterparty credit and dilution risks and free deliveries), settlement/delivery risk exposure, position, foreign exchange and commodities risk exposure, operational risk exposure, additional risk exposure amount due to fixed overheads, credit valuation adjustment risk exposure and total risk exposure amount related to large exposures in the trading book.
The source of data on the total risk exposure is report C 02.00 (Decision implementing Commission Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013, OG 84/2014 and 116/2014).

Figure 1.26 Distribution of the bank total capital ratio (TCR)

This figure shows the share of bank assets in the total assets of banks and the number of banks in

which the total capital ratio is within the selected buckets of the total capital ratio.
The source of data on the amount of bank assets is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls.
The source of data on the total capital ratio is report C 03.00 (Decision implementing Commission Implementing Regulation (EU) No 680/2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013, OG 84/2014 and 116/2014).

Figure 1.27 Assets, deposits and home loans of housing savings banks

This figure shows the amount of assets, received deposits and granted home loans (gross) of housing savings banks.
Up to 31 December 2009, the source of data on home loans of housing savings banks was form RS1 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006). From 31 December 2010 to (including) 31 December 2012, the source of data was report RS2, and as at 31 December 2013, the source of data was report RS3 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 35/2010, 81/2010, 146/2010, 68/2011, 147/2011, 37/2012, 67/2013, 121/2013 and 157/2013). As of 31 December 2014, the source of data is report RS3 compiled in accordance with the Decision on supervisory reports of credit institutions (OG 41A/2014 and 127/2014).
Up to 31 December 2010, the source of data on the amount of assets and received deposits of housing savings banks was form BS1–2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004, 60/2006 and 40/2013), and as of 31 December 2011, the source of data is form BS2–2 from the statistical report, which is based on the data submitted in accordance with the Decision on statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010, 68/2011, 37/2012, 121/2013, 41A/2014 and 127/2014) and compiled according to mapping rules: http://www.hnb.hr/statistika/agregirano-izvjesce/h-pravila-mapiranja-mjesecnog-asi.xls

3 List of credit institutions

The list of credit institutions contains contact data and data on members of management and supervisory boards, shareholders and auditors of credit institutions. The key financial data and the total capital ratio are given for all institutions.

Data on shareholders who hold 3% or more of share in the share capital of an institution (with a maximum of top ten shareholders), and financial and total capital ratio data are as at 31 December 2014. They are based on unconsolidated audited reports submitted to the Croatian National Bank by credit institutions.

Data on members of management and supervisory boards are as at 1 June 2015.

Data on auditors relate to the audits performed in 2014.

BANKA KOVANICA d.d.

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Management board
Nicola Ceccaroli – chairperson, Darko Kosovec[1]

Supervisory board
Fabiomassimo Mango – chairperson, Ivan Majdak, Emanuele Restelli Prandoni Della Fratta[2], Mladen Vedriš, Marino Albani

Shareholders	Share in share capital (%)
1. Cassa di Risparmio della Repubblica di San Marino S.p.A.	99.67

Audit firm for 2014:
PricewaterhouseCoopers d.o.o., Zagreb

Balance sheet as at 31 December 2014, in thousand HRK

Assets	
Money assets	15,677
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	72,356
Loans and receivables (financial leasing included)	1,000,266
Deposits with the CNB	131,671
Deposits made (except deposits with the CNB)	109,846
Debt securities	0
Loans and receivables	758,750
Held-to-maturity investments	998
Derivatives – hedge accounting	325
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	53,401
Intangible assets	3,611
Investments in associates, subsidiaries and joint ventures	141
Tax assets	5,532
Non-current assets and disposal groups classified as held for sale	0
Other assets	1,081
Memorandum item: Collectively assessed impairment provisions	9,076
Total assets	**1,153,390**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	1,044,079
Electronic money	0
Transaction accounts	20,089
Savings deposits	82,679
Time deposits	894,286
Other received deposits	0
Received loans	32,099
Debt securities issued	0
Hybrid and subordinated instruments	14,925
Other financial liabilities measured at amortised cost	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	1,358
Tax liabilities	76
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	7,521
Total liabilities	**1,053,034**
Share capital	409,516
Revaluation reserves	–408
Reserves	2,261
Less: Treasury shares	38
Retained earnings (loss)	–297,491
Previous year profit (loss)	0
Current year profit (loss)	–13,484
Total equity	**100,356**
Total liabilities and equity	**1,153,390**

Income statement for 2014, in thousand HRK

Continuing operations	
Interest income	79,590
Interest expenses	36,400
Net interest income	43,190
Income from fees and commissions	6,127
Expenses on fees and commissions	1,278
Net income from fees and commissions	4,849
Income from equity investments	5
Gains (losses)	1,405
Other operating income	0
Other operating expenses	4,405
Net other non-interest income	–2,994
Total operating income	45,044
Expenses on value adjustments and provisions	42,643
Net operating income before loss provisions	2,401
Expenses on value adjustments and provisions	20,012
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–17,611
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–17,611
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	4,127
Current year profit (loss)	**–13,484**

Off-balance sheet items as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	7,678
Uncovered letters of credit	5,079
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	18,565
Other standard risky off-balance sheet items	5,438
Total standard off-balance sheet items	**36,761**

Derivative financial instruments	
Options	0
Swaps	0
Forwards	28,745
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**28,745**

Total capital ratio, in % as at 31 December 2014

12.55

1 Approval by the CNB was granted on 11 June 2015.
2 Approval by the CNB was granted on 6 June 2015.

BANKA SPLITSKO-DALMATINSKA d.d.

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Management board
Ivo Krolo – chairperson, Irena Kalebić Bašić

Supervisory board
Ivan Filipović – chairperson, Nediljko Ivančević, Joško Dvornik

Shareholders	Share in share capital (%)
1. Juroslav Buljubašić	46.29
2. Irena Kalebić Bašić	9.58
3. Venći Čulić Meić	9.22
4. Anita Juretić	7.50
5. Treasury shares	6.52
6. Joško Dvornik	5.75
7. Mirko Vukušić	4.04
8. Jakiša Medić	3.02

Audit firm for 2014:
Revizija Zubin d.o.o., Split

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	14,498
Financial assets held for trading	957
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	3,769
Loans and receivables (financial leasing included)	385,722
Deposits with the CNB	37,694
Deposits made (except deposits with the CNB)	20,921
Debt securities	0
Loans and receivables	327,107
Held-to-maturity investments	26,660
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	16,236
Intangible assets	2,551
Investments in associates, subsidiaries and joint ventures	0
Tax assets	436
Non-current assets and disposal groups classified as held for sale	0
Other assets	643
Memorandum item: Collectively assessed impairment provisions	3,910
Total assets	**451,472**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	395,829
Electronic money	0
Transaction accounts	28,197
Savings deposits	15,310
Time deposits	347,116
Other received deposits	995
Received loans	0
Debt securities issued	0
Hybrid and subordinated instruments	4,211
Other financial liabilities measured at amortised cost	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	365
Tax liabilities	46
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	2,485
Total liabilities	**398,725**
Share capital	48,602
Revaluation reserves	–424
Reserves	5,067
Less: Treasury shares	3,955
Retained earnings (loss)	2,815
Previous year profit (loss)	0
Current year profit (loss)	642
Total equity	**52,747**
Total liabilities and equity	**451,472**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	31,961
Interest expenses	12,165
Net interest income	19,796
Income from fees and commissions	3,912
Expenses on fees and commissions	886
Net income from fees and commissions	3,026
Income from equity investments	419
Gains (losses)	2,325
Other operating income	142
Other operating expenses	2,234
Net other non-interest income	652
Total operating income	23,474
Expenses on value adjustments and provisions	20,808
Net operating income before loss provisions	2,666
Expenses on value adjustments and provisions	1,533
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	1,133
Income tax on continuing operations	270
Profit (loss) from continuing operations, after taxes	863
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	–221
Current year profit (loss)	**642**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,886
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	3,271
Margin credit lines	0
Other credit lines and commitments	0
Other standard risky off-balance sheet items	47
Total standard off-balance sheet items	**5,204**

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

Total capital ratio, in %
as at 31 December 2014

14.77

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Management board
Goran Rameša – chairperson, Christian Peter Pettinger

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

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

Audit firm for 2014:
Ernst & Young d.o.o., Zagreb

Balance sheet as at 31 December 2014, in thousand HRK

Assets	
Money assets	4,142
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	42,506
Available-for-sale financial assets	523
Loans and receivables (financial leasing included)	1,199,636
Deposits with the CNB	133,580
Deposits made (except deposits with the CNB)	156,033
Debt securities	0
Loans and receivables	910,023
Held-to-maturity investments	34,966
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	23,213
Intangible assets	6,140
Investments in associates, subsidiaries and joint ventures	0
Tax assets	1,259
Non-current assets and disposal groups classified as held for sale	0
Other assets	273
Memorandum item: Collectively assessed impairment provisions	12,160
Total assets	**1,312,658**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	1,104,274
Electronic money	0
Transaction accounts	138,255
Savings deposits	2,700
Time deposits	539,782
Other received deposits	278
Received loans	423,168
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	90
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	3,851
Tax liabilities	260
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	2,546
Total liabilities	1,110,930
Share capital	200,000
Revaluation reserves	1
Reserves	537
Less: Treasury shares	0
Retained earnings (loss)	0
Previous year profit (loss)	0
Current year profit (loss)	1,190
Total equity	**201,728**
Total liabilities and equity	**1,312,658**

Income statement for 2014, in thousand HRK

Continuing operations	
Interest income	55,872
Interest expenses	20,685
Net interest income	35,187
Income from fees and commissions	5,341
Expenses on fees and commissions	1,323
Net income from fees and commissions	4,018
Income from equity investments	0
Gains (losses)	2,041
Other operating income	992
Other operating expenses	2,256
Net other non-interest income	777
Total operating income	39,982
Expenses on value adjustments and provisions	29,849
Net operating income before loss provisions	10,134
Expenses on value adjustments and provisions	9,124
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	1,009
Income tax on continuing operations	–181
Profit (loss) from continuing operations, after taxes	1,190
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**1,190**

Off-balance sheet items as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	38,388
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	12,247
Margin credit lines	0
Other credit lines and commitments	52,850
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**103,484**

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

Total capital ratio, in % as at 31 December 2014

17.73

CROATIA BANKA d.d.

