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1 Performance indicators of credit institutions

Summary

A slight recovery in credit activity and a slower growth in irrecoverable claims led to a somewhat faster growth in bank assets in 2011 and an increase in indicators of return. Compared to the pre-crisis periods, bank assets grew slightly, while indicators of return stood at much lower levels, due to the economic slowdown and persistently high expenses on provisions for credit portfolio losses. Intensive loan rollover and restructuring efforts continued, while in a number of small banks collection difficulties seriously undermined operations and threatened the capital base. As a result, the banking system in 2011 was again characterised by a high degree of differentiation, a leading role being played by a small number of satisfactorily profitable and strongly capitalised large banks. In 2011 their foreign parent banks continued to provide funding support, the price of which rose towards the end of the year, due to developments in risk premiums and a deterioration in the conditions of parent bank financing.

The increase in the sources of funding from majority foreign owners was the main source of growth in large bank assets and thus of all banks combined. The growth in medium-sized and small banks was financed by household savings, whose growth was noticeably slower than in 2010 yet maintaining the growth trend. This indicated the further increased caution of that sector, also evident in its unwillingness for further borrowing. By contrast, a corporate liquidity position depletion was seen in a sharp fall in this sector's deposits and its ever diminishing ability to repay bank loans. Increased uncertainty in the eurozone translated into growth in kuna sources and a relatively strong growth in the sources of otherwise poorly represented foreign currencies, even if this was small in absolute terms. However, the euro component maintained the dominant position in the composition of bank balance sheets with the result that exchange rate developments had a significant impact on bank assets growth which, the exchange rate effects excluded, stood at 2.5% (4.1% in nominal terms). In terms of currency, the balance sheet continued to be well balanced, while the open foreign exchange position was low. In large banks this was also due to the use of derivative financial instruments, mainly those involving majority foreign owners. Derivative financial instruments were used in part as a hedge against interest rate risk, which was associated with the kuna sources from majority foreign owners, constituting a part of regulatory arbitrage related to the minimum foreign exchange liquidity rule. The relaxation of this rule enabled lending to government units earlier in the year, which, combined with the change in the reserve requirements system and lower securities investments, resulted in a small decline in more liquid forms of assets. The system's overall liquidity position remained very good, while surplus liquidity in periods up to one week and up to one month, both in kuna and in convertible currencies, remained high. Some small banks had difficulties maintaining the prescribed liquidity coefficients, attributable, among others, to faltering confidence in the money market due to the compulsory winding up of one small bank towards the end of the year.

Credit activity recovered slowly (4.3% effectively), while the persistently high level of risk aversion was seen in loan growth to less risky segments, particularly the public sector and large and more stable clients. The bulk of the loan increase went to corporates, with a large share of this increase

involving only a few public enterprises. The largest share of the newly granted loans was used for working capital and refinancing existing obligations. Loans to government units rose at a high rate, while the trend of deleveraging in the household sector continued for the third consecutive year.

In light of unfavourable economic developments, the quality of loans continued to deteriorate, though at a slower rate. The share of B and C category loans, i.e. partly and fully irrecoverable loans in total loans rose from 11.2% at the end of 2010 to 12.4% at the end of 2011. In the corporate sector, the share of B and C category loans exceeded 20%, while the worsening quality of loans to construction provided the biggest contribution to the poorer quality of total bank loans. The relatively good quality of household loans, with B and C category loans accounting for 8.6% of these loans, coupled with the fact that these loans again accounted for the largest share of the credit portfolio of banks, limited the level of total loans quality. However, due to the ageing of the portfolio, the growth in the indicator B and C category household loans was only slightly less pronounced than that in the corporate sector. This can be attributed in particular to home loans indexed to the Swiss franc. The quality of these loans was much worse than that of home loans in euro. Increased loan repayments resulting from exchange rate and interest rate changes and a fast growth in this portfolio during relaxation of lending terms were the main contributing factors.

The banks continued to provide direct and indirect support to construction due to a significant share of financing of construction and sale of residential and other property in the credit portfolios of banks. New projects lending slowed down, and during the year the banks rolled over and restructured large amounts of loans and continued to provide various forms of direct support to boost activities in the real estate market and avoid greater losses. Loans to corporates in the real estate business rose considerably, some of them definitely belonging to business groups that manage unsold units, while the quality of loans to this activity continued to deteriorate. Individual segments of home lending also rose considerably, largely driven by government incentives introduced in March 2011. Euro home loans grew considerably, while the second half of the year saw a relatively sharp increase in kuna home loans. The issue of the exchange rate of the Swiss franc and the more difficult repayment of home loans indexed to that currency prompted a number of banks to advertise kuna home loans more strongly, while in June and August 2011, the Government and the leading banks reached an agreement on measures aimed at alleviating the position of debtors with home loans indexed to the Swiss franc. But by the end of 2011, only seven users of home loans in Swiss francs, of the total of a little over 60 thousand of them, had opted for the possibility of the postponement of liabilities envisaged under this agreement.

Credit portfolio losses continued to grow. The growth rate of value adjustments and provisions for B and C category loans was only slightly slower than that in 2010. The ageing of the part of the portfolio classified into B and C categories led to an increase in arrears and growing losses. After the downward trend present for many years, the year 2011 saw an increase in the average loss on loans classified into risk categories B and C, i.e. an increase in the coverage of these exposures by value adjustments and provisions to 41.4%. The coverage of corporate B and C category loans stood at a relatively low 35.0%, largely influenced by the indicator in the construction activity. The low coverage in this activity might be due to well-collateralised loans, i.e. the use of real estate property as an instrument of collateral as well as loan rollover and restructuring.

A slight credit activity heightening provided the biggest contribution to bank profit growth, while lower provisioning costs brought about a significant improvement in the performance of small banks and indicators of return of the entire banking system. The increase in bank profit of 10.2% was to a great extent due to one large bank that increased its profit by over one third. In addition to this bank, two large banks also reported profit growth, although at much smaller rates, while a considerable contribution was also provided by a significant number of smaller banks that reduced their losses or started operating with a profit due to lower expenses on loss provisions. As in 2010, nine banks, all of them from the group of small banks, operated with losses. ROAA rose to 1.2%, although only six banks, three of which were large and three were small banks, reported ROAA of over 1. ROAE reached 6.9%, and its relatively low value reflected the high capitalisation of domestic banks accumulated in the pre-crisis period. A lower level of expenses on loss provisions and lower costs improved ROAA, while at the same time it reduced the ability of bank assets to generate income. This was due to the weakening of net non-interest income, while the increased interest rate spread led to an increase in net interest income. However, towards the end of the year, the interest rate spread declined considerably, mainly as a result of an increase in the costs of foreign financing, particularly with the parent banks.

The capital adequacy ratio of banks continued to grow for the third consecutive year. At the end of 2011, it reached 19.57% and its increase was mainly due to the inclusion of a part of the profit generated in 2011 in the calculation of own funds. The majority of banks maintained this ratio much above the prescribed 12%. At the end of the year, only one small bank reported a capital adequacy ratio below the prescribed minimum, but raised its capital adequacy ratio above 12% after its recapitalisation in 2012. The transfer to the Basel II methodology and the absence of increased weights for currency-induced credit risks had reduced significantly the average weight for credit risk in 2010. The average weight for credit risk declined further in 2011 as a result of an increase in the share of low-risk exposure to central governments and central banks, with a considerable share of this increase being attributable to increased use of credit risk mitigation techniques, particularly the use of government guarantees. The contribution to a decline in the average weight also came from one large bank transferring to the internal ratings-based approach, which generated savings on the side of capital requirements. All the remaining banks used the standardised approach, while average weights in the retail and corporate categories remained relatively high due to a small scale use of the 75% weight in the retail category and the absence of credit assessment for most of the corporates.

In 2011, the banks paid out in dividends a little over one third of the amount of profit generated in 2010. The retention of the bulk of the earnings enhanced the highest quality components of own funds, while the capital adequacy of original own funds stood at 17.91%. In view of the amount and the quality of capital, the domestic banking system should be able to embrace easily the new regulatory framework, Basel III, as shown by preliminary results of the quantitative impacts study. However, the exposure to currency-induced credit risk, considered by the banks to be the most significant second pillar risk in the assessment of internal capital, is still considerable. Almost the entire increase in loans granted in 2011 went to euro loans (including loans indexed to that currency) with the result that at the end of the year over three quarters of total bank loans (net) were exposed to currency-induced credit risk, and a little over 90% of that amount was not hedged against this risk, i.e. was placed to clients with an unmatched foreign exchange position. Due to the internal capital requirements for currency-induced credit risk, requirements for interest rate risk in the non-trading book, concentration risk and other, less significant risks, the internal capital adequacy ratio of banks was assessed as being two percentage points lower than the capital adequacy ratio of own funds. Exposure to interest rate risk in the non-trading book, measured by the ratio of change in the economic value of the non-trading book and own funds, rose considerably, but still remained low. This was due to the use of administered interest rates, which the banks mostly distribute to the shortest terms, thus diminishing the impact on the calculation of change in the economic value.