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Management board
Suzana Brenko – chairperson, Ivan Šverko, Stjepan Mandić

Supervisory board
Ratko Bajakić – chairperson, Mladen Duliba, Branka Grabovac, Maruška Vizek, Josip Lozančić

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

Audit firm for 2014:
PricewaterhouseCoopers d.o.o., Zagreb

Balance sheet as at 31 December 2014, in thousand HRK

Assets	
Money assets	25,994
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	593,629
Loans and receivables (financial leasing included)	2,248,217
Deposits with the CNB	227,826
Deposits made (except deposits with the CNB)	80,136
Debt securities	1,824
Loans and receivables	1,938,431
Held-to-maturity investments	61,173
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	83,986
Intangible assets	2,529
Investments in associates, subsidiaries and joint ventures	0
Tax assets	21,676
Non-current assets and disposal groups classified as held for sale	0
Other assets	404
Memorandum item: Collectively assessed impairment provisions	20,620
Total assets	**3,037,607**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	2,796,368
Electronic money	0
Transaction accounts	541,255
Savings deposits	25,011
Time deposits	2,007,136
Other received deposits	19,196
Received loans	203,431
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	340
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	9,299
Tax liabilities	612
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	31,159
Total liabilities	**2,837,438**
Share capital	474,600
Revaluation reserves	2,609
Reserves	0
Less: Treasury shares	0
Retained earnings (loss)	–280,960
Previous year profit (loss)	0
Current year profit (loss)	3,919
Total equity	**200,169**
Total liabilities and equity	**3,037,607**

Income statement for 2014, in thousand HRK

Continuing operations	
Interest income	142,534
Interest expenses	77,772
Net interest income	64,762
Income from fees and commissions	10,615
Expenses on fees and commissions	5,063
Net income from fees and commissions	5,552
Income from equity investments	0
Gains (losses)	10,817
Other operating income	8,811
Other operating expenses	4,863
Net other non-interest income	14,765
Total operating income	85,079
Expenses on value adjustments and provisions	71,145
Net operating income before loss provisions	13,934
Expenses on value adjustments and provisions	8,799
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	5,136
Income tax on continuing operations	1,217
Profit (loss) from continuing operations, after taxes	3,919
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**3,919**

Off-balance sheet items as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	47,842
Uncovered letters of credit	7,640
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	154,715
Margin credit lines	0
Other credit lines and commitments	18,388
Other standard risky off-balance sheet items	29,121
Total standard off-balance sheet items	**257,706**

Derivative financial instruments	
Options	4,822
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**4,822**

Total capital ratio, in % as at 31 December 2014

13.29

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Management board
Christoph Schoefboeck – chairperson, Boris Centner, Slađana Jagar, Zdenko Matak, Martin Hornig

Supervisory board
Andreas Gottschling – chairperson, Sava Ivanov Dalbokov, Franz Kerber, Hannes Frotzbacher, Reinhard Ortner, Judit Agnes Havasi, Renate Veronika Ferlitz

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

Audit firm for 2014:
Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	949,200
Financial assets held for trading	478,480
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	6,692,650
Loans and receivables (financial leasing included)	48,432,923
Deposits with the CNB	6,477,389
Deposits made (except deposits with the CNB)	1,876,990
Debt securities	142,837
Loans and receivables	39,935,707
Held-to-maturity investments	1,288,039
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	818,349
Intangible assets	47,716
Investments in associates, subsidiaries and joint ventures	1,358,517
Tax assets	103,357
Non-current assets and disposal groups classified as held for sale	0
Other assets	10,598
Memorandum item: Collectively assessed impairment provisions	350,971
Total assets	**60,179,829**

Liabilities and equity	
Financial liabilities held for trading	93,528
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	52,340,479
Electronic money	0
Transaction accounts	8,389,439
Savings deposits	1,437,645
Time deposits	35,438,328
Other received deposits	351,762
Received loans	4,852,728
Debt securities issued	301,799
Hybrid and subordinated instruments	1,477,606
Other financial liabilities measured at amortised cost	91,173
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	288,968
Tax liabilities	0
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	266,471
Total liabilities	**52,989,446**
Share capital	3,500,361
Revaluation reserves	298,604
Reserves	25,680
Less: Treasury shares	0
Retained earnings (loss)	3,133,499
Previous year profit (loss)	0
Current year profit (loss)	232,240
Total equity	**7,190,383**
Total liabilities and equity	**60,179,829**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	2,629,686
Interest expenses	1,150,326
Net interest income	1,479,360
Income from fees and commissions	521,714
Expenses on fees and commissions	145,238
Net income from fees and commissions	376,475
Income from equity investments	79,376
Gains (losses)	161,432
Other operating income	145,767
Other operating expenses	156,489
Net other non-interest income	230,087
Total operating income	2,085,922
Expenses on value adjustments and provisions	794,384
Net operating income before loss provisions	1,291,538
Expenses on value adjustments and provisions	1,025,430
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	266,108
Income tax on continuing operations	33,868
Profit (loss) from continuing operations, after taxes	232,240
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**232,240**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,596,606
Uncovered letters of credit	193,445
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	706,991
Margin credit lines	0
Other credit lines and commitments	1,789,045
Other standard risky off-balance sheet items	41,010
Total standard off-balance sheet items	**4,327,096**

Derivative financial instruments	
Options	41,525
Swaps	24,785,321
Forwards	7,109,969
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**31,936,816**

Total capital ratio, in %
as at 31 December 2014

20.40

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Management board
Tomislav Vuić – chairperson, Dubravka Kolarić, Mladen Mrvelj, Domagoj Karadjole

Supervisory board
Dražen Kobas – chairperson, Nada Karaman Aksentijević, Niko Raič, Marin Palada

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

Audit firm for 2014:
Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	361,122
Financial assets held for trading	284,060
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	1,988,633
Loans and receivables (financial leasing included)	13,435,068
Deposits with the CNB	2,133,129
Deposits made (except deposits with the CNB)	910,489
Debt securities	60,730
Loans and receivables	10,330,719
Held-to-maturity investments	598,984
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	314,527
Intangible assets	140,301
Investments in associates, subsidiaries and joint ventures	45,490
Tax assets	35,317
Non-current assets and disposal groups classified as held for sale	7,930
Other assets	158,794
Memorandum item: Collectively assessed impairment provisions	106,378
Total assets	**17,370,224**

Liabilities and equity	
Financial liabilities held for trading	508
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	16,013,552
Electronic money	3,056
Transaction accounts	3,021,710
Savings deposits	876,584
Time deposits	8,654,506
Other received deposits	1,680,452
Received loans	1,507,327
Debt securities issued	0
Hybrid and subordinated instruments	260,920
Other financial liabilities measured at amortised cost	8,996
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	45,671
Tax liabilities	19,612
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	446,287
Total liabilities	**16,525,630**
Share capital	1,194,776
Revaluation reserves	92,096
Reserves	–7,015
Less: Treasury shares	875
Retained earnings (loss)	200,996
Previous year profit (loss)	0
Current year profit (loss)	–635,384
Total equity	**844,595**
Total liabilities and equity	**17,370,224**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	851,060
Interest expenses	349,173
Net interest income	501,888
Income from fees and commissions	481,162
Expenses on fees and commissions	312,103
Net income from fees and commissions	169,059
Income from equity investments	1,359
Gains (losses)	61,564
Other operating income	4,666
Other operating expenses	31,767
Net other non-interest income	35,822
Total operating income	706,768
Expenses on value adjustments and provisions	414,958
Net operating income before loss provisions	291,810
Expenses on value adjustments and provisions	895,242
Other gains (losses)	–33,621
Profit (loss) from continuing operations, before taxes	–637,053
Income tax on continuing operations	–1,669
Profit (loss) from continuing operations, after taxes	–635,384
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**–635,384**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	302,272
Uncovered letters of credit	31,807
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	281,257
Margin credit lines	0
Other credit lines and commitments	1,037,052
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**1,652,388**

Derivative financial instruments	
Options	0
Swaps	153,738
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**153,738**

Total capital ratio, in %
as at 31 December 2014

6.65

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Management board
Tea Martinčić – chairperson, Brane Golubić, Joško Mihić, Slawomir Roman Konias

Supervisory board
Alexander Picker – chairperson, Rainer Maria Sichert, Stefan Selden, Edgar Flaggl, Zoran Parać

Shareholders	Share in share capital (%)
1. Hypo Group Alpe Adria AG	100.00

Audit firm for 2014:
Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	376,370
Financial assets held for trading	35,476
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	3,346,996
Loans and receivables (financial leasing included)	23,698,864
Deposits with the CNB	3,509,265
Deposits made (except deposits with the CNB)	676,157
Debt securities	342,849
Loans and receivables	19,170,593
Held-to-maturity investments	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	397,193
Intangible assets	57,463
Investments in associates, subsidiaries and joint ventures	12,180
Tax assets	170,044
Non-current assets and disposal groups classified as held for sale	112,570
Other assets	41,810
Memorandum item: Collectively assessed impairment provisions	184,684
Total assets	**28,248,967**

Liabilities and equity	
Financial liabilities held for trading	24,860
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	23,146,422
Electronic money	8,014
Transaction accounts	3,502,985
Savings deposits	502,969
Time deposits	14,511,089
Other received deposits	68,949
Received loans	2,820,990
Debt securities issued	0
Hybrid and subordinated instruments	1,731,425
Other financial liabilities measured at amortised cost	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	126,055
Tax liabilities	8,803
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	163,620
Total liabilities	**23,469,761**
Share capital	4,751,379
Revaluation reserves	26,343
Reserves	136,893
Less: Treasury shares	0
Retained earnings (loss)	617
Previous year profit (loss)	0
Current year profit (loss)	–136,027
Total equity	**4,779,206**
Total liabilities and equity	**28,248,967**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	1,153,301
Interest expenses	666,957
Net interest income	486,345
Income from fees and commissions	240,198
Expenses on fees and commissions	46,046
Net income from fees and commissions	194,153
Income from equity investments	859
Gains (losses)	78,480
Other operating income	30,189
Other operating expenses	49,000
Net other non-interest income	60,528
Total operating income	741,025
Expenses on value adjustments and provisions	565,392
Net operating income before loss provisions	175,633
Expenses on value adjustments and provisions	303,837
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–128,204
Income tax on continuing operations	7,823
Profit (loss) from continuing operations, after taxes	–136,027
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**–136,027**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	777,639
Uncovered letters of credit	16,639
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	143,397
Margin credit lines	0
Other credit lines and commitments	777,556
Other standard risky off-balance sheet items	723,316
Total standard off-balance sheet items	**2,438,547**

Derivative financial instruments	
Options	0
Swaps	5,801,465
Forwards	30,713
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**5,832,178**

Total capital ratio, in %
as at 31 December 2014

32.79

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Management board
Branko Buljan – chairperson, Ružica Šarić

Supervisory board
Darko Medak – chairperson, Ante Jurić, Dušan Tomašević

Shareholders	Share in share capital (%)
1. Branko Buljan	58.71
2. Ivka Mijić	20.19
3. Imex trgovina d.o.o.	8.70
4. Trajektna luka Split d.d.	4.42
5. Ivana Matić	3.99
6. Dušanka Mišković	3.99

Audit firm for 2014:
UHY HB EKONOM d.o.o. za reviziju, Split

Balance sheet as at 31 December 2014, in thousand HRK

Assets	
Money assets	23,013
Financial assets held for trading	17,236
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	0
Loans and receivables (financial leasing included)	1,872,589
Deposits with the CNB	328,206
Deposits made (except deposits with the CNB)	212,648
Debt securities	8,670
Loans and receivables	1,323,065
Held-to-maturity investments	336,539
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	55,417
Intangible assets	3,538
Investments in associates, subsidiaries and joint ventures	0
Tax assets	115
Non-current assets and disposal groups classified as held for sale	0
Other assets	295
Memorandum item: Collectively assessed impairment provisions	16,441
Total assets	**2,308,743**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	2,117,904
Electronic money	0
Transaction accounts	139,120
Savings deposits	20,181
Time deposits	1,766,318
Other received deposits	735
Received loans	84,820
Debt securities issued	0
Hybrid and subordinated instruments	106,729
Other financial liabilities measured at amortised cost	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	1,146
Tax liabilities	1,744
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	9,252
Total liabilities	**2,130,046**
Share capital	130,335
Revaluation reserves	0
Reserves	4,661
Less: Treasury shares	0
Retained earnings (loss)	27,668
Previous year profit (loss)	0
Current year profit (loss)	16,033
Total equity	**178,697**
Total liabilities and equity	**2,308,743**

Income statement for 2014, in thousand HRK

Continuing operations	
Interest income	138,248
Interest expenses	74,341
Net interest income	63,906
Income from fees and commissions	19,763
Expenses on fees and commissions	1,950
Net income from fees and commissions	17,813
Income from equity investments	53
Gains (losses)	1,643
Other operating income	405
Other operating expenses	4,938
Net other non-interest income	–2,836
Total operating income	78,884
Expenses on value adjustments and provisions	39,275
Net operating income before loss provisions	39,609
Expenses on value adjustments and provisions	19,525
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	20,084
Income tax on continuing operations	4,051
Profit (loss) from continuing operations, after taxes	16,033
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**16,033**

Off-balance sheet items as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	82,892
Uncovered letters of credit	613
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	22,107
Other standard risky off-balance sheet items	3
Total standard off-balance sheet items	**105,615**

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

Total capital ratio, in % as at 31 December 2014

13.96

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Management board
Miro Dodić – chairperson, Marina Vidič, Klaudija Paljuh

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

Shareholders	Share in share capital (%)
1. Intercommerce d.o.o.	17.54
2. Serfin d.o.o.	10.05
3. Assicurazioni Generali S.p.A.	7.93
4. Marijan Kovačić	7.05
5. Terra Istriana Umag d.o.o.	6.50
6. Edo Ivančić	3.75
7. Branko Kovačić	3.72
8. Plava laguna d.d.	3.71
9. Željko Paić	3.54
10. Nerio Perich	3.52

Audit firm for 2014:
Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	71,361
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	25,817
Available-for-sale financial assets	467,725
Loans and receivables (financial leasing included)	2,158,102
Deposits with the CNB	309,493
Deposits made (except deposits with the CNB)	294,040
Debt securities	0
Loans and receivables	1,554,568
Held-to-maturity investments	139,841
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	56,534
Intangible assets	3,489
Investments in associates, subsidiaries and joint ventures	20
Tax assets	2,702
Non-current assets and disposal groups classified as held for sale	0
Other assets	1,997
Memorandum item: Collectively assessed impairment provisions	17,286
Total assets	**2,927,588**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	2,656,616
Electronic money	0
Transaction accounts	549,064
Savings deposits	226,842
Time deposits	1,762,618
Other received deposits	2,347
Received loans	82,497
Debt securities issued	0
Hybrid and subordinated instruments	33,131
Other financial liabilities measured at amortised cost	117
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	1,323
Tax liabilities	238
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	9,174
Total liabilities	**2,667,350**
Share capital	162,800
Revaluation reserves	792
Reserves	37,954
Less: Treasury shares	91
Retained earnings (loss)	46,715
Previous year profit (loss)	0
Current year profit (loss)	12,068
Total equity	**260,237**
Total liabilities and equity	**2,927,588**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	118,318
Interest expenses	50,858
Net interest income	67,460
Income from fees and commissions	28,526
Expenses on fees and commissions	4,307
Net income from fees and commissions	24,219
Income from equity investments	0
Gains (losses)	16,487
Other operating income	1,716
Other operating expenses	7,672
Net other non-interest income	10,531
Total operating income	102,209
Expenses on value adjustments and provisions	65,965
Net operating income before loss provisions	36,245
Expenses on value adjustments and provisions	21,587
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	14,657
Income tax on continuing operations	2,589
Profit (loss) from continuing operations, after taxes	12,068
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**12,068**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	73,741
Uncovered letters of credit	1,287
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	34,867
Margin credit lines	0
Other credit lines and commitments	43,443
Other standard risky off-balance sheet items	200
Total standard off-balance sheet items	**153,538**

Derivative financial instruments	
Options	2,330
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**2,330**

Total capital ratio, in %
as at 31 December 2014

16.54

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Management board
Boris Teški – chairperson, Lađana Antunac

Supervisory board
Franjo Filipović – chairperson, Ivan Škorić, Željko Dulibić, Marija Opić

Shareholders	Share in share capital (%)
1. Importanne d.o.o.	16.98
2. Croatia osiguranje d.d.	7.50
3. Eta Živilska Industrija d.d.	6.88
4. Bank Alpinum AG	6.15
5. Alfa d.d.	5.73
6. Josip Stojanović	5.67
7. Vodovod i odvodnja d.o.o.	4.99
8. Marko Sarađen	3.47
9. Ugo grupa d.o.o.	3.40
10. Zagreb-Montaža d.o.o.	3.18

Audit firm for 2014:
BDO Croatia d.o.o., Zagreb

Balance sheet as at 31 December 2014, in thousand HRK

Assets	
Money assets	44,184
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	96,834
Loans and receivables (financial leasing included)	2,144,501
Deposits with the CNB	298,809
Deposits made (except deposits with the CNB)	429,379
Debt securities	86,389
Loans and receivables	1,329,925
Held-to-maturity investments	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	21,077
Intangible assets	14,113
Investments in associates, subsidiaries and joint ventures	0
Tax assets	0
Non-current assets and disposal groups classified as held for sale	123,323
Other assets	466
Memorandum item: Collectively assessed impairment provisions	12,603
Total assets	**2,444,500**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	2,431,190
Electronic money	0
Transaction accounts	319,950
Savings deposits	336,000
Time deposits	1,629,427
Other received deposits	957
Received loans	133,122
Debt securities issued	0
Hybrid and subordinated instruments	11,734
Other financial liabilities measured at amortised cost	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	21,026
Tax liabilities	111
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	12,274
Total liabilities	**2,464,600**
Share capital	183,399
Revaluation reserves	181
Reserves	122,742
Less: Treasury shares	12,162
Retained earnings (loss)	0
Previous year profit (loss)	0
Current year profit (loss)	–314,261
Total equity	**–20,100**
Total liabilities and equity	**2,444,500**

Income statement for 2014, in thousand HRK

Continuing operations	
Interest income	119,610
Interest expenses	81,522
Net interest income	38,088
Income from fees and commissions	15,336
Expenses on fees and commissions	3,831
Net income from fees and commissions	11,505
Income from equity investments	3
Gains (losses)	10,901
Other operating income	2,361
Other operating expenses	7,846
Net other non-interest income	5,419
Total operating income	55,012
Expenses on value adjustments and provisions	64,319
Net operating income before loss provisions	–9,307
Expenses on value adjustments and provisions	304,954
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–314,261
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–314,261
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**–314,261**

Off-balance sheet items as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	45,057
Uncovered letters of credit	152
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	138,762
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**183,970**

Derivative financial instruments	
Options	199
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**199**

Total capital ratio, in % as at 31 December 2014

–1.35

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Management board
Željka Surač – chairperson, Marino Rade

Supervisory board
Nedjeljko Strikić – chairperson, Bernarda Ivšić, Željko Pavlin

Shareholders	Share in share capital (%)
1. Marko Vuković	34.64
2. Ivan Žabčić	32.94
3. Marijan Šarić	8.88
4. Archdiocese of Zagreb	8.68

Audit firm for 2014:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	28,453
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	66,224
Available-for-sale financial assets	186,163
Loans and receivables (financial leasing included)	1,283,973
Deposits with the CNB	185,677
Deposits made (except deposits with the CNB)	88,905
Debt securities	16,151
Loans and receivables	993,239
Held-to-maturity investments	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	49,070
Intangible assets	2,269
Investments in associates, subsidiaries and joint ventures	20,831
Tax assets	1,323
Non-current assets and disposal groups classified as held for sale	81,291
Other assets	620
Memorandum item: Collectively assessed impairment provisions	9,752
Total assets	**1,720,217**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	1,554,000
Electronic money	0
Transaction accounts	349,018
Savings deposits	89,758
Time deposits	1,026,989
Other received deposits	1,541
Received loans	81,533
Debt securities issued	0
Hybrid and subordinated instruments	4,704
Other financial liabilities measured at amortised cost	457
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	8,051
Tax liabilities	401
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	24,149
Total liabilities	**1,586,601**
Share capital	156,678
Revaluation reserves	–1,466
Reserves	0
Less: Treasury shares	0
Retained earnings (loss)	0
Previous year profit (loss)	–27,032
Current year profit (loss)	5,436
Total equity	**133,616**
Total liabilities and equity	**1,720,217**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	79,649
Interest expenses	40,555
Net interest income	39,094
Income from fees and commissions	19,216
Expenses on fees and commissions	7,096
Net income from fees and commissions	12,120
Income from equity investments	0
Gains (losses)	21,384
Other operating income	1,086
Other operating expenses	5,334
Net other non-interest income	17,136
Total operating income	68,351
Expenses on value adjustments and provisions	58,453
Net operating income before loss provisions	9,898
Expenses on value adjustments and provisions	5,936
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	3,962
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	3,962
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	1,475
Current year profit (loss)	**5,436**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	52,550
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	13,385
Margin credit lines	0
Other credit lines and commitments	152,827
Other standard risky off-balance sheet items	2,782
Total standard off-balance sheet items	**221,544**

Derivative financial instruments	
Options	450
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**450**

Total capital ratio, in %
as at 31 December 2014

13.64

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Management board
Ivo Bilić – chairperson, Mićo Tomičić, Emir Deldağ

Supervisory board
Mehmet Koçak – chairperson, Salih Hakan Özgüz, Boris Zenić

Shareholders	Share in share capital (%)
1. Eksen Holding A.Ş.	100.00

Audit firm for 2014:
KPMG Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	39,524
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	159,145
Loans and receivables (financial leasing included)	866,044
Deposits with the CNB	191,895
Deposits made (except deposits with the CNB)	72,750
Debt securities	0
Loans and receivables	601,399
Held-to-maturity investments	56,687
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	44,086
Intangible assets	7,276
Investments in associates, subsidiaries and joint ventures	0
Tax assets	340
Non-current assets and disposal groups classified as held for sale	0
Other assets	891
Memorandum item: Collectively assessed impairment provisions	8,975
Total assets	**1,173,993**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	989,452
Electronic money	0
Transaction accounts	78,449
Savings deposits	245
Time deposits	909,386
Other received deposits	1,257
Received loans	116
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	1,123
Tax liabilities	1,166
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	8,282
Total liabilities	**1,000,023**
Share capital	239,913
Revaluation reserves	4,242
Reserves	1,289
Less: Treasury shares	0
Retained earnings (loss)	–60,476
Previous year profit (loss)	0
Current year profit (loss)	–10,998
Total equity	**173,970**
Total liabilities and equity	**1,173,993**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	62,270
Interest expenses	27,025
Net interest income	35,245
Income from fees and commissions	6,393
Expenses on fees and commissions	2,326
Net income from fees and commissions	4,067
Income from equity investments	0
Gains (losses)	7,024
Other operating income	1,803
Other operating expenses	4,455
Net other non-interest income	4,371
Total operating income	43,683
Expenses on value adjustments and provisions	42,682
Net operating income before loss provisions	1,001
Expenses on value adjustments and provisions	11,999
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–10,998
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–10,998
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**–10,998**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	11,968
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	4,162
Margin credit lines	0
Other credit lines and commitments	19,518
Other standard risky off-balance sheet items	8,333
Total standard off-balance sheet items	**43,982**

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

Total capital ratio, in %
as at 31 December 2014

22.93

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Management board
Boris Zadro – chairperson, Nataša Jakić Felić, Pero Bolotin

Supervisory board
Nadira Eror – chairperson, Josip Rubić, Irena Severin, Ankica Čeko

Shareholders	Share in share capital (%)
1. Agram životno osiguranje d.d.	19.05
2. Euroherc osiguranje d.d.	19.05
3. Jadransko osiguranje d.d.	16.24
4. Euroleasing d.o.o.	10.04
5. Agram invest d.d	5.54
6. Štedbanka d.d.	4.61
7. Value IV, open-ended alternative investment fund	4.60
8. Sunce osiguranje d.d.	4.38
9. Euroagram Tis d.o.o.	3.51
10. Investco d.o.o.	3.09

Audit firm for 2014:
PriceWaterhouseCoopers d.o.o.