In 2011, the amount and the composition of the balance sheet of housing savings banks experienced considerable changes, prompted by transactions carried out for the purpose of alignment with the regulation on interest rate risk in the non-trading book. Assets rose by 14.0% and most housing savings banks saw an increase in long-term sources, mostly those of the owners, while on the assets side, there was an increase in investments in short-term deposits and securities. This helped achieve a better match between interest rate-sensitive assets and liabilities, and narrow the gap arising from long-term home loans fixed interest rate financing by means of deposits with a much shorter term of possible interest rate change. The growth in deposits of housing savings bank savers was much faster than in the previous year, as was the growth in home loans granted. These loans grew by 13.4%, while their quality remained characteristically good. The share of B and C category loans stood at 0.9%. The capital adequacy ratio remained high (19.87%), despite a slight fall. The level of this ratio reflected the importance of the share of exposure to central governments and central banks, mainly in the form of government securities and the associated low average weight for credit risk. The number of housing savings banks operating at a loss rose from one to three, with the result that the combined profit of all the five housing savings banks fell by over one third. The reason for the fall lay in increased expenses on loss provisions, most notably expenses for latent losses in risk category A, while in the same period in the previous year, housing savings banks had benefited from income generated by repealed provisions on this basis. The increase in expenses on loss provisions, together with the high level of costs, resulted in low profitability. While ROAA stood at 0.2%, ROAE was 2.2%.

1.1 Introduction

At the end of 2011, there were 37 credit institutions operating in the Republic of Croatia: 31 banks, one savings bank and five housing savings banks.[1] Their assets, according to unconsolidated audited data for end-2011, stood at HRK 414.8bn, with bank assets (including the savings bank) accounting for the bulk or 98.2% of these assets, while the assets of housing savings banks accounted for the remaining 1.8%. For the purposes of this analysis, banks have been divided into three peer groups (large, medium-sized and small banks)[2], while housing savings banks, due to their specific nature, are treated as a separate group.

1.2 Banks

1.2.1 Structural features

Number of banks and peer groups

The total number of banks at the end of 2011 included six large, three medium-sized and 23 small

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

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

	Dec. 2008		Dec. 2009		Dec. 2010		Dec. 2011	
	Number of banks	Share	Number of banks	Share	Number of banks	Share	Number of banks	Share
Large banks	6	79.4	6	82.7	6	82.1	6	82.6
Medium-sized banks	4	12.5	3	9.1	3	9.0	3	9.0
Small banks	24	8.1	25	8.2	24	8.9	23	8.4
Total	34	100.0	34	100.0	33	100.0	32	100.0

banks. In the fourth quarter of 2011, compulsory winding-up proceedings were initiated in Credo banka d.d. and the bank's authorisation was withdrawn. As a result, in 2011, the number of small, as well as the total number of banks, fell by one, in the same way as in the previous year (Table 1.1). The fall in the number of institutions and a below-average asset growth rate in the remaining banks in this group resulted in a decline in the market share of small banks. Large banks increased their already leading share, their growth relying mostly on the support provided by majority foreign owners.

Considerable changes in the number of banks and the composition of bank groups in the last five years were associated with the entry of two savings banks into the system in 2008 and 2009, in one of which (towards the end of 2010) a compulsory winding up proceeding was soon initiated. In addition, in early 2009, one medium-sized bank merged with one large bank.

In addition to supervision of individual credit institutions, at the end of 2011, the Croatian National Bank, in accordance with the provisions of the Decision on the supervision of a group of credit institutions on a consolidated basis[3], also supervised seven groups of credit institutions.[4] These bank groups were obligated to report to the Croatian National Bank through their superordinate institutions on their business operations on a consolidated basis. Two domestic banks had in their ownership one foreign bank each, one of which was in Bosnia and Herzegovina and one in Montenegro.

Concentrations

The shares of assets, loans granted and deposits received of the largest banks in the system rose slightly, with their level suggesting significant system concentration, typical of smaller countries and countries that have undergone transition (Figure 1.1). The five largest banks thus accounted for a high 76.0% of the total assets. By contrast, the existence of a relatively large number of banks with small market shares kept the level of the Herfindahl-Hirschman (HHI) asset index at a moderate level (1400).

The levels of the HHI index for assets and loans granted surpassed the record end-2009 values, when these indices, following a merger of one medium-sized bank with one large bank, reached their highest values since 2000. The HHI levels for the three observed variables were rather similar (Figure

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

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

FIGURE 1.1 Shares of assets, loans and deposits of the largest banks in total assets, loans and deposits, as at 31 December 2011

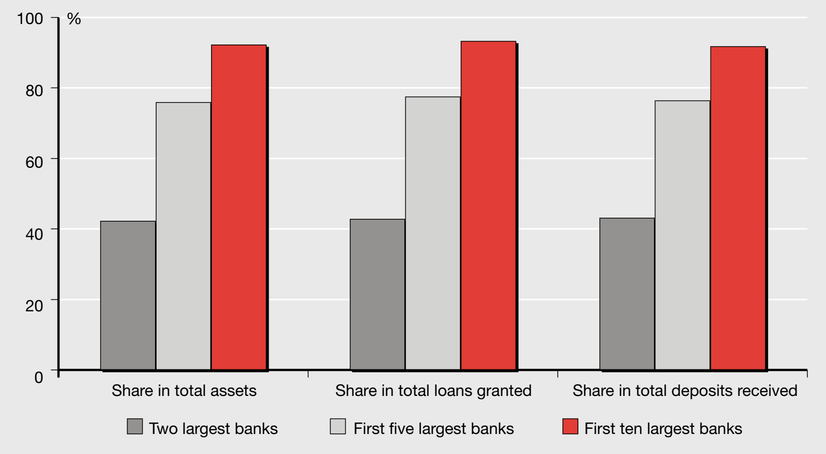
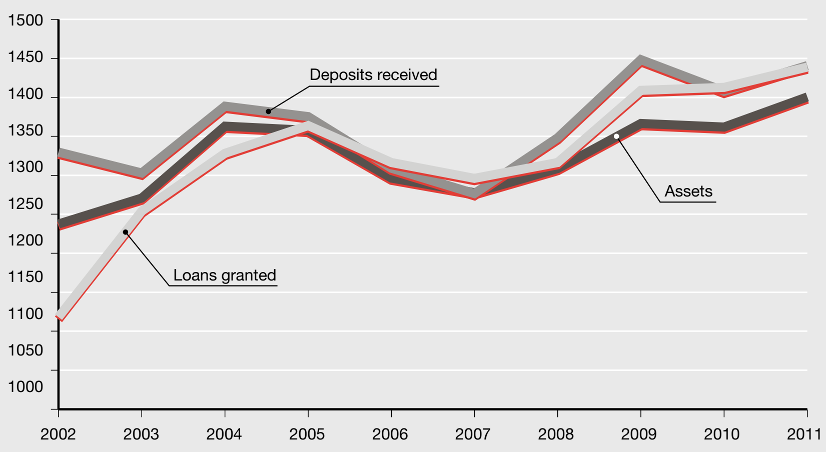


FIGURE 1.2 Herfindahl-Hirschman Index (HHI), all banks



1.2), with the highest index being that for deposits due to a more pronounced dominance of large banks and the role of deposits of majority foreign owners.

Ownership structure

As all banks in the large bank group belong to European banking groups, the assets of the domestic banking system were predominantly in the hands of foreign owners (90.6%). Of the total of 32 banks, 17 were in majority foreign ownership, which is an increase of two banks from the end of 2010 (Table 1.2). Following ownership changes in A štedna banka malog poduzetništva d.d., this savings bank came into majority Serbian ownership and changed its name to Tesla štedna banka d.d. while Banka Brod d.d. was taken over by a Turkish majority owner. As a result, in addition to the six large banks, two medium-sized and nine small banks were also in foreign ownership. Shareholders from Italy and Austria accounted for the largest share of bank assets, a little over 80%. They were majority foreign owners in five, i.e. six banks. Shareholders from France, Hungary, San Marino, Turkey, Switzerland and Serbia each had one bank in their ownership.

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

	Dec. 2008		Dec. 2009		Dec. 2010		Dec. 2011	
	Number of banks	Share	Number of banks	Share	Number of banks	Share	Number of banks	Share
Domestic ownership	18	9.4	19	9.1	18	9.7	15	9.4
Domestic private ownership	16	4.9	17	4.9	16	5.4	13	4.9
Domestic state ownership	2	4.5	2	4.2	2	4.3	2	4.5
Foreign ownership	16	90.6	15	90.9	15	90.3	17	90.6
Total	34	100.0	34	100.0	33	100.0	32	100.0

Business network

The high level of expenses on loan loss provisions, coupled with a sharp increase in foreign borrowing costs, particularly in the second half of the year, again led to tighter control of distribution channels. In 2011, the number of operating units of banks declined while the number of employees and ATMs rose slightly. This was due to the exit of one small bank from the system, as well as to changes in one large and in several small banks that significantly reduced their business networks.