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	53,642
Financial assets held for trading	1,822
Financial assets designated at fair value through profit or loss	12,020
Available-for-sale financial assets	499,262
Loans and receivables (financial leasing included)	3,203,053
Deposits with the CNB	789,245
Deposits made (except deposits with the CNB)	456,186
Debt securities	0
Loans and receivables	1,957,621
Held-to-maturity investments	359,732
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	72,447
Intangible assets	28,117
Investments in associates, subsidiaries and joint ventures	0
Tax assets	8,090
Non-current assets and disposal groups classified as held for sale	20,122
Other assets	7,796
Memorandum item: Collectively assessed impairment provisions	34,407
Total assets	**4,266,101**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	3,985,645
Electronic money	0
Transaction accounts	402,239
Savings deposits	124,130
Time deposits	3,120,034
Other received deposits	5,596
Received loans	258,674
Debt securities issued	0
Hybrid and subordinated instruments	74,972
Other financial liabilities measured at amortised cost	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	5,320
Tax liabilities	66
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	7,744
Total liabilities	**3,998,775**
Share capital	230,200
Revaluation reserves	690
Reserves	14,470
Less: Treasury shares	0
Retained earnings (loss)	60,058
Previous year profit (loss)	0
Current year profit (loss)	–38,092
Total equity	**267,326**
Total liabilities and equity	**4,266,101**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	212,390
Interest expenses	132,165
Net interest income	80,225
Income from fees and commissions	28,308
Expenses on fees and commissions	8,806
Net income from fees and commissions	19,501
Income from equity investments	0
Gains (losses)	25,161
Other operating income	7,215
Other operating expenses	8,983
Net other non-interest income	23,392
Total operating income	123,119
Expenses on value adjustments and provisions	76,584
Net operating income before loss provisions	46,535
Expenses on value adjustments and provisions	84,627
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–38,092
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–38,092
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**–38,092**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	157,215
Uncovered letters of credit	8,127
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	52,989
Margin credit lines	0
Other credit lines and commitments	85,171
Other standard risky off-balance sheet items	30,358
Total standard off-balance sheet items	**333,861**

Derivative financial instruments	
Options	13,326
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**13,326**

Total capital ratio, in %
as at 31 December 2014

11.73

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Management board
Balázs Pál Békeffy – chairperson, Helena Banjad, Slaven Celić, Zorislav Vidović

Supervisory board
Antal Lászlo Pongrácz – chairperson, Szabolcs Annus, Branko Mikša, László Kecskés, Attila Koszik

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

Audit firm for 2014:
Deloitte d.o.o., Zagreb

Balance sheet as at 31 December 2014, in thousand HRK

Assets	
Money assets	271,143
Financial assets held for trading	2,457
Financial assets designated at fair value through profit or loss	11,094
Available-for-sale financial assets	1,926,018
Loans and receivables (financial leasing included)	13,103,006
Deposits with the CNB	1,604,589
Deposits made (except deposits with the CNB)	491,840
Debt securities	1,490
Loans and receivables	11,005,088
Held-to-maturity investments	101,121
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	245,593
Intangible assets	74,089
Investments in associates, subsidiaries and joint ventures	72,858
Tax assets	38,334
Non-current assets and disposal groups classified as held for sale	13,021
Other assets	10,931
Memorandum item: Collectively assessed impairment provisions	97,819
Total assets	**15,869,664**

Liabilities and equity	
Financial liabilities held for trading	20
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	13,864,399
Electronic money	4,815
Transaction accounts	2,070,454
Savings deposits	1,546,404
Time deposits	9,069,387
Other received deposits	21,857
Received loans	1,151,138
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	344
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	108,951
Tax liabilities	26,835
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	118,272
Total liabilities	**14,118,477**
Share capital	989,607
Revaluation reserves	44,995
Reserves	186,146
Less: Treasury shares	0
Retained earnings (loss)	396,204
Previous year profit (loss)	–20,998
Current year profit (loss)	155,233
Total equity	**1,751,187**
Total liabilities and equity	**15,869,664**

Income statement for 2014, in thousand HRK

Continuing operations	
Interest income	645,191
Interest expenses	246,950
Net interest income	398,241
Income from fees and commissions	153,448
Expenses on fees and commissions	35,352
Net income from fees and commissions	118,097
Income from equity investments	60
Gains (losses)	54,501
Other operating income	8,407
Other operating expenses	43,794
Net other non-interest income	19,173
Total operating income	535,511
Expenses on value adjustments and provisions	376,275
Net operating income before loss provisions	159,236
Expenses on value adjustments and provisions	146,536
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	12,700
Income tax on continuing operations	10,221
Profit (loss) from continuing operations, after taxes	2,479
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	152,754
Current year profit (loss)	**155,233**

Off-balance sheet items as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	112,771
Uncovered letters of credit	20,290
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	94,824
Margin credit lines	0
Other credit lines and commitments	868,789
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**1,096,675**

Derivative financial instruments	
Options	30,020
Swaps	1,131,123
Forwards	42,962
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**1,204,105**

Total capital ratio, in % as at 31 December 2014

16.54

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Management board
Petar Repušić – chairperson, Marina Puljiz

Supervisory board
Božo Čulo – chairperson, Ivan Miloloža, Ivan Ćurković

Shareholders	Share in share capital (%)
1. Metroholding d.d.	90.01
2. Croduxplin d.o.o.	9.09

Audit firm for 2014:
Krako-Revizija d.o.o., Zagreb

Balance sheet as at 31 December 2014, in thousand HRK

Assets	
Money assets	16,574
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	272,992
Loans and receivables (financial leasing included)	1,082,359
Deposits with the CNB	110,373
Deposits made (except deposits with the CNB)	139,997
Debt securities	87,081
Loans and receivables	744,908
Held-to-maturity investments	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	65,422
Intangible assets	2,184
Investments in associates, subsidiaries and joint ventures	2,191
Tax assets	5,333
Non-current assets and disposal groups classified as held for sale	0
Other assets	890
Memorandum item: Collectively assessed impairment provisions	9,344
Total assets	**1,447,946**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	1,277,101
Electronic money	0
Transaction accounts	179,924
Savings deposits	2,113
Time deposits	847,601
Other received deposits	1,764
Received loans	235,689
Debt securities issued	0
Hybrid and subordinated instruments	10,000
Other financial liabilities measured at amortised cost	10
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	1,447
Tax liabilities	11
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	6,820
Total liabilities	**1,285,379**
Share capital	89,100
Revaluation reserves	504
Reserves	66,055
Less: Treasury shares	0
Retained earnings (loss)	5,621
Previous year profit (loss)	0
Current year profit (loss)	1,288
Total equity	**162,568**
Total liabilities and equity	**1,447,946**

Income statement for 2014, in thousand HRK

Continuing operations	
Interest income	88,649
Interest expenses	44,283
Net interest income	44,366
Income from fees and commissions	8,149
Expenses on fees and commissions	2,412
Net income from fees and commissions	5,737
Income from equity investments	285
Gains (losses)	10,670
Other operating income	6,374
Other operating expenses	2,605
Net other non-interest income	14,724
Total operating income	64,827
Expenses on value adjustments and provisions	42,584
Net operating income before loss provisions	22,244
Expenses on value adjustments and provisions	20,643
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	1,600
Income tax on continuing operations	313
Profit (loss) from continuing operations, after taxes	1,288
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**1,288**

Off-balance sheet items as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	78,126
Uncovered letters of credit	6,116
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	9,066
Margin credit lines	0
Other credit lines and commitments	14,142
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**107,451**

Derivative financial instruments	
Options	4,123
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**4,123**

Total capital ratio, in % as at 31 December 2014

16.21

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Management board
Julio Kuruc – chairperson, Davorka Jakir, Daniel Unger, Goran Varat

Supervisory board
Miljan Todorović – chairperson, Sigilfredo Montinari, Dario Montinari, Dolly Predović, Maurizio Dallocchio, Filippo Disertori

Shareholders	Share in share capital (%)
1. Antonia Gorgoni	9.91
2. Lorenzo Gorgoni	9.87
3. Assicurazioni Generali S.p.A.	9.54
4. Cerere Societa per Azioni	9.53
5. Miljan Todorović	8.33
6. Andrea Montinari	5.76
7. Dario Montinari	5.76
8. Piero Montinari	5.76
9. Sigilfredo Montinari	5.76
10. Giovanni Semeraro	4.11

Audit firm for 2014:
Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	41,708
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	671,055
Loans and receivables (financial leasing included)	1,988,348
Deposits with the CNB	306,151
Deposits made (except deposits with the CNB)	99,777
Debt securities	0
Loans and receivables	1,582,420
Held-to-maturity investments	148,744
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	125,129
Intangible assets	50,163
Investments in associates, subsidiaries and joint ventures	4,770
Tax assets	11,958
Non-current assets and disposal groups classified as held for sale	0
Other assets	3,366
Memorandum item: Collectively assessed impairment provisions	20,287
Total assets	**3,045,241**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	2,605,903
Electronic money	0
Transaction accounts	403,559
Savings deposits	216,274
Time deposits	1,737,283
Other received deposits	4,828
Received loans	111,059
Debt securities issued	0
Hybrid and subordinated instruments	131,571
Other financial liabilities measured at amortised cost	1,329
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	4,457
Tax liabilities	370
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	50,281
Total liabilities	**2,661,011**
Share capital	270,515
Revaluation reserves	–10,953
Reserves	148,364
Less: Treasury shares	11,082
Retained earnings (loss)	0
Previous year profit (loss)	0
Current year profit (loss)	–12,614
Total equity	**384,229**
Total liabilities and equity	**3,045,241**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	150,773
Interest expenses	67,348
Net interest income	83,425
Income from fees and commissions	35,458
Expenses on fees and commissions	12,388
Net income from fees and commissions	23,070
Income from equity investments	957
Gains (losses)	13,338
Other operating income	5,597
Other operating expenses	10,839
Net other non-interest income	9,053
Total operating income	115,548
Expenses on value adjustments and provisions	98,784
Net operating income before loss provisions	16,764
Expenses on value adjustments and provisions	31,547
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–14,783
Income tax on continuing operations	–2,651
Profit (loss) from continuing operations, after taxes	–12,132
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	–482
Current year profit (loss)	**–12,614**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	48,440
Uncovered letters of credit	21,810
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	11,428
Margin credit lines	0
Other credit lines and commitments	266,743
Other standard risky off-balance sheet items	3,781
Total standard off-balance sheet items	**352,203**

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

Total capital ratio, in %
as at 31 December 2014

16.39

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Management board
Anto Pekić – chairperson, Goranka Šmer – Maraš, Aleksandra Arbanas

Supervisory board
Jože Perić – chairperson, Franco Brunati, Giorgio Mattioli, Renata Dogan, Andrej Galogaža

Shareholders	Share in share capital (%)
1. C.I.M. Banque SA	68.86
2. Francesco Signorio	17.46
3. Domenico Petrella	3.80
4. Svetlana Signorio	3.06

Audit firm for 2014:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	4,585
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	55,197
Loans and receivables (financial leasing included)	226,389
Deposits with the CNB	28,568
Deposits made (except deposits with the CNB)	37,524
Debt securities	4,979
Loans and receivables	155,318
Held-to-maturity investments	26,112
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	1,469
Intangible assets	2,555
Investments in associates, subsidiaries and joint ventures	0
Tax assets	3
Non-current assets and disposal groups classified as held for sale	0
Other assets	162
Memorandum item: Collectively assessed impairment provisions	2,339
Total assets	**316,473**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	270,984
Electronic money	0
Transaction accounts	20,046
Savings deposits	6,426
Time deposits	232,042
Other received deposits	1,006
Received loans	955
Debt securities issued	0
Hybrid and subordinated instruments	10,509
Other financial liabilities measured at amortised cost	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	233
Tax liabilities	52
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	2,116
Total liabilities	**273,386**
Share capital	58,089
Revaluation reserves	21
Reserves	0
Less: Treasury shares	0
Retained earnings (loss)	–9,394
Previous year profit (loss)	0
Current year profit (loss)	–5,628
Total equity	**43,087**
Total liabilities and equity	**316,473**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	12,161
Interest expenses	8,169
Net interest income	3,993
Income from fees and commissions	2,130
Expenses on fees and commissions	1,081
Net income from fees and commissions	1,050
Income from equity investments	0
Gains (losses)	3,633
Other operating income	52
Other operating expenses	524
Net other non-interest income	3,161
Total operating income	8,203
Expenses on value adjustments and provisions	11,980
Net operating income before loss provisions	–3,776
Expenses on value adjustments and provisions	1,816
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–5,592
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–5,592
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	–36
Current year profit (loss)	**–5,628**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,426
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	2,991
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**4,418**

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

Total capital ratio, in %
as at 31 December 2014

22.73

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

Supervisory board
Giovanni Gill – chairperson, Draginja Đurić, Christophe Velle, Nóra Katalin Kocsis, Branko Jeren, Massimo Malagoli, Paolo Sarcinelli

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

Audit firm for 2014:
KPMG Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	1,354,624
Financial assets held for trading	82,370
Financial assets designated at fair value through profit or loss	5,939,820
Available-for-sale financial assets	116,456
Loans and receivables (financial leasing included)	59,456,430
Deposits with the CNB	9,109,637
Deposits made (except deposits with the CNB)	6,048,219
Debt securities	990,165
Loans and receivables	43,308,409
Held-to-maturity investments	800,374
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	759,159
Intangible assets	108,499
Investments in associates, subsidiaries and joint ventures	214,712
Tax assets	249,532
Non-current assets and disposal groups classified as held for sale	0
Other assets	19,687
Memorandum item: Collectively assessed impairment provisions	688,642
Total assets	**69,101,664**

Liabilities and equity	
Financial liabilities held for trading	497
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	56,282,336
Electronic money	748
Transaction accounts	11,687,612
Savings deposits	7,488,140
Time deposits	32,397,424
Other received deposits	167,768
Received loans	4,537,005
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	3,639
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	358,859
Tax liabilities	169,507
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	631,247
Total liabilities	**57,442,445**
Share capital	3,477,077
Revaluation reserves	11,409
Reserves	291,508
Less: Treasury shares	76,048
Retained earnings (loss)	7,312,366
Previous year profit (loss)	0
Current year profit (loss)	642,907
Total equity	**11,659,219**
Total liabilities and equity	**69,101,664**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	3,123,863
Interest expenses	998,495
Net interest income	2,125,367
Income from fees and commissions	833,481
Expenses on fees and commissions	296,359
Net income from fees and commissions	537,122
Income from equity investments	15,331
Gains (losses)	176,260
Other operating income	83,624
Other operating expenses	161,451
Net other non-interest income	113,763
Total operating income	2,776,252
Expenses on value adjustments and provisions	1,337,051
Net operating income before loss provisions	1,439,201
Expenses on value adjustments and provisions	617,928
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	821,273
Income tax on continuing operations	178,364
Profit (loss) from continuing operations, after taxes	642,909
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	–2
Current year profit (loss)	**642,907**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	2,900,385
Uncovered letters of credit	223,694
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	2,417,895
Margin credit lines	0
Other credit lines and commitments	6,210,890
Other standard risky off-balance sheet items	7,597
Total standard off-balance sheet items	**11,760,462**

Derivative financial instruments	
Options	3,750
Swaps	3,057,646
Forwards	63,474
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**3,124,870**

Total capital ratio, in %
as at 31 December 2014

22.93

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Management board
Michael Georg Müller – chairperson, Mario Žižek, Zoran Košćak, Vesna Ciganek Vuković, Jasna Širola, Marko Jurjević

Supervisory board
Karl Sevelda – chairperson, Peter Lennkh, Peter Jacenko, Lovorka Penavić, Ferenc Berszan

Shareholders	Share in share capital (%)
1. Raiffeisen SEE Region Holding GmbH	100.00

Audit firm for 2014:
Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	571,250
Financial assets held for trading	1,909,283
Financial assets designated at fair value through profit or loss	758,724
Available-for-sale financial assets	3,083,425
Loans and receivables (financial leasing included)	23,744,941
Deposits with the CNB	3,532,084
Deposits made (except deposits with the CNB)	963,170
Debt securities	0
Loans and receivables	19,249,688
Held-to-maturity investments	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	428,073
Intangible assets	205,321
Investments in associates, subsidiaries and joint ventures	366,354
Tax assets	190,864
Non-current assets and disposal groups classified as held for sale	85,173
Other assets	77,327
Memorandum item: Collectively assessed impairment provisions	255,371
Total assets	**31,420,736**

Liabilities and equity	
Financial liabilities held for trading	244,484
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	25,909,327
Electronic money	0
Transaction accounts	8,349,427
Savings deposits	2,045,323
Time deposits	12,410,677
Other received deposits	184,655
Received loans	2,451,532
Debt securities issued	0
Hybrid and subordinated instruments	463,231
Other financial liabilities measured at amortised cost	4,481
Derivatives – hedge accounting	5,822
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	203,933
Tax liabilities	7,209
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	219,095
Total liabilities	**26,589,870**
Share capital	3,633,632
Revaluation reserves	–2,335
Reserves	177,595
Less: Treasury shares	0
Retained earnings (loss)	727,987
Previous year profit (loss)	0
Current year profit (loss)	293,987
Total equity	**4,830,866**
Total liabilities and equity	**31,420,736**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	1,498,437
Interest expenses	459,591
Net interest income	1,038,846
Income from fees and commissions	511,193
Expenses on fees and commissions	166,416
Net income from fees and commissions	344,777
Income from equity investments	52,886
Gains (losses)	165,366
Other operating income	32,239
Other operating expenses	55,308
Net other non-interest income	195,182
Total operating income	1,578,805
Expenses on value adjustments and provisions	795,458
Net operating income before loss provisions	783,347
Expenses on value adjustments and provisions	419,571
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	363,776
Income tax on continuing operations	69,828
Profit (loss) from continuing operations, after taxes	293,948
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	39
Current year profit (loss)	**293,987**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	3,116,873
Uncovered letters of credit	124,068
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	880,196
Margin credit lines	0
Other credit lines and commitments	1,429,919
Other standard risky off-balance sheet items	2,103,236
Total standard off-balance sheet items	**7,654,292**

Derivative financial instruments	
Options	0
Swaps	23,695,720
Forwards	8,833,476
Futures	658,887
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**33,188,083**

Total capital ratio, in %
as at 31 December 2014

21.33

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Management board
Marijan Kantolić – chairperson, Verica Ljubičić

Supervisory board
Dragutin Plahutar – chairperson, Milan Penava, Mirjana Plahutar, Drago Jakovčević, Roman Malarić

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

Audit firm for 2014:
HLB Revidicon d.o.o., Varaždin

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	10,707
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	258
Available-for-sale financial assets	0
Loans and receivables (financial leasing included)	434,197
Deposits with the CNB	89,471
Deposits made (except deposits with the CNB)	136,194
Debt securities	0
Loans and receivables	208,532
Held-to-maturity investments	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	28,443
Intangible assets	597
Investments in associates, subsidiaries and joint ventures	181
Tax assets	81
Non-current assets and disposal groups classified as held for sale	6,789
Other assets	168
Memorandum item: Collectively assessed impairment provisions	3,833
Total assets	**481,421**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	396,144
Electronic money	0
Transaction accounts	93,072
Savings deposits	48,034
Time deposits	254,299
Other received deposits	254
Received loans	314
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	170
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	194
Tax liabilities	49
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	1,874
Total liabilities	**398,261**
Share capital	49,248
Revaluation reserves	0
Reserves	19,353
Less: Treasury shares	1,486
Retained earnings (loss)	17,145
Previous year profit (loss)	–34
Current year profit (loss)	–1,065
Total equity	**83,161**
Total liabilities and equity	**481,421**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	17,588
Interest expenses	7,970
Net interest income	9,618
Income from fees and commissions	4,079
Expenses on fees and commissions	1,782
Net income from fees and commissions	2,296
Income from equity investments	0
Gains (losses)	1,157
Other operating income	358
Other operating expenses	1,233
Net other non-interest income	281
Total operating income	12,196
Expenses on value adjustments and provisions	12,171
Net operating income before loss provisions	26
Expenses on value adjustments and provisions	875
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–849
Income tax on continuing operations	287
Profit (loss) from continuing operations, after taxes	–1,136
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	71
Current year profit (loss)	**–1,065**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	3,613
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	11,120
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**14,733**

Derivative financial instruments	
Options	19,036
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**19,036**

Total capital ratio, in %
as at 31 December 2014

28.12

SBERBANK d.d.

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Management board
Andrea Kovacs-Wöhry – chairperson, Igor Repin, Dubravka Lukić, Dubravko-Ante Mlikotić, Mario Henjak

Supervisory board
Alexey Bogatov – chairperson, András Krisztián Hámori, Dragutin Bohuš, Natalia Revina, Gabriele Schlossarek

Shareholders	Share in share capital (%)
1. Sberbank Europe AG	100.00

Audit firm for 2014:
Ernst & Young d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	120,934
Financial assets held for trading	64,946
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	512,408
Loans and receivables (financial leasing included)	9,344,664
Deposits with the CNB	1,051,545
Deposits made (except deposits with the CNB)	995,474
Debt securities	296,965
Loans and receivables	7,000,680
Held-to-maturity investments	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	93,824
Intangible assets	60,087
Investments in associates, subsidiaries and joint ventures	0
Tax assets	63,412
Non-current assets and disposal groups classified as held for sale	0
Other assets	6,174
Memorandum item: Collectively assessed impairment provisions	88,142
Total assets	**10,266,448**

Liabilities and equity	
Financial liabilities held for trading	3,724
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	8,713,610
Electronic money	0
Transaction accounts	776,551
Savings deposits	525,066
Time deposits	6,293,247
Other received deposits	17,788
Received loans	1,100,884
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	75
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	20,004
Tax liabilities	5,134
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	100,177
Total liabilities	**8,842,649**
Share capital	1,530,668
Revaluation reserves	8,602
Reserves	18,591
Less: Treasury shares	0
Retained earnings (loss)	–164,283
Previous year profit (loss)	0
Current year profit (loss)	30,221
Total equity	**1,423,799**
Total liabilities and equity	**10,266,448**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	433,775
Interest expenses	171,092
Net interest income	262,683
Income from fees and commissions	54,576
Expenses on fees and commissions	11,211
Net income from fees and commissions	43,365
Income from equity investments	0
Gains (losses)	31,791
Other operating income	15,608
Other operating expenses	9,411
Net other non-interest income	37,988
Total operating income	344,037
Expenses on value adjustments and provisions	213,399
Net operating income before loss provisions	130,638
Expenses on value adjustments and provisions	88,273
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	42,365
Income tax on continuing operations	10,327
Profit (loss) from continuing operations, after taxes	32,038
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	–1,817
Current year profit (loss)	**30,221**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	329,473
Uncovered letters of credit	16,044
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	10,114
Margin credit lines	0
Other credit lines and commitments	693,532
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**1,049,162**

Derivative financial instruments	
Options	810
Swaps	0
Forwards	3,800,538
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**3,801,348**

Total capital ratio, in %
as at 31 December 2014

19.70

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Management board
Angelina Horvat – chairperson, Marko Brnić