In 2011, the number of employees in banks rose by 95, a small 0.4% (Table 1.3), as a result of the growth in large and medium-sized banks. All medium-sized banks increased the number of employees by between 0.2% and 7.4%, or 3.8% on average. The number of employees in large banks rose by 118 (0.7%), although one bank in this group recorded a significant decline in the number of employees (122 or 5.2%). The exit of one bank from the system was crucial for the fall in the number of employees in the group of small banks. In addition, another eight small banks reduced the number of employees, one of them by as much as 11.3%. The number of employees rose in most small banks (12), which was not sufficient to generate growth at group level, so that overall, the number of employees in this bank group fell by 115 (3.3%).

The number of operating units of banks at the end of 2011 fell by eight (0.6%) from the end of 2010. Following an upward trend present for many years, the number of operating units fell for the second

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

	Dec. 2008		Dec. 2009			Dec. 2010			Dec. 2011		
	Number	Share	Number	Share	Change	Number	Share	Change	Number	Share	Change
Employees											
Large banks	15,618	70.8	15,803	72.7	1.2	15,813	72.6	0.1	15,931	72.9	0.7
Medium-sized banks	3,015	13.7	2,391	11.0	–20.7	2,449	11.3	2.4	2,541	11.6	3.8
Small banks	3,432	15.6	3,536	16.3	3.0	3,508	16.1	–0.8	3,393	15.5	–3.3
Total	22,065	100.0	21,730	100.0	–1.5	21,770	100.0	0.2	21,865	100.0	0.4
Operating units											
Large banks	720	57.6	768	59.2	6.7	760	59.7	–1.0	759	60.0	–0.1
Medium-sized banks	186	14.9	170	13.1	–8.6	172	13.5	1.2	177	14.0	2.9
Small banks	344	27.5	359	27.7	4.4	342	26.8	–4.7	330	26.1	–3.5
Total	1,250	100.0	1,297	100.0	3.8	1,274	100.0	–1.8	1,266	100.0	–0.6
ATMs											
Large banks	2,510	75.1	2,760	76.6	10.0	2,872	75.7	4.1	3,014	75.8	4.9
Medium-sized banks	462	13.8	446	12.4	–3.5	506	13.3	13.2	555	14.0	9.7
Small banks	370	11.1	395	11.0	6.8	416	11.0	5.3	406	10.2	–2.4
Total	3,342	100.0	3,601	100.0	7.7	3,794	100.0	5.3	3,975	100.0	4.8

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

	Dec. 2008		Dec. 2009		Dec. 2010		Dec. 2011	
	Operating units	ATMs	Operating units	ATMs	Operating units	ATMs	Operating units	ATMs
County of Zagreb and City of Zagreb	261	914	288	1,017	296	1,071	301	1,136
County of Krapina-Zagorje	30	77	30	83	30	85	30	93
County of Sisak-Moslavina	36	100	37	103	37	105	37	111
County of Karlovac	30	79	30	84	29	92	29	89
County of Varaždin	46	126	45	123	44	127	44	133
County of Koprivnica-Križevci	37	62	35	66	33	64	33	69
County of Bjelovar-Bilogora	29	62	28	67	27	74	27	72
County of Primorje-Gorski Kotar	116	307	114	327	112	336	110	364
County of Lika-Senj	17	49	19	50	19	56	18	56
County of Virovitica-Podravina	29	37	29	38	27	42	27	41
County of Požega-Slavonia	29	38	27	43	25	45	25	50
County of Slavonski Brod-Posavina	33	72	33	70	30	70	30	71
County of Zadar	56	177	61	196	59	214	58	218
County of Osijek-Baranya	75	160	87	169	85	185	85	200
County of Šibenik-Knin	39	118	42	132	42	134	42	140
County of Vukovar-Srijem	31	82	30	94	31	101	30	107
County of Split-Dalmatia	148	355	153	386	146	420	143	450
County of Istria	111	292	114	307	111	314	110	324
County of Dubrovnik-Neretva	67	152	64	162	62	175	60	169
County of Međimurje	30	83	31	84	29	84	27	82
Total	1,250	3,342	1,297	3,601	1,274	3,794	1,266	3,975

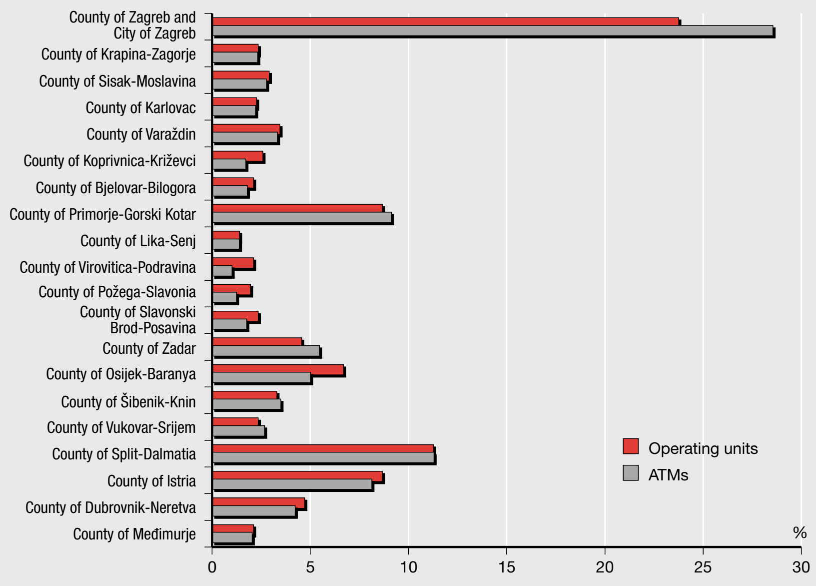
consecutive year. This was mainly due to the exit of one small bank from the system, although another bank in this group significantly reduced the number of its operating units. As a result, the group of small banks reported the largest fall in the number of operating units (12). One large bank also reported a somewhat bigger reduction in the number of its operating units. This had an impact on the whole group, despite the fact that all the remaining banks in that group increased the number of operating units, and resulted in an overall slight fall in the number of operating units of large banks (0.1%). Medium-sized banks increased the number of their operating units by five (2.9%), mainly due to growth in one bank in this group.

The number of operating units rose in only one county, the County of Zagreb, and in the City of Zagreb. A decline was reported in eight counties, while in eleven of them, the number of operating units remained the same. As a result, the concentration of operating units in the County of Zagreb and the City of Zagreb (Figure 1.3) rose additionally to 23.8%, which is two times more than in the first next county, the County of Split-Dalmatia (11.3%). The County of Primorje-Gorski Kotar and the County of Istria came next (8.7% each). These four counties again accounted for over one half of the total number of operating units of banks.

Compared to the EU average of 2131[5], in Croatia there are 3389 persons[6] to one operating unit. Similarly, the average number of operating units in domestic banks also remained on a higher level compared to that in the EU (40 compared to 27[7]).

5 EU Banking Structures, ECB, September 2010.
6 The source of data on the population of the Republic of Croatia is the CBS.
7 The same as under footnote 1.

FIGURE 1.3 Concentration of bank operating units and ATMs by counties, as at 31 December 2011



The indicators of concentration of operating units by counties held steady at end-2010 level, with each bank operating on average in nine counties. Four small banks again operated in only one county and only four large banks had operating units in all counties. The counties in the coastal region again had higher shares of operating units than inhabitants. This was particularly true of the County of Istria which accounted for 8.7% of operating units and 4.9% of the number of inhabitants.

As regards business network indicators, the number of ATMs of banks[8] rose slightly faster in 2011, increasing by 181 or 4.8%. However, compared to the several previous years, this growth slowed down considerably. The County of Zagreb and the City of Zagreb again stood out in terms of newly installed ATMs (65) and were followed by the County of Split-Dalmatia (30) and the County of Primorje-Gorski Kotar (28). The number of ATMs fell in five counties, the most in the County of Dubrovnik-Neretva (6) and in the County of Karlovac (3). These changes had only a modest effect on the increase in the importance of the four counties in the structure of ATM network by counties. Almost one third of all ATMs are located in the County of Zagreb and the City of Zagreb (28.6%) with the County of Split-Dalmatia accounting for the next biggest share (11.3%) and the County of Primorje-Gorski Kotar and the County of Istria for 9.2% and 8.2%, respectively. The share of ATMs in the total number of ATMs in these four counties was again high compared to these counties' populations, which was again particularly true of the County of Istria. Large banks installed the total of 142 new ATMs, medium-sized banks installed 49 while small banks reduced the number of ATMs by 10. The number of small banks that did not have any ATMs held steady at four.

8 ATMs provided by other companies included.

1.2.2 Bank balance sheet and off-balance sheet items

Assets

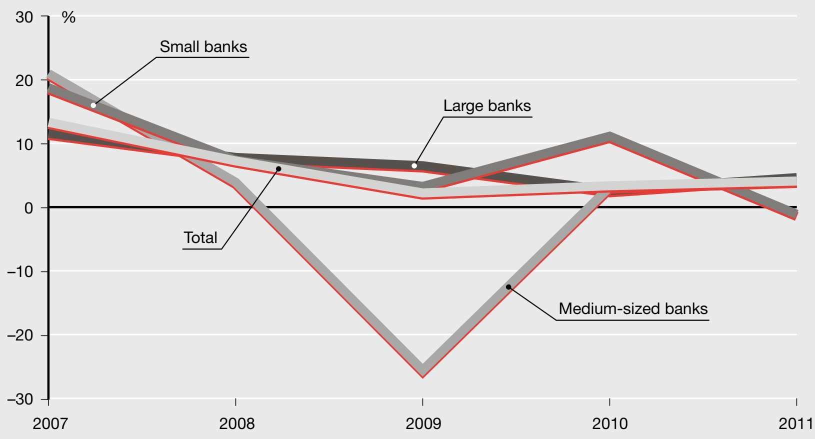
At the end of 2011, total bank assets amounted to HRK 407.0bn, an increase of HRK 15.9bn or 4.1% relative to the end of 2010 (Table 1.5). The slight acceleration in the annual rate of assets growth was attributable to changes in the exchange rate of the kuna and increased kuna equivalent of foreign assets, i.e. assets in foreign currencies and assets in kuna indexed to a foreign currency. In 2011, the exchange rate of the kuna depreciated by 2.0% against the euro and by 4.5% against the Swiss franc and the American dollar, two currencies which, together with the euro, account for almost the entire foreign assets. The effects of the exchange rate of the kuna against these three currencies excluded, foreign currency assets rose only slightly from the end of 2010 in real terms while, owing to a simultaneous increase in the kuna share of assets, the total assets of banks rose by 2.5% in real terms from the end of 2010.

The increase in bank assets was mostly due to the funds from majority foreign owners of banks and to a lesser extent to the increase in household deposits and a small increase in bank capital. The increase in bank sources ensured for the banks potential for placements growth, particularly for a very small recovery in credit activities compared to the year before. However, the intensity of these developments shows that both the banks and their clients continued to be very cautious as regards risk assumption with the result that net loans rose by HRK 12.2bn or 4.6% from the end of 2010. A part of this increase was accounted for by exchange rate changes, and if exchange rate effects are excluded, net loans grew at a slower rate of approximately 2.8%. A very small increase in new loans led to credit portfolio ageing and worsening so that the growth in value adjustments had an additional

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

	Dec. 2008		Dec. 2009			Dec. 2010			Dec. 2011		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Money assets and deposits with the CNB	42,671.2	11.5	47,673.1	12.6	11.7	47,373.5	12.1	–0.6	53,058.7	13.0	12.0
Money assets	5,394.3	1.5	5,430.9	1.4	0.7	5,675.4	1.5	4.5	6,198.2	1.5	9.2
Deposits with the CNB	37,276.9	10.1	42,242.2	11.2	13.3	41,698.2	10.7	–1.3	46,860.5	11.5	12.4
Deposits with banking institutions	35,592.9	9.6	32,741.9	8.7	–8.0	30,160.0	7.7	–7.9	26,957.3	6.6	–10.6
MoF treasury bills and CNB bills	10,062.5	2.7	9,366.8	2.5	–6.9	10,030.3	2.6	7.1	11,580.0	2.8	15.5
Securities and other financial instruments held for trading	6,840.0	1.8	5,522.4	1.5	–19.3	5,501.3	1.4	–0.4	2,511.5	0.6	–54.3
Securities and other financial instruments available for sale	12,480.3	3.4	14,000.5	3.7	12.2	14,872.5	3.8	6.2	14,289.1	3.5	–3.9
Securities and other financial instruments held to maturity	4,798.8	1.3	4,012.2	1.1	–16.4	3,692.3	0.9	–8.0	3,664.5	0.9	–0.8
Securities and other financial instruments not traded in active markets but carried at fair value	669.0	0.2	1,644.9	0.4	145.9	1,090.0	0.3	–33.7	1,829.5	0.4	67.8
Derivative financial assets	121.9	0.0	212.4	0.1	74.2	154.6	0.0	–27.2	673.9	0.2	335.9
Loans to financial institutions	5,796.7	1.6	6,065.1	1.6	4.6	6,389.5	1.6	5.3	6,162.3	1.5	–3.6
Loans to other clients	240,808.0	65.1	246,363.2	65.1	2.3	260,690.5	66.7	5.8	273,141.9	67.1	4.8
Investments in subsidiaries and associates	1,774.1	0.5	1,980.9	0.5	11.7	2,195.6	0.6	10.8	3,288.7	0.8	49.8
Foreclosed and repossessed assets	391.7	0.1	604.9	0.2	54.5	757.5	0.2	25.2	868.4	0.2	14.6
Tangible assets (net of depreciation)	4,503.8	1.2	4,372.3	1.2	–2.9	4,319.6	1.1	–1.2	4,417.7	1.1	2.3
Interest, fees and other assets	6,624.6	1.8	6,889.5	1.8	4.0	6,853.3	1.8	–0.5	7,592.0	1.9	10.8
Net of: Collectively assessed impairment provisions	3,042.4	0.8	3,079.5	0.8	1.2	3,009.3	0.8	–2.3	3,070.6	0.8	2.0
TOTAL ASSETS	370,093.0	100.0	378,370.6	100.0	2.2	391,071.2	100.0	3.4	406,965.0	100.0	4.1

FIGURE 1.4 Rates of change in bank peer group assets



impact on the low growth rate of net loans. In terms of distribution of loans by sectors, most of the growth came from loans to corporates and government units, while weakened household demand led to a real fall in net loans to that sector for the third consecutive year. The currency structure shows that the increase in loans was attributable exclusively to loans denominated in or indexed to the euro, while kuna loans and, particularly, loans in Swiss francs, were lower than at the end of 2010.

Assets rose in all the three bank groups from the end of 2010, but their growth was the biggest in the large bank group (4.6% or HRK 14.9bn). The bulk of growth in large banks was attributable to an increase in the funds from foreign majority owners of banks and household deposits and to a lesser extent to an increase in capital. The growth in household deposits was the main source of the increase in assets in medium-sized banks the assets of which rose by HRK 1.4bn (4.1%) from the end of 2010. The assets of small banks and most asset items fell nominally as a result of a fall in the number of small banks. This effect excluded, the assets of small banks were up HRK 1.3bn or 4.1% at the end of 2011, mainly due to an increase in household deposits. Most banks witnessed an increase in their assets while eight banks witnessed a decline in their assets from the end of 2010.

In terms of bank assets, the banks saw somewhat more significant changes in the structure of placements in deposits involving a decline in deposits with foreign banks and an increase in deposits with the CNB. Such developments were influenced by regulatory changes, i.e. a reduction in the prescribed percentage of coverage of foreign currency claims by foreign currency liabilities from 20% to 17%[9] and an increase in the reserve requirements rate from 13% to 14%[10]. The amount of deposits placed to foreign banks thus fell considerably (HRK 3.5bn or 12.3%) while the amount of deposits with the CNB rose by HRK 5.2bn (12.4%). The bulk of the increase in deposits with the CNB involved the reserve requirement funds although a visible increase was also seen in the balance in the settlement account. The banks again had surplus liquidity at the end of 2011, keeping it in the form of overnight deposits of HRK 3.0bn in the accounts with the CNB. Despite an overall fall in deposits with the foreign banks, deposits with banks that are majority owners of banks in Croatia rose by a high HRK 2.8bn or 44.9%, accounting for over one third of the total amount of deposits placed with other banks. This is an increase of over 13 percentage points from the end of 2010.

9 Decision amendments to the Decision on the minimum required amount of foreign currency claims (OG 30/2011).
10 Decision on amendments to the Decision on reserve requirements (OG 109/2011).

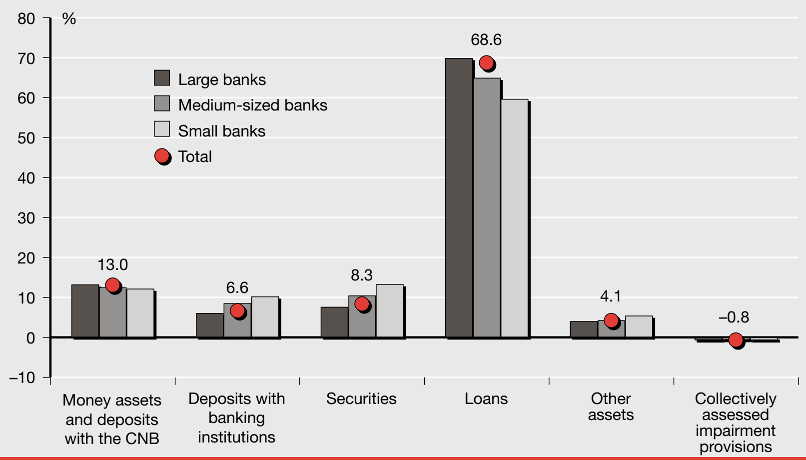
Bank securities investments stood at HRK 33.9bn, a decline of 3.7% from the end of 2010. The decline was due primarily to a decline in investments in securities of other countries, most notably bonds of foreign governments and money market instruments. The fall in securities investments was due to such developments in large banks which led to a 7.3% fall in total securities investments of large banks. Overall investments in securities of domestic sectors rose owing to much bigger investments in domestic government securities, i.e. RC bonds and T-bills of the Ministry of Finance. All bank groups increased their investments in T-bills of the Ministry of Finance and RC bonds with medium-sized and small banks increasing their investments in total securities by 3.6% and 14.3%, respectively.