Supervisory board
Ružica Vađić – chairperson, Blaženka Eror Matić, Hrvoje Markovinović, Denis Smolar

Shareholders	Share in share capital (%)
1. SZAIF d.d.	16.59
2. State Agency for Deposit Insurance and Bank Resolution	8.32
3. Dragutin Sokačić	7.89
4. Treasury shares	7.77
5. Pozavarovalnica Sava d.d.	5.47
6. Adris grupa d.d.	4.38
7. Robert Berišić	3.87
8. Josip Galić	3.26
9. Milivoj Mrkoci	3.26
10. Finesa Credos d.d.	3.16

Audit firm for 2014:
BDO Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	28,486
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	238,982
Loans and receivables (financial leasing included)	1,049,468
Deposits with the CNB	160,491
Deposits made (except deposits with the CNB)	137,296
Debt securities	0
Loans and receivables	751,682
Held-to-maturity investments	79,624
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	34,972
Intangible assets	6,039
Investments in associates, subsidiaries and joint ventures	5,425
Tax assets	2,646
Non-current assets and disposal groups classified as held for sale	0
Other assets	695
Memorandum item: Collectively assessed impairment provisions	8,043
Total assets	**1,446,339**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	1,256,739
Electronic money	0
Transaction accounts	132,755
Savings deposits	60,911
Time deposits	922,037
Other received deposits	441
Received loans	140,595
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	3,978
Tax liabilities	27
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	11,331
Total liabilities	**1,272,075**
Share capital	91,897
Revaluation reserves	–18
Reserves	15,331
Less: Treasury shares	6,592
Retained earnings (loss)	73,257
Previous year profit (loss)	0
Current year profit (loss)	389
Total equity	**174,264**
Total liabilities and equity	**1,446,339**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	79,897
Interest expenses	37,921
Net interest income	41,976
Income from fees and commissions	12,057
Expenses on fees and commissions	3,077
Net income from fees and commissions	8,980
Income from equity investments	0
Gains (losses)	5,033
Other operating income	1,257
Other operating expenses	3,083
Net other non-interest income	3,208
Total operating income	54,163
Expenses on value adjustments and provisions	40,814
Net operating income before loss provisions	13,350
Expenses on value adjustments and provisions	12,406
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	944
Income tax on continuing operations	555
Profit (loss) from continuing operations, after taxes	389
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**389**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	7,974
Uncovered letters of credit	213
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	2,008
Margin credit lines	0
Other credit lines and commitments	43,636
Other standard risky off-balance sheet items	400
Total standard off-balance sheet items	**54,231**

Derivative financial instruments	
Options	73
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**73**

Total capital ratio, in %
as at 31 December 2014

16.90

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Management board
Andre Marc Prudent-Toccanier – chairperson, Nelsi Rončević, Zvonimir Akrap

Supervisory board
Jean-Luc Parer – chairperson, Patrick Pierre Gelin, Giovanni Luca Soma

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

Audit firm for 2014:
Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	432,541
Financial assets held for trading	101,907
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	3,384,160
Loans and receivables (financial leasing included)	24,424,023
Deposits with the CNB	3,746,086
Deposits made (except deposits with the CNB)	3,296,257
Debt securities	277,720
Loans and receivables	17,103,960
Held-to-maturity investments	0
Derivatives – hedge accounting	27,583
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	144,551
Intangible assets	116,219
Investments in associates, subsidiaries and joint ventures	36,349
Tax assets	75,283
Non-current assets and disposal groups classified as held for sale	0
Other assets	22,511
Memorandum item: Collectively assessed impairment provisions	177,134
Total assets	**28,765,127**

Liabilities and equity	
Financial liabilities held for trading	7,632
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	24,631,050
Electronic money	0
Transaction accounts	5,811,117
Savings deposits	1,366,229
Time deposits	12,990,067
Other received deposits	122,596
Received loans	4,336,996
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	4,046
Derivatives – hedge accounting	7,786
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	229,598
Tax liabilities	22,586
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	269,635
Total liabilities	**25,168,287**
Share capital	1,409,974
Revaluation reserves	75,169
Reserves	1,786,811
Less: Treasury shares	0
Retained earnings (loss)	135,187
Previous year profit (loss)	0
Current year profit (loss)	189,699
Total equity	**3,596,840**
Total liabilities and equity	**28,765,127**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	1,218,529
Interest expenses	501,445
Net interest income	717,084
Income from fees and commissions	301,958
Expenses on fees and commissions	59,446
Net income from fees and commissions	242,512
Income from equity investments	2,508
Gains (losses)	125,018
Other operating income	8,977
Other operating expenses	55,337
Net other non-interest income	81,166
Total operating income	1,040,762
Expenses on value adjustments and provisions	591,216
Net operating income before loss provisions	449,546
Expenses on value adjustments and provisions	200,337
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	249,208
Income tax on continuing operations	59,509
Profit (loss) from continuing operations, after taxes	189,699
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**189,699**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,510,461
Uncovered letters of credit	72,495
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,388,129
Margin credit lines	0
Other credit lines and commitments	2,240,039
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**5,211,124**

Derivative financial instruments	
Options	524
Swaps	4,609,936
Forwards	603,977
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**5,214,437**

Total capital ratio, in %
as at 31 December 2014

18.95

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Management board
Constantin Cesnovar – chairperson, Zdravko Zrinušić, Marko Udovičić

Supervisory board
Ivo Andrijanić – chairperson, Đuro Benček, Petar Ćurković

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

Audit firm for 2014:
BDO revizija d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	3,925
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	242,225
Loans and receivables (financial leasing included)	794,708
Deposits with the CNB	116,469
Deposits made (except deposits with the CNB)	106,196
Debt securities	1,118
Loans and receivables	570,925
Held-to-maturity investments	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	28,944
Intangible assets	650
Investments in associates, subsidiaries and joint ventures	0
Tax assets	316
Non-current assets and disposal groups classified as held for sale	15,086
Other assets	167
Memorandum item: Collectively assessed impairment provisions	6,378
Total assets	**1,086,022**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	747,057
Electronic money	0
Transaction accounts	108,498
Savings deposits	47,732
Time deposits	441,282
Other received deposits	2,019
Received loans	96,520
Debt securities issued	0
Hybrid and subordinated instruments	51,006
Other financial liabilities measured at amortised cost	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	4,346
Tax liabilities	893
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	2,741
Total liabilities	**755,037**
Share capital	250,000
Revaluation reserves	–8
Reserves	12,512
Less: Treasury shares	0
Retained earnings (loss)	62,100
Previous year profit (loss)	0
Current year profit (loss)	6,382
Total equity	**330,985**
Total liabilities and equity	**1,086,022**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	61,945
Interest expenses	25,876
Net interest income	36,069
Income from fees and commissions	5,210
Expenses on fees and commissions	1,320
Net income from fees and commissions	3,890
Income from equity investments	0
Gains (losses)	7,463
Other operating income	5,857
Other operating expenses	400
Net other non-interest income	12,920
Total operating income	52,879
Expenses on value adjustments and provisions	13,314
Net operating income before loss provisions	39,565
Expenses on value adjustments and provisions	30,339
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	9,227
Income tax on continuing operations	2,812
Profit (loss) from continuing operations, after taxes	6,414
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	–33
Current year profit (loss)	**6,382**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	60,389
Uncovered letters of credit	6,883
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	530
Other credit lines and commitments	9,019
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**76,820**

Derivative financial instruments	
Options	186,876
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	41
Total notional amount of derivative financial instruments	**186,916**

Total capital ratio, in %
as at 31 December 2014

38.45

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Management board
Zvonko Agičić – chairperson, Dubravka Filipčić

Supervisory board
Ratko Bajagić – chairperson, Snežana Repac, Zlatko Milikić

Shareholders	Share in share capital (%)
1. Development Fund of the Republic of Serbia	29.12
2. Government of the Autonomous Province of Vojvodina	25.96
3. Zvijezda d.d.	10.78
4. Končar-elektroindustrija d.d.	9.43
5. Đuro Đaković Holding d.d.	5.45
6. Sladorana d.d.	5.39

Audit firm for 2014:
HLB Revidicon d.o.o., Varaždin

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	161
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	3,242
Loans and receivables (financial leasing included)	13,113
Deposits with the CNB	664
Deposits made (except deposits with the CNB)	6,971
Debt securities	0
Loans and receivables	5,478
Held-to-maturity investments	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	71
Intangible assets	10
Investments in associates, subsidiaries and joint ventures	0
Tax assets	0
Non-current assets and disposal groups classified as held for sale	0
Other assets	57
Memorandum item: Collectively assessed impairment provisions	108
Total assets	**16,655**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	111
Electronic money	0
Transaction accounts	111
Savings deposits	0
Time deposits	0
Other received deposits	0
Received loans	0
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	76
Tax liabilities	36
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	7,302
Total liabilities	**7,525**
Share capital	37,118
Revaluation reserves	175
Reserves	2
Less: Treasury shares	0
Retained earnings (loss)	0
Previous year profit (loss)	–21,878
Current year profit (loss)	–6,287
Total equity	**9,129**
Total liabilities and equity	**16,655**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	734
Interest expenses	1
Net interest income	733
Income from fees and commissions	36
Expenses on fees and commissions	87
Net income from fees and commissions	–51
Income from equity investments	0
Gains (losses)	5
Other operating income	4
Other operating expenses	–24
Net other non-interest income	33
Total operating income	716
Expenses on value adjustments and provisions	5,581
Net operating income before loss provisions	–4,866
Expenses on value adjustments and provisions	1,421
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–6,287
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–6,287
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**–6,287**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

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

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

Total capital ratio, in %
as at 31 December 2014

62.19

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Management board
Ivica Božan – chairperson, Monika Céreová

Supervisory board
Július Strapek – chairperson, Željko Filipović, Ivo Enenkl, Igor Kovač, Patrik Tkač, Juraj Lalik

Shareholders	Share in share capital (%)
1. J&T BANKA a.s.	58.33
2. Alternative upravljanje d.o.o.	27.78
3. Validus d.d. in bankruptcy	3.99

Audit firm for 2014:
PricewaterhouseCoopers d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	28,562
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	191,640
Loans and receivables (financial leasing included)	1,008,472
Deposits with the CNB	160,937
Deposits made (except deposits with the CNB)	188,098
Debt securities	12,110
Loans and receivables	647,326
Held-to-maturity investments	30,033
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	62,928
Intangible assets	17,675
Investments in associates, subsidiaries and joint ventures	0
Tax assets	284
Non-current assets and disposal groups classified as held for sale	0
Other assets	2,866
Memorandum item: Collectively assessed impairment provisions	8,781
Total assets	**1,342,459**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	1,209,909
Electronic money	0
Transaction accounts	91,609
Savings deposits	24,254
Time deposits	1,029,370
Other received deposits	292
Received loans	37,894
Debt securities issued	0
Hybrid and subordinated instruments	26,489
Other financial liabilities measured at amortised cost	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	970
Tax liabilities	0
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	7,850
Total liabilities	**1,218,729**
Share capital	128,585
Revaluation reserves	22,475
Reserves	3,788
Less: Treasury shares	0
Retained earnings (loss)	0
Previous year profit (loss)	–19,207
Current year profit (loss)	–11,911
Total equity	**123,731**
Total liabilities and equity	**1,342,459**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	57,317
Interest expenses	42,753
Net interest income	14,564
Income from fees and commissions	7,260
Expenses on fees and commissions	1,882
Net income from fees and commissions	5,378
Income from equity investments	0
Gains (losses)	9,661
Other operating income	1,677
Other operating expenses	4,333
Net other non-interest income	7,005
Total operating income	26,947
Expenses on value adjustments and provisions	41,609
Net operating income before loss provisions	–14,661
Expenses on value adjustments and provisions	–2,751
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–11,911
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–11,911
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**–11,911**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	23,264
Uncovered letters of credit	2,977
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	4,286
Margin credit lines	0
Other credit lines and commitments	48,743
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**79,270**