The banks again distributed the bulk of securities in the available-for-sale portfolio (65.5%), which rose from the end of 2010. The marking-to-market of the securities in the available-for-sale portfolio resulted in an unrealised loss of HRK 283.9m at the end of 2011, which had an unfavourable effect on total bank capital. The amount of securities distributed in the portfolio held for trading fell by a significant 55.8%; down from 18.2% at the end of 2010 to only 8.4% of total securities. The banks generated HRK 104.6m in losses on securities trading. The banks also reduced their equity investments in all sectors except foreign corporates by a total of 8.9%.

Compared to the end of 2010, bank investments in subsidiaries also rose by a considerable HRK 1.1bn or 49.8%. This is due to an increase in equity holdings in one large bank, though, despite considerable change, the share of these investments on total bank level remained below 1.0% of total assets. Measured against own funds at the end of 2011, these investments were not of high relevance, with the total investments of banks in the capital of financial institutions standing at 5.2% of own funds and investments in the capital of non-financial institutions standing at only 1.6% of own funds.

The developments and changes in individual types of bank assets had a somewhat more significant impact only on the share of deposits. The fall in deposits with other banks led to a fall in their share in bank assets from 7.7% at the end of 2010 to 6.6% at the end of 2011. The share of deposits with the CNB in total bank assets stood at 11.5%, an increase of 0.9 percentage points from the end of 2010. The growth in net loans at a rate which was only slightly faster than the growth rate of assets resulted in a very small increase in the share of net loans in bank assets, which stood at 68.6% at the

FIGURE 1.5 Structure of bank peer group assets, as at 31 December 2011



end of 2011. Similar developments to those in the structure of assets of all banks were seen in the assets of large banks. Large banks usually have the largest share of net loans in assets and this share increased additionally from the end of 2010 and stood at 69.9%. The low growth rate of net loans of medium-sized banks led to a decline in the share of net loans in their assets, from 65.6% at the end of 2010 to 65.0% at the end of 2011, the largest change in the structure of assets of medium-sized banks. The only bank group that saw an increase in the share of securities in assets was the small bank group. The share of securities in assets in this group was up from 11.5% to 13.3%. The share of deposits of small banks with other banks fell by the same percentage, i.e. 1.8 percentage points, from the end of 2010. The share of net loans in the assets of small banks fell slightly and stood at 59.7%.

Liabilities and capital

An increase in bank liabilities in 2011 was mainly due to an increase in deposits and only to a small extent to an increase in issued subordinated and hybrid instruments (Table 1.6). As a result, and despite a fall in liabilities based on received loans, the total sources of bank financing rose effectively by approximately HRK 2.1% from the end of 2010. The bulk of this increase involved the funds from

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

	Dec. 2008		Dec. 2009			Dec. 2010			Dec. 2011		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from financial institutions	19,270.0	5.2	21,180.5	5.6	9.9	18,178.8	4.6	–14.2	17,316.5	4.3	–4.7
Short-term loans	8,314.0	2.2	10,167.9	2.7	22.3	7,407.9	1.9	–27.1	6,026.7	1.5	–18.6
Long-term loans	10,956.1	3.0	11,012.6	2.9	0.5	10,770.9	2.8	–2.2	11,289.8	2.8	4.8
Deposits	247,813.9	67.0	256,810.0	67.9	3.6	269,182.6	68.8	4.8	281,390.5	69.1	4.5
Giro account and current account deposits	41,313.1	11.2	34,526.9	9.1	–16.4	37,258.1	9.5	7.9	39,628.4	9.7	6.4
Savings deposits	25,640.1	6.9	24,531.3	6.5	–4.3	26,705.5	6.8	8.9	26,376.2	6.5	–1.2
Time deposits	180,860.7	48.9	197,751.7	52.3	9.3	205,219.0	52.5	3.8	215,386.0	52.9	5.0
Other loans	32,862.6	8.9	31,787.5	8.4	–3.3	31,594.3	8.1	–0.6	31,856.5	7.8	0.8
Short-term loans	7,955.1	2.1	6,133.5	1.6	–22.9	6,977.0	1.8	13.8	3,357.8	0.8	–51.9
Long-term loans	24,907.5	6.7	25,654.0	6.8	3.0	24,617.3	6.3	–4.0	28,498.7	7.0	15.8
Derivative financial liabilities and other financial liabilities held for trading	1,578.3	0.4	418.9	0.1	–73.5	1,475.2	0.4	252.1	1,383.7	0.3	–6.2
Debt securities issued	3,392.3	0.9	119.3	0.0	–96.5	124.3	0.0	4.2	0.0	0.0	–100.0
Short-term debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long-term debt securities issued	3,392.3	0.9	119.3	0.0	–96.5	124.3	0.0	4.2	0.0	0.0	–100.0
Subordinated instruments issued	53.3	0.0	396.6	0.1	643.6	468.4	0.1	18.1	1,366.2	0.3	191.7
Hybrid instruments issued	2,055.7	0.6	3,016.4	0.8	46.7	3,431.2	0.9	13.7	3,601.1	0.9	5.0
Interest, fees and other liabilities	13,139.7	3.6	12,067.3	3.2	–8.2	12,288.2	3.1	1.8	14,283.6	3.5	16.2
TOTAL LIABILITIES	320,165.9	86.5	325,796.6	86.1	1.8	336,743.0	86.1	3.4	351,198.2	86.3	4.3
Share capital	28,287.6	7.6	28,781.8	7.6	1.7	29,468.2	7.5	2.4	33,805.6	8.3	14.7
Current year profit/loss	4,612.5	1.2	3,277.7	0.9	–28.9	3,450.8	0.9	5.3	3,804.4	0.9	10.2
Retained earnings/loss	5,694.1	1.5	7,764.9	2.1	36.4	8,927.9	2.3	15.0	13,705.2	3.4	53.5
Legal reserves	969.4	0.3	1,084.1	0.3	11.8	1,097.9	0.3	1.3	1,058.6	0.3	–3.6
Reserves provided for by the articles of association and other capital reserves	10,511.3	2.8	11,789.2	3.1	12.2	11,382.4	2.9	–3.5	3,739.5	0.9	–67.1
Unrealised gains/losses on value adjustments of financial assets available for sale	–112.5	0.0	–27.7	0.0	–75.4	20.0	0.0	–172.2	–283.9	–0.1	–
Reserves arising from hedging transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Previous year profit/loss	–35.3	0.0	–96.0	0.0	171.8	–19.0	0.0	–80.2	–62.6	0.0	229.3
TOTAL CAPITAL	49,927.1	13.5	52,574.0	13.9	5.3	54,328.2	13.9	3.3	55,766.8	13.7	2.6
TOTAL LIABILITIES AND CAPITAL	370,093.0	100.0	378,370.6	100.0	2.2	391,071.2	100.0	3.4	406,965.0	100.0	4.1

majority foreign owners of banks, with banks' reliance on the sources from majority foreign owners being boosted additionally by more difficult domestic financing.

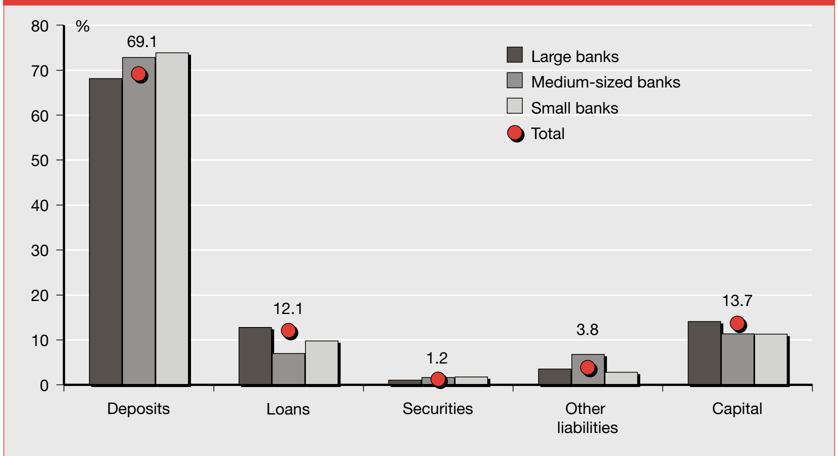
The household sector was the only sector in which the banks recorded an increase in the share of domestic sources, mainly as a result of a seasonal increase in deposits in the third quarter of 2011. The increase in the deposits of non-profit institutions also had a very small effect on total developments. Compared to the end-2010, there was a decline in non-resident financing, with the exception of majority foreign owners. The share of the sources of majority foreign owners in total received deposits and loans thus rose by 2.3 percentage points from the end of 2010, reaching 20.8%. This was particularly true of large and small banks, in contrast with medium-sized banks, where these sources declined.

At the end of 2011, the amount of issued subordinated and hybrid instruments was up HRK 1.1bn from the end of 2010. In addition to increasing the sources of financing, several banks that had operated with a low level of capital in 2011 increased their additional own funds with these instruments. This applied in particular to small banks whose subordinated instruments rose by 323.7% and hybrid instruments by 53.4%, from the end of 2010. Despite an increase in the sources of financing of all banks, the role of these instruments continued to be small.