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

Total capital ratio, in %
as at 31 December 2014

14.13

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Management board
Michele Romano – chairperson, Fernando Zavatarelli, Boris Kalajdžić

Supervisory board
Gian-Quinto Perissinotto – chairperson, Pierluigi Ronzani, Diego Carraro, Antonio Paruzzolo, Renato Merlo

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

Audit firm for 2014:
PricewaterhouseCoopers d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	17,260
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	202,420
Loans and receivables (financial leasing included)	1,276,435
Deposits with the CNB	167,688
Deposits made (except deposits with the CNB)	41,347
Debt securities	0
Loans and receivables	1,067,400
Held-to-maturity investments	25,294
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	30,714
Intangible assets	7,435
Investments in associates, subsidiaries and joint ventures	0
Tax assets	5
Non-current assets and disposal groups classified as held for sale	2,674
Other assets	4,000
Memorandum item: Collectively assessed impairment provisions	9,914
Total assets	**1,566,236**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	1,358,857
Electronic money	0
Transaction accounts	123,840
Savings deposits	659
Time deposits	836,988
Other received deposits	58,089
Received loans	339,281
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	8,058
Tax liabilities	406
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	13,911
Total liabilities	**1,381,232**
Share capital	398,084
Revaluation reserves	6,373
Reserves	76
Less: Treasury shares	0
Retained earnings (loss)	–181,814
Previous year profit (loss)	0
Current year profit (loss)	–37,715
Total equity	**185,004**
Total liabilities and equity	**1,566,236**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	46,225
Interest expenses	26,191
Net interest income	20,034
Income from fees and commissions	9,419
Expenses on fees and commissions	2,010
Net income from fees and commissions	7,409
Income from equity investments	0
Gains (losses)	12,126
Other operating income	1,066
Other operating expenses	5,586
Net other non-interest income	7,606
Total operating income	35,049
Expenses on value adjustments and provisions	46,877
Net operating income before loss provisions	–11,828
Expenses on value adjustments and provisions	25,887
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	–37,715
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	–37,715
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**–37,715**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	54,180
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	81,262
Other standard risky off-balance sheet items	251
Total standard off-balance sheet items	**135,693**

Derivative financial instruments	
Options	13,942
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**13,942**

Total capital ratio, in %
as at 31 December 2014

15.19

ZAGREBAČKA BANKA d.d.

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Management board
Miljenko Živaljić – chairperson, Romeo Collina, Lorenzo Ramajola, Dijana Hrastović, Marko Remenar, Daniela Roguljić Novak, Nikolaus Maximilian Linarić

Supervisory board
Erich Hampel – chairperson, Jakša Barbić, Franco Andreetta, Robert Zadrazil, Fabrizio Onida, Gianfranco Bisagni, Emilio Terpin, Jürgen Kullnigg, Christoph Metze, Savoula Demetriou

Shareholders	Share in share capital (%)
1. UniCredit Bank Austria AG	84.47
2. Allianz SE	11.72

Audit firm for 2014:
Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	1,553,063
Financial assets held for trading	1,160,087
Financial assets designated at fair value through profit or loss	95,010
Available-for-sale financial assets	8,214,096
Loans and receivables (financial leasing included)	87,935,901
Deposits with the CNB	8,851,281
Deposits made (except deposits with the CNB)	8,300,548
Debt securities	915,105
Loans and receivables	69,868,966
Held-to-maturity investments	1,224,737
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	1,272,908
Intangible assets	164,874
Investments in associates, subsidiaries and joint ventures	582,057
Tax assets	228,296
Non-current assets and disposal groups classified as held for sale	0
Other assets	38,964
Memorandum item: Collectively assessed impairment provisions	664,189
Total assets	**102,469,993**

Liabilities and equity	
Financial liabilities held for trading	793,993
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	84,114,283
Electronic money	0
Transaction accounts	20,248,771
Savings deposits	938,474
Time deposits	50,889,526
Other received deposits	372,448
Received loans	11,649,174
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	15,891
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	321,978
Tax liabilities	108,709
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	732,125
Total liabilities	**86,071,088**
Share capital	9,774,844
Revaluation reserves	148,223
Reserves	575,682
Less: Treasury shares	1,440
Retained earnings (loss)	4,735,185
Previous year profit (loss)	0
Current year profit (loss)	1,166,410
Total equity	**16,398,905**
Total liabilities and equity	**102,469,993**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	5,735,252
Interest expenses	3,217,176
Net interest income	2,518,076
Income from fees and commissions	1,053,606
Expenses on fees and commissions	148,446
Net income from fees and commissions	905,160
Income from equity investments	61,513
Gains (losses)	245,677
Other operating income	46,219
Other operating expenses	148,111
Net other non-interest income	205,299
Total operating income	3,628,535
Expenses on value adjustments and provisions	1,515,119
Net operating income before loss provisions	2,113,415
Expenses on value adjustments and provisions	1,063,684
Other gains (losses)	428,076
Profit (loss) from continuing operations, before taxes	1,477,807
Income tax on continuing operations	311,397
Profit (loss) from continuing operations, after taxes	1,166,410
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**1,166,410**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	5,167,131
Uncovered letters of credit	199,880
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,891,399
Margin credit lines	2,000
Other credit lines and commitments	9,126,596
Other standard risky off-balance sheet items	114,399
Total standard off-balance sheet items	**16,501,405**

Derivative financial instruments	
Options	0
Swaps	66,089,604
Forwards	2,943,894
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	**69,033,498**

Total capital ratio, in %
as at 31 December 2014

25.64

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Management board
Damir Šprem – chairperson, Slavica Matić

Supervisory board
Tomislav Vuić – chairperson, Mato Filipović, Alen Stojanović

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

Audit firm for 2014:
Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	0
Financial assets held for trading	96,563
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	14,292
Loans and receivables (financial leasing included)	163,903
Deposits with the CNB	0
Deposits made (except deposits with the CNB)	15,148
Debt securities	0
Loans and receivables	148,755
Held-to-maturity investments	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	66
Intangible assets	27
Investments in associates, subsidiaries and joint ventures	0
Tax assets	1,115
Non-current assets and disposal groups classified as held for sale	0
Other assets	1,222
Memorandum item: Collectively assessed impairment provisions	1,291
Total assets	**277,188**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	227,459
Electronic money	0
Transaction accounts	0
Savings deposits	0
Time deposits	227,459
Other received deposits	0
Received loans	0
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	635
Tax liabilities	262
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	9,694
Total liabilities	**238,051**
Share capital	40,000
Revaluation reserves	158
Reserves	–32
Less: Treasury shares	0
Retained earnings (loss)	–5,553
Previous year profit (loss)	0
Current year profit (loss)	4,564
Total equity	**39,138**
Total liabilities and equity	**277,188**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	11,419
Interest expenses	6,832
Net interest income	4,587
Income from fees and commissions	5,486
Expenses on fees and commissions	674
Net income from fees and commissions	4,812
Income from equity investments	0
Gains (losses)	4,315
Other operating income	3
Other operating expenses	864
Net other non-interest income	3,454
Total operating income	12,853
Expenses on value adjustments and provisions	7,778
Net operating income before loss provisions	5,075
Expenses on value adjustments and provisions	325
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	4,750
Income tax on continuing operations	186
Profit (loss) from continuing operations, after taxes	4,564
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**4,564**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	1,216
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**1,216**

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

Total capital ratio, in %
as at 31 December 2014

27.49

PBZ STAMBENA ŠTEDIONICA d.d.

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Management board
Mirko Brozović – chairperson, Branimir Ćosić

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

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

Audit firm for 2014:
KPMG Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	0
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	59,613
Available-for-sale financial assets	374,071
Loans and receivables (financial leasing included)	966,728
Deposits with the CNB	0
Deposits made (except deposits with the CNB)	366,495
Debt securities	271,545
Loans and receivables	328,687
Held-to-maturity investments	177,340
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	62
Intangible assets	59
Investments in associates, subsidiaries and joint ventures	0
Tax assets	13,818
Non-current assets and disposal groups classified as held for sale	0
Other assets	182
Memorandum item: Collectively assessed impairment provisions	9,246
Total assets	**1,591,873**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	1,345,350
Electronic money	0
Transaction accounts	0
Savings deposits	4,707
Time deposits	1,279,767
Other received deposits	0
Received loans	60,706
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	170
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	71
Tax liabilities	17,476
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	4,408
Total liabilities	**1,367,306**
Share capital	115,000
Revaluation reserves	16,898
Reserves	634
Less: Treasury shares	0
Retained earnings (loss)	74,544
Previous year profit (loss)	0
Current year profit (loss)	17,491
Total equity	**224,567**
Total liabilities and equity	**1,591,873**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	71,282
Interest expenses	41,218
Net interest income	30,064
Income from fees and commissions	5,629
Expenses on fees and commissions	1,263
Net income from fees and commissions	4,366
Income from equity investments	0
Gains (losses)	573
Other operating income	62
Other operating expenses	5,594
Net other non-interest income	–4,959
Total operating income	29,472
Expenses on value adjustments and provisions	10,288
Net operating income before loss provisions	19,183
Expenses on value adjustments and provisions	–2,685
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	21,868
Income tax on continuing operations	4,377
Profit (loss) from continuing operations, after taxes	17,491
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**17,491**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	2,207
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**2,207**

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

Total capital ratio, in %
as at 31 December 2014

56.31

PRVA STAMBENA ŠTEDIONICA d.d.

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Management board
Katarina Šobat – chairperson, Marija Posavec

Supervisory board
Daniela Roguljić Novak – chairperson, Danimir Gulin, Mirela Mihin-Ragluž

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

Audit firm for 2014:
Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	0
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	845,506
Loans and receivables (financial leasing included)	1,625,484
Deposits with the CNB	0
Deposits made (except deposits with the CNB)	28,809
Debt securities	0
Loans and receivables	1,596,675
Held-to-maturity investments	0
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	356
Intangible assets	118
Investments in associates, subsidiaries and joint ventures	0
Tax assets	3,384
Non-current assets and disposal groups classified as held for sale	0
Other assets	13,364
Memorandum item: Collectively assessed impairment provisions	14,649
Total assets	**2,488,213**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	2,184,661
Electronic money	0
Transaction accounts	0
Savings deposits	0
Time deposits	2,184,325
Other received deposits	0
Received loans	0
Debt securities issued	0
Hybrid and subordinated instruments	0
Other financial liabilities measured at amortised cost	335
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	1,266
Tax liabilities	5,745
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	27,261
Total liabilities	**2,218,933**
Share capital	80,000
Revaluation reserves	22,291
Reserves	–458
Less: Treasury shares	0
Retained earnings (loss)	143,055
Previous year profit (loss)	0
Current year profit (loss)	24,392
Total equity	**269,279**
Total liabilities and equity	**2,488,213**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	104,585
Interest expenses	67,503
Net interest income	37,082
Income from fees and commissions	16,023
Expenses on fees and commissions	2,027
Net income from fees and commissions	13,996
Income from equity investments	0
Gains (losses)	3,829
Other operating income	90
Other operating expenses	6,810
Net other non-interest income	–2,891
Total operating income	48,188
Expenses on value adjustments and provisions	15,078
Net operating income before loss provisions	33,110
Expenses on value adjustments and provisions	2,549
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	30,561
Income tax on continuing operations	6,169
Profit (loss) from continuing operations, after taxes	24,392
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**24,392**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	10,895
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**10,895**

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

Total capital ratio, in %
as at 31 December 2014

25.27

RAIFFEISEN STAMBENA ŠTEDIONICA d.d.