No significant changes were observed in the structure of bank liabilities. The biggest change involved a decline in the share of received loans in total liabilities and capital from 12.7% at the end of 2010 to 12.1% at the end of 2011. The share of deposits rose slightly to 69.1% of the total liabilities and capital of banks (Figure 1.6).

The growth in balance sheet capital slowed down for the fourth consecutive year, rising by HRK 1.4bn or 2.6% from the end of 2010. The increase in balance sheet capital in 2011 was mainly due to the fact that the banks retained the bulk of the profit generated in 2010 and the profit reported in 2011. In 2011, the banks paid out a little over one third of the amount of 2010 profit in the form of dividends. The share capital of banks rose by a considerable HRK 4.3bn or 14.7%, although the major share of this increase was associated with capital restructuring i.e. recapitalisation efforts carried out by means of previous years' profits accumulated in the reserves of one large bank. Five small banks were also recapitalised in 2011. The amount of their recapitalisation, HRK 179.5m, had

FIGURE 1.6 Structure of bank peer group liabilities and capital, as at 31 December 2011



a positive effect only on the level of share capital of small banks. The level of share and total capital of banks was more and negatively influenced by a fall in the share capital of one large bank of HRK 751.1m and the exit of one small bank with a share capital of HRK 120.0m from the banking system. The mentioned decline in the share capital of one large bank due to a withdrawal of common shares has so far not affected the balance sheet amount, as no payments have been made to this shareholder yet. In contrast with 2010, when the banks reported unrealised profit from value adjustment of financial assets available for sale, unrealised loss at the end of 2011 generated on this basis had an additional negative effect on the level of total capital of banks.

Due to a slowdown in the annual growth rate in total capital, the share of capital in liabilities fell slightly and stood at 13.7% at the end of 2011. The share of capital in liabilities fell in all bank groups and was again above average only in large banks (14.2%). Compared to the end of 2010, the group of large banks was the only group that witnessed an increase in the capital (3.7%) and that mainly owing to the retained part of the previous year's profit and profit generated in 2011. The fall in the capital of medium-sized banks of 2.9% was the result of a fall in reserves due to dividend payments and unrealised losses on value adjustments available for sale. As a result, the share of capital in the liabilities of medium-sized banks thus fell to 11.5%. Despite the recapitalisation of small banks, a small increase in the share capital, and current year profit, the total capital of small banks fell by 2.9%. The capital of small banks was again under the influence of previous years' losses brought forward with additional negative influence on the level of capital of small banks coming from a considerable increase in unrealised losses on value adjustment of financial assets available for sale. The share of capital in the liabilities of small banks fell only slightly at the end of 2011 and stood at 11.4%.

The developments in the balance sheet of banks led to changes in the currency structure at the end of 2011, in favour of a very small increase in the kuna component of the total of 0.9 percentage points which stood at 35.1% of the total assets. Kuna items in the assets of banks rose by HRK 8.7bn (6.5%) from the end of 2010, mainly driven by an increase in deposits with the CNB but also by investments in domestic securities and subsidiaries. The bulk of the increase in foreign currency assets was spurred by an increase in the kuna equivalent of these assets due to currency changes, and to a lesser extent by their real growth, which amounted to approximately HRK 1.1bn (0.4%). As regards liabilities of banks, kuna liabilities rose by HRK 8.6bn (8.3%), owing to an increase in the received kuna deposits that surpassed changes in all other items. Together with the increase in capital, the share of kuna items in the liabilities of banks rose by almost one percentage point and stood at 41.5% of the total liabilities and capital of banks at the end of 2011.

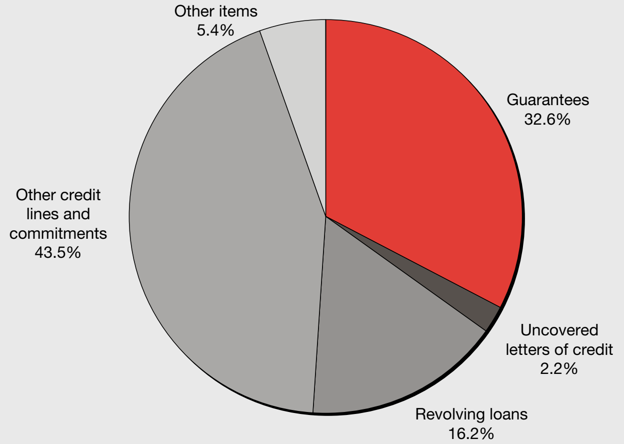
Standard off-balance sheet items

Banks' unwillingness to increase credit risk exposure through off-balance sheet liabilities had been reflected in a decline in the amount of standard off-balance sheet items in the previous two years. There were no greater departures from this trend in 2011, with the amount of standard off-balance sheet items remaining almost unchanged from the end of 2010, and the very small nominal increase was due to changes in the exchange rate of the kuna. Due to a simultaneous growth in assets, the standard off-balance sheet items to assets of banks ratio decreased, falling from 15.1% at the end of 2010 to 14.7% at the end of 2011.

Credit lines and other commitments that rose by HRK 3.6bn (16.1%) from 2010 were the key factor behind the increase in the total amount of standard off-balance sheet items. The contracted but unused amount of credit lines rose particularly in the public enterprise sector (HRK 1.4bn) and in the household sector (HRK 1.2bn). The amounts of other major instruments in the structure of standard off-balance sheet items at the end of 2011 were smaller and this was particularly true of revolving loans, which fell in almost all the sectors by a total of 22.3%.

The increase in the amount of credit lines and financing commitments additionally boosted the share of these liabilities in total standard off-balance sheet items, with over one half of the total amount of these liabilities, or HRK 16.5bn of the total of HRK 26.0bn going to households. Issued guarantees accounted for the second biggest share of standard off-balance sheet items. Their share fell by 2.8% from the end of 2010. Following a considerable decline in the amount of available funds based on revolving loans, the share of these loans in the structure of standard off-balance sheet items fell by almost five percentage points (Figure 1.7).

FIGURE 1.7 Structure of bank standard off-balance sheet items, as at 31 December 2011

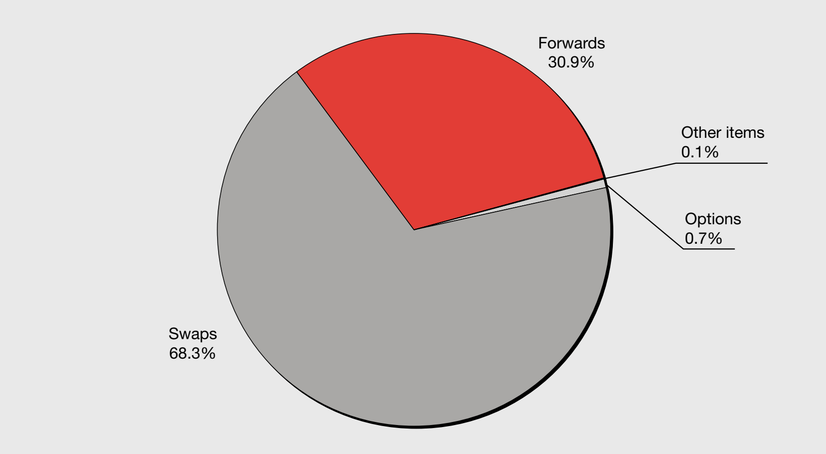


At the end of 2011, total exposure of banks to financing commitments and contingent liabilities that may entail payments, shown as the total amount of standard off-balance sheet items to assets ratio, was again the highest in large banks (15.9%) in relative terms. Medium-sized banks reported a somewhat lower ratio (9.9%), while small banks again reported the lowest standard off-balance sheet items to assets ratio (7.4%). Compared to the end of 2010, only large banks reported an increase in the amount of standard off-balance sheet items (1.5%), attributable mostly to an increase in credit lines and other commitments. Medium-sized banks reduced their standard off-balance sheet items by 1.5% and small banks by 8.0%. In both bank groups, this was primarily due to a decline in the amount of issued guarantees.

Derivative financial instruments

Unlike developments in the previous two years, the total notional value of derivative financial instruments rose by HRK 33.7bn or 32.7% in 2011. The increase boosted the notional value of derivative

FIGURE 1.8 Structure of bank derivative financial instruments (notional amount), as at 31 December 2011



financial instruments to bank assets ratio from 26.3% to 33.6%. The bulk of derivative financial instruments, 68.3%, consisted of swaps (Figure 1.8).

The major share of the increase in derivative financial instruments could be accounted for by an increase in the notional amount of instruments with interest rate as the underlying variable whose notional amount rose by 97.0% or almost twofold from the end of 2010. The amount of instruments with the exchange rate as the underlying variable rose by a much smaller 8.5%, while the amount of less significant instruments with other underlying variables fell slightly. These developments led to changes in the structure of derivative financial instruments in favour of an increase in the share of instruments with interest rate as the underlying variable, from 27.6% at the end of 2010 to 41.0% at the end of 2011. Despite a fall in the notional value of instruments with exchange rate as the underlying variable and a fall in their share in the structure of derivative financial instruments, these instruments again accounted for the majority or 58.8% of the total notional amount of derivative financial instruments.