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www2.raiffeisenstambena.hr

Management board
Vlasta Žubrinić-Pick – chairperson, Franjo Franjić

Supervisory board
Mario Žižek – chairperson, Neven Vranković, Michael Georg Müller, Hans Christian Vallant, Liana Keserić

Shareholders	Share in share capital (%)
1. Raiffeisenbank Austria d.d.	100.00

Audit firm for 2014:
Deloitte d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	2
Financial assets held for trading	0
Financial assets designated at fair value through profit or loss	12,927
Available-for-sale financial assets	184,587
Loans and receivables (financial leasing included)	1,051,100
Deposits with the CNB	0
Deposits made (except deposits with the CNB)	20,814
Debt securities	0
Loans and receivables	1,030,286
Held-to-maturity investments	199,732
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	601
Intangible assets	4,537
Investments in associates, subsidiaries and joint ventures	0
Tax assets	470
Non-current assets and disposal groups classified as held for sale	0
Other assets	12,441
Memorandum item: Collectively assessed impairment provisions	12,435
Total assets	**1,466,398**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	1,346,536
Electronic money	0
Transaction accounts	0
Savings deposits	0
Time deposits	1,294,865
Other received deposits	0
Received loans	0
Debt securities issued	0
Hybrid and subordinated instruments	51,600
Other financial liabilities measured at amortised cost	70
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	2,016
Tax liabilities	2,107
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	33,324
Total liabilities	**1,383,982**
Share capital	180,000
Revaluation reserves	8,238
Reserves	261
Less: Treasury shares	0
Retained earnings (loss)	–106,506
Previous year profit (loss)	0
Current year profit (loss)	422
Total equity	**82,416**
Total liabilities and equity	**1,466,398**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	74,262
Interest expenses	42,258
Net interest income	32,004
Income from fees and commissions	7,679
Expenses on fees and commissions	4,217
Net income from fees and commissions	3,461
Income from equity investments	0
Gains (losses)	202
Other operating income	696
Other operating expenses	6,251
Net other non-interest income	–5,354
Total operating income	30,111
Expenses on value adjustments and provisions	27,423
Net operating income before loss provisions	2,688
Expenses on value adjustments and provisions	2,266
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	422
Income tax on continuing operations	0
Profit (loss) from continuing operations, after taxes	422
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**422**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	6,538
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**6,538**

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

Total capital ratio, in %
as at 31 December 2014

16.03

WÜSTENROT STAMBENA ŠTEDIONICA d.d.

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Management board
Zdravko Anđel – chairperson, Ivan Ostojić

Supervisory board
Susanne Riess – chairperson, Emanuel Kovačić, Andreas Grünbichler

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

Audit firm for 2014:
KPMG Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2014, in thousand HRK

Assets	
Money assets	11
Financial assets held for trading	199,743
Financial assets designated at fair value through profit or loss	0
Available-for-sale financial assets	43,941
Loans and receivables (financial leasing included)	1,304,978
Deposits with the CNB	0
Deposits made (except deposits with the CNB)	2,839
Debt securities	0
Loans and receivables	1,302,138
Held-to-maturity investments	386,558
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Tangible assets	1,953
Intangible assets	3,883
Investments in associates, subsidiaries and joint ventures	0
Tax assets	10,018
Non-current assets and disposal groups classified as held for sale	154
Other assets	34
Memorandum item: Collectively assessed impairment provisions	13,636
Total assets	**1,951,273**

Liabilities and equity	
Financial liabilities held for trading	0
Financial liabilities designated at fair value through profit or loss	0
Financial liabilities measured at amortised cost	1,831,576
Electronic money	0
Transaction accounts	0
Savings deposits	0
Time deposits	1,703,143
Other received deposits	0
Received loans	95,768
Debt securities issued	0
Hybrid and subordinated instruments	31,795
Other financial liabilities measured at amortised cost	870
Derivatives – hedge accounting	0
Fair value changes of the hedged items in portfolio hedge of interest rate risk	0
Provisions	1,158
Tax liabilities	4,048
Liabilities included in disposal groups classified as held for sale	0
Other liabilities	13,753
Total liabilities	**1,850,535**
Share capital	72,894
Revaluation reserves	551
Reserves	657
Less: Treasury shares	0
Retained earnings (loss)	14,575
Previous year profit (loss)	0
Current year profit (loss)	12,061
Total equity	**100,738**
Total liabilities and equity	**1,951,273**

Income statement
for 2014, in thousand HRK

Continuing operations	
Interest income	92,278
Interest expenses	48,134
Net interest income	44,144
Income from fees and commissions	21,006
Expenses on fees and commissions	640
Net income from fees and commissions	20,366
Income from equity investments	0
Gains (losses)	11,097
Other operating income	1,868
Other operating expenses	5,807
Net other non-interest income	7,158
Total operating income	71,667
Expenses on value adjustments and provisions	55,703
Net operating income before loss provisions	15,965
Expenses on value adjustments and provisions	2,187
Other gains (losses)	0
Profit (loss) from continuing operations, before taxes	13,777
Income tax on continuing operations	1,716
Profit (loss) from continuing operations, after taxes	12,061
Discontinued operations	
Profit (loss) from discontinued operations, after taxes	0
Current year profit (loss)	**12,061**

Off-balance sheet items
as at 31 December 2014, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	11,473
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	**11,473**

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

Total capital ratio, in %
as at 31 December 2014

14.15

Attachment I

List of credit institutions, end of period

Ordinal no. as at 31 December 2014	Name of credit institution and its head office	Identifier		
		Dec. 2012	Dec. 2013	Dec. 2014
	Banco Popolare Croatia d.d., Zagreb[1)]	B	B	–
1.	Banka Kovanica d.d., Varaždin	B	B	B
2.	Banka Splitsko-dalmatinska d.d., Split	B	B	B
3.	BKS Bank d.d., Rijeka	B	B	B
	Centar banka d.d., Zagreb[2)]	B	–	–
4.	Croatia banka d.d., Zagreb	B	B	B
5.	Erste&Steiermärkische Bank d.d., Rijeka	B	B	B
6.	Hrvatska poštanska banka d.d., Zagreb	B	B	B
7.	Hypo Alpe-Adria-Bank d.d., Zagreb	B	B	B
8.	Imex banka d.d., Split	B	B	B
9.	Istarska kreditna banka Umag d.d., Umag	B	B	B
10.	Jadranska banka d.d., Šibenik	B	B	B
11.	Karlovačka banka d.d., Karlovac	B	B	B
12.	KentBank d.d., Zagreb[3)]	B	B	B
13.	Kreditna banka Zagreb d.d., Zagreb	B	B	B
	Nava banka d.d., Zagreb[4)]	B	B	–
14.	OTP banka Hrvatska d.d., Zadar	B	B	B
15.	Partner banka d.d., Zagreb	B	B	B
16.	Podravska banka d.d., Koprivnica	B	B	B
17.	Primorska banka d.d., Rijeka	B	B	B
18.	Privredna banka Zagreb d.d., Zagreb	B	B	B
19.	Raiffeisenbank Austria d.d., Zagreb	B	B	B
20.	Samoborska banka d.d., Samobor	B	B	B
21.	Sberbank d.d., Zagreb	B	B	B
22.	Slatinska banka d.d., Slatina	B	B	B
23.	Société Générale-Splitska banka d.d., Split	B	B	B
24.	Štedbanka d.d., Zagreb	B	B	B
25.	Tesla štedna banka d.d., Zagreb	SB	SB	SB
26.	Vaba d.d. banka Varaždin, Varaždin	B	B	B
27.	Veneto banka d.d., Zagreb	B	B	B
28.	Zagrebačka banka d.d., Zagreb	B	B	B
1.	HPB stambena štedionica d.d., Zagreb	HSB	HSB	HSB
2.	PBZ stambena štedionica d.d., Zagreb	HSB	HSB	HSB
3.	Prva stambena štedionica d.d., Zagreb	HSB	HSB	HSB
4.	Raiffeisen stambena štedionica d.d., Zagreb	HSB	HSB	HSB
5.	Wüstenrot stambena štedionica d.d., Zagreb	HSB	HSB	HSB

[1)] Banco Popolare Croatia d.d. merged with OTP banka Hrvatska d.d. on 1 December 2014. [2)] Bankruptcy proceedings were instituted against Centar banka d.d., Zagreb on 30 September 2013. [3)] Banka Brod d.d., Slavonski Brod changed its name to KentBank d.d., Zagreb on 6 July 2012. [4)] Bankruptcy proceedings were instituted against Nava banka d.d., Zagreb on 1 December 2014.

Note:
B – bank
SB – savings bank
HSB – housing savings bank

Attachment II

Credit institution groups subject to reporting to the CNB on a consolidated basis, as at 31 December 2014

	Credit institution group	Superordinate credit institution	Group members
1.	ERSTE&STEIERMÄRKISCHE BANK	Erste&Steiermärkische Bank d.d., Rijeka	Erste Bank AD, Podgorica, Crna Gora
			Erste Card Club d.d., Zagreb
			Erste Delta d.o.o., Zagreb
			Erste factoring d.o.o., Zagreb
			Erste nekretnine d.o.o., Zagreb
			Erste&Steiermärkische S-Leasing d.o.o., Zagreb
			Erste Card d.o.o., Ljubljana
2.	HRVATSKA POŠTANSKA BANKA	Hrvatska poštanska banka d.d., Zagreb	HPB-Stambena štedionica d.d., Zagreb
3.	HYPO ALPE-ADRIA-BANK	Hypo Alpe-Adria-Bank d.d., Zagreb	Hypo Alpe-Adria-Invest d.d., Zagreb
			Hypo Alpe-Adria-Leasing d.o.o., Zagreb
4.	PRIVREDNA BANKA ZAGREB	Privredna banka Zagreb d.d., Zagreb	PBZ CARD d.o.o., Zagreb
			PBZ Croatia osiguranje d.d. za upravljanje obveznim mirovinskim fondom, Zagreb
			PBZ Leasing d.o.o., Zagreb
			PBZ stambena štedionica d.d., Zagreb
			PBZ-NEKRETNINE d.o.o., Zagreb
5.	RAIFFEISENBANK AUSTRIA	Raiffeisenbank Austria d.d., Zagreb	Raiffeisen Consulting d.o.o., Zagreb
			Raiffeisen Factoring d.o.o., Zagreb
			Raiffeisen Invest d.o.o., Zagreb
			Raiffeisen Leasing d.o.o., Zagreb
			Raiffeisen Bonus d.o.o., Zagreb
			Raiffeisen stambena štedionica d.d., Zagreb
			Raiffeisen društvo za upravljanje obveznim i dobrovoljnim mirovinskim fondovima d.d., Zagreb
			Raiffeisen mirovinsko osiguravajuće društvo d.d., Zagreb
6.	SOCIÉTÉ GÉNÉRALE-SPLITSKA BANKA	Société Générale-Splitska banka d.d., Split	SG Leasing d.o.o., Zagreb
			SB Nekretnine d.o.o., Split
			Société Générale Osiguranje d.d., Zagreb
7.	ZAGREBAČKA BANKA	Zagrebačka banka d.d., Zagreb	Prva stambena štedionica d.d., Zagreb
			UniCredit Bank d.d., Mostar
			ZB Invest d.o.o., Zagreb

Abbreviations

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

Symbols

–	– no entry
....	– data not available

ISSN 1334-0123 (online)