Large banks accounted for over 96% of the total notional value of derivative financial instruments and these banks' derivative financial instruments to assets ratio stood at 39.2%. The increase in this ratio of almost ten percentage points from the end of 2010 was mostly due to developments in one large bank that led to an increase in this ratio in all banks. In medium-sized banks, this ratio stood at 11.9% and in small banks at only 1.6%.

At the end of 2011, the banks held derivative financial instruments almost fully for trading (99.3%). The banks use some of these instruments to hedge against risks, although they do not report them as such, which can probably be attributed to the complex hedge accounting rules that would have to be applied if they did. Therefore, the banks reported only 0.1% of the total derivative financial instruments as hedge instruments, while the remaining 0.6% was accounted for by embedded derivatives. No significant changes were observed in these ratios compared to the end of 2010.

The bulk of derivative financial instruments involved non-residents, most notably the majority foreign owners or companies that are members of the international banking groups that domestic banks belong to.

1.2.3 Earnings

Income statement

At the end of 2011, the banks generated HRK 4.7bn in profit (before tax), which is an increase of HRK 376.1m or an improvement in business performance of 8.7% from the end of 2010 (Table 1.7). A solid increase in profit can largely be attributed to an increase in interest income, although a positive contribution to the amount of profit generated came from a reduction in the expenses on loss provisions and savings generated on the side of interest expenses.

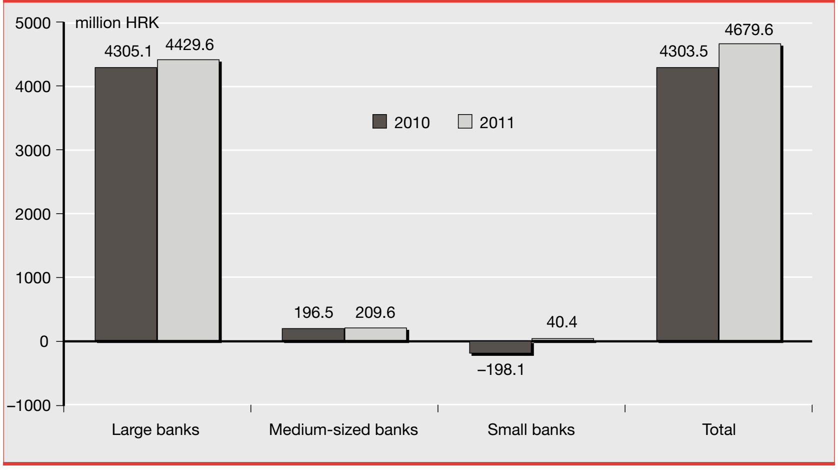
All bank groups generated profit, although large banks again accounted for almost the entire amount of this profit (94.7%). Eight small banks, which accounted for 1.7% of total bank assets and 19.9% of small bank assets, operated with a loss totalling HRK 119.7m. This loss was much smaller than in the previous two years. The lower losses in all these banks, as well as in two banks that had operated with significant losses at the end of 2010 and now reported a profit, were due to much lower expenses on loss provisions.

All bank groups increased pre-tax profit, and most of all small banks, which closed the year with

TABLE 1.7 Bank income statement, in million HRK

	Large banks		Medium-sized banks		Small banks		Total	
	Jan.–Dec. 2010	Jan.–Dec. 2011	Jan.–Dec. 2010	Jan.–Dec. 2011	Jan.–Dec. 2010	Jan.–Dec. 2011	Jan.–Dec. 2010	Jan.–Dec. 2011
Net interest income	9,015.4	9,495.4	962.4	1,069.6	986.5	1,029.8	10,964.3	11,594.9
Total interest income	17,097.3	17,686.6	1,973.0	1,977.6	2,145.2	2,114.9	21,215.5	21,779.1
Total interest expenses	8,081.8	8,191.1	1,010.5	908.0	1,158.8	1,085.1	10,251.1	10,184.2
Net income from fees and commissions	2,654.3	2,483.6	335.6	316.4	219.1	207.8	3,209.0	3,007.8
Total income from fees and commissions	3,363.8	3,257.7	764.1	753.8	306.1	284.9	4,434.1	4,296.4
Total expenses on fees and commissions	709.5	774.1	428.5	437.4	87.0	77.0	1,225.0	1,288.5
Net other non-interest income	1,224.0	1,164.9	104.6	177.4	150.5	129.9	1,479.1	1,472.2
Other non-interest income	1,668.7	1,633.3	194.7	283.9	243.0	199.7	2,106.4	2,117.0
Other non-interest expenses	444.8	468.4	90.0	106.6	92.5	69.8	627.3	644.8
Net non-interest income	3,878.3	3,648.5	440.3	493.8	369.6	337.7	4,688.1	4,480.0
General administrative expenses and depreciation	5,629.8	5,721.5	866.5	920.8	1,086.9	1,054.2	7,583.2	7,696.5
Net operating income before loss provisions	7,263.9	7,422.5	536.2	642.6	269.2	313.3	8,069.3	8,378.5
Total expenses on loss provisions	2,958.8	2,992.9	339.6	433.0	467.4	273.0	3,765.8	3,698.9
Expenses on value adjustments and provisions for identified losses	2,999.8	2,950.0	351.9	425.3	461.1	271.3	3,812.9	3,646.6
Expenses on collectively assessed impairment provisions	–41.0	42.9	–12.3	7.7	6.2	1.7	–47.1	52.3
Income/loss before taxes	4,305.1	4,429.6	196.5	209.6	–198.1	40.4	4,303.5	4,679.6
Income tax	788.4	819.8	36.2	21.4	28.1	34.0	852.7	875.2
Current year profit/loss	3,516.7	3,609.8	160.3	188.2	–226.2	6.4	3,450.8	3,804.4
Memo items:								
Gains (losses) from trading activities	–2,109.0	197.9	–225.3	44.7	121.1	110.4	–2,213.2	353.0
Gains (losses) from securities trading	97.1	–87.5	8.5	–18.6	1.9	1.5	107.6	–104.6
Gains (losses) from foreign currency trading	773.1	557.0	122.8	0.5	119.1	107.8	1,015.1	665.2
Gains (losses) from domestic currency trading	2.6	3.4	0.1	0.1	–0.5	–0.9	2.1	2.6
Gains (losses) from derivatives trading	–2,981.8	–274.9	–356.7	62.7	0.6	1.9	–3,337.9	–210.3
Gains (losses) from exchange rate differentials	3,160.6	749.5	342.3	64.3	11.0	7.0	3,513.9	820.7
Number of banks operating with losses	0	0	0	0	9	9	9	9

FIGURE 1.9 Bank income before taxes



HRK 40.4m in realised profit (Figure 1.9). At the end of 2010, this bank group had generated a loss of HRK 198.1m. A fall in expenses for loss provisions at the end of 2011 of HRK 194.4m or 41.6% from the end of 2010 played a key role in the reduction of this loss and in the profit reported at a group level. The bulk of the savings generated on expenses on loss provisions was due to a fall in expenses on loss provisions for B and C risk category placements in several banks from that group. Pre-tax profits of large banks stood at HRK 4.4bn, an increase of HRK 124.5m or 2.9% from the end of 2010. Increased interest income was the main source of increase in large bank profits, although one large bank reported an increase in profit primarily as a result of savings generated on the side of interest expenses and collectively assessed impairment provisions. Similarly, the increase in profit in medium-sized banks of HRK 209.6m or 6.7% was mainly due to considerably lower interest expenses (10.1%) and an increase in other non-interest income.

As the banks again generated almost three quarters of the total net income by means of interest, a 5.8% increase in net interest income had a key impact on the total financial performance of banks. The biggest contribution to the increase in interest income came from a HRK 461.6m or 28.4% increase in income from loans made to government units, swaps and to a lesser extent, an increase in income from loans granted to domestic financial institutions and non-residents. The two most significant sectors in terms of the structure of granted loans, corporates and households, reported a fall in interest income of 0.6% and 2.3%, respectively. However, excluding changes in the distribution of clients by sectors in one large bank, income from loans to corporates on total bank level grew modestly (0.8%). A fall in income from household loans, a trend present for the second consecutive year, was due to a fall in income from car purchase loans, and then from credit card and other loans, while income from home loans held steady.

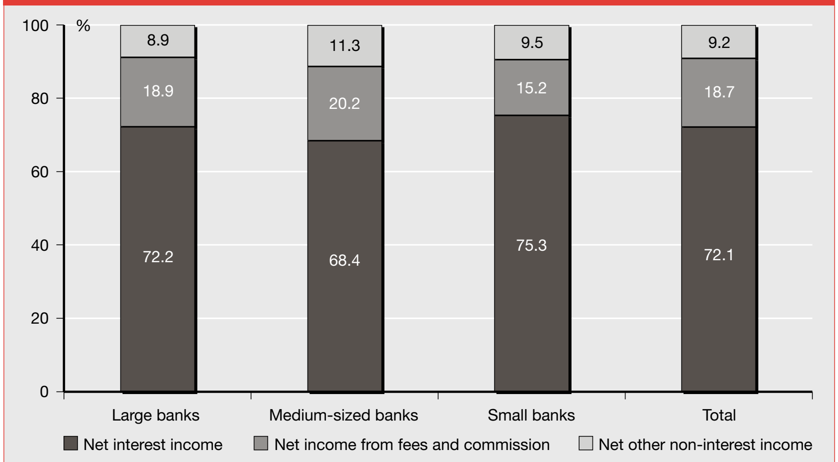
An exceptional increase in income from interest rate swaps of HRK 239.0m or 99.6% was due to an increased use of derivative financial instruments with interest rates as the underlying variable. These derivative financial instruments were used by only five large banks, which all reported an increase in income during the observed period, though the bulk of this increase can be attributed to one large bank. As there was a simultaneous considerable increase in interest expenses on these instruments of total HRK 216.5m or 115.3%, it can be concluded that most of these agreements were again entered into for the purpose of hedging cash flows from changes in the agreed interest rates. The net effect on the income statement was positive (HRK 74.6m), and compared with end-2010 results, when the generated net interest income on this basis had stood at HRK 52.1m, it even rose.

In the first half of the year, the banks generated great savings on total interest expenses, with the main source of these savings being interest expenses based on deposits received from households. Foreign financing costs and particularly the costs of deposits and loans received from foreign financial institutions rose considerably in the second half of the year, reflecting the deepening of the crisis in the eurozone so that the final reduction in interest expenses of banks stood at only HRK 66.9m or 0.7%.

The total net non-interest income fell by HRK 208.1m or 4.4%, primarily as a result of a fall in income from fees and commissions, mainly fees for other banking services.[11] Currency risk hedging by means of derivative instruments is still effective, although net income generated on that basis until end-2011 was down 7.2% compared to the year before. Combined with a fall in income from equity investments, this fully offset the positive effect of increased investments in subsidiaries in large banks. As a result, other non-interest income was down 0.5% from the end of 2010.

Net interest income rose in all bank groups, particularly in medium-sized banks, where it rose by 11.1%. The entire increase in interest income in this bank group was generated by savings on interest expenses while the interest income of this bank group held steady. Net income from fees and commissions declined almost equally in all bank groups, i.e. by 6.4% in large banks and by 5.7% and 5.1%, respectively, in medium-sized and small banks. Net other non-interest income grew at high rates in medium-sized banks (69.53%) but fell in large and small banks (4.8% and 13.7%, respectively). The extremely high growth rate of other non-interest income in medium-sized banks was due to the transfer of the accumulated unrealised profit from capital items to income statement in one medium-sized bank associated with government bonds for economic restructuring, whose value adjustments on maturity and payments of these bonds were transferred to the income statement.

FIGURE 1.10 Structure of bank net income, as at 31 December 2011



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

This led to an increased importance of net interest income in the structure of net income of banks (2.1 percentage points) relative to other components of net income. Small banks maintained the highest share of net interest income, additionally increasing this share to 75.3%. By contrast, medium-sized banks reported an increase in the importance of non-interest income, accounting for the largest share of net income from commission and net other non-interest income at the end of the year, while at the same time they accounted for the lowest share of net interest income.

General administrative expenses and depreciation rose slightly (1.5%), driven by increased employee expenses and other administrative expenses in all bank groups (the effects of the exit of one small bank from the system excluded). The said increase in administrative expenses was lower than the increase in total net income (2.7%), so that net operating income (before loss provisions) rose by 3.8%. Given a fall in total expenses on loss provisions, the total pre-tax profit of all banks grew by a solid 8.7%.

Lower expenses on loss provisions (HRK 66.9m or 1.8%) than at the end of 2010 were due to reduced expenses for B and C risk category placements (HRK 166.3m or 4.3%), while expenses on collectively assessed impairment provisions for risk category A rose. Changes in these expenses varied greatly among different banks while the mentioned fall in losses on risk category B and C placements was mostly due to small banks that reduced these expenses by a considerable HRK 189.9m or 41.2%. Large banks reduced these losses by only 1.7% in contrast with medium-sized banks, the only banks that increased these expenses (20.4%). Expenses on collectively assessed impairment provisions stood at HRK 52.3m, while comparison of nominal and relative changes with balance as at end-2010 was difficult due to regulatory changes in early 2010. The exclusion of the portfolio of securities available for sale from the portfolio of placements classified into risk categories resulted at the end of 2010 in the reporting of income from repealed provisions. However, at the end of 2011, several banks saw a small reduction in the coverage of risk category A placements, with two large banks generating particularly big savings, accounted for by one bank by enhanced model for calculating collectively assessed provisions.

Indicators of returns

The growth in net operating income, coupled with the positive contribution that came from reduced expenses on loss provisions, led to an increase in both indicators of return on total bank level relative to the end of 2010. The return on average assets (ROAA) and the return on average equity (ROAE) thus rose to 1.2% and 6.9%, respectively (Figure 1.11 and Figure 1.12). For the first time in the past three years, all bank groups reported positive values in these indicators, despite considerable differences in their values.

Large banks again had the best values of these indicators, despite their slight fall compared to their values at end-2010. ROAA of large banks stood at 1.3% while their ROAE stood at 7.7%. The return on assets in medium-sized banks rose only slightly (0.6%) while that on equity rose significantly (4.4%). Indicators of return were again the lowest in small banks. ROAA and ROAE in this bank group stood at 0.1% and 0.2%, respectively. Taking into account the recommended values of these indicators, only six banks (three large and three small banks) had an ROAA above 1% and only three banks (two large and one small bank) had an ROAE above 10%.

FIGURE 1.11 Bank return on average assets (ROAA)

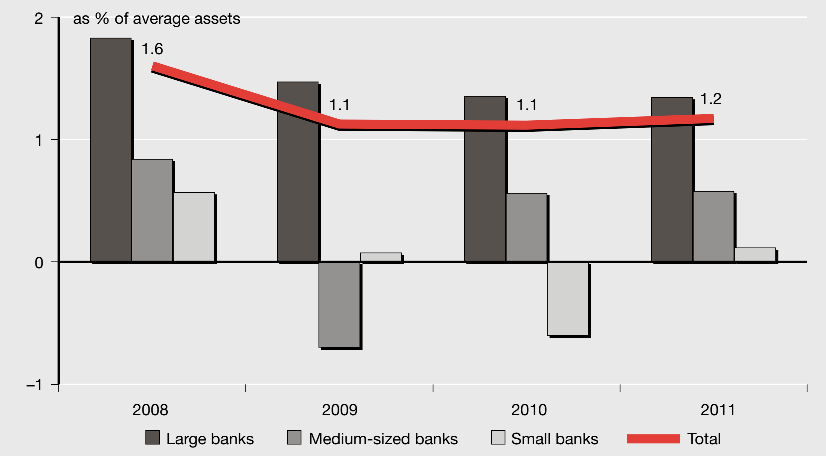
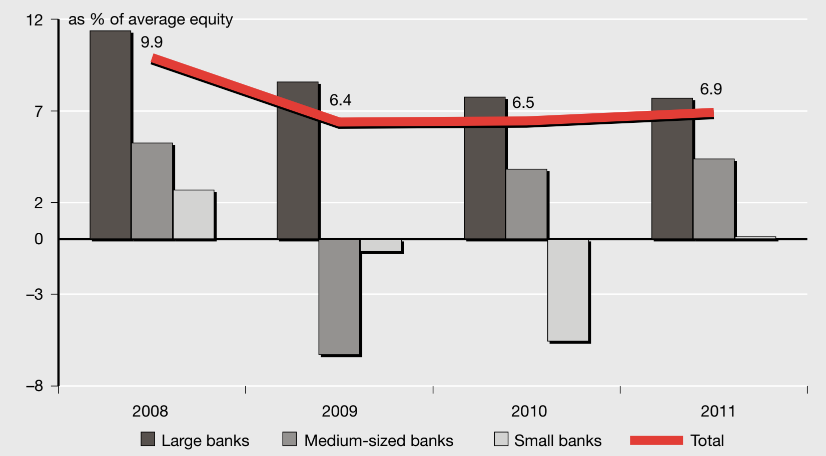


FIGURE 1.12 Bank return on average equity (ROAE)



The interest rate spread, i.e. the difference between interest income earned on average interest-bearing assets and interest expense incurred on average interest-bearing liabilities rose very slightly and stood at 2.7% (Figure 1.13), despite the higher values of this indicator recorded during the year. The significant fall in interest rate spread in the last quarter of 2011 was due to faster growth dynamics in interest expenses, particularly in large banks, which tend to borrow more abroad than the other two bank groups.

The interest rate spread rose slightly in all bank groups. It rose the most in medium-sized banks where it reached 2.9%, or the same level as the group of small banks. The increase in the spread in medium-sized banks was due to a fall in interest expenses, particularly those associated with household and corporate deposits. In large banks, the interest rate spread rose only slightly, reaching 2.7%.

Owing to a much slower growth in the number of employees (0.4%) than in assets, the assets-to-employee ratio in the whole of the sector rose from HRK 18.0m to HRK 18.6m. This change can

FIGURE 1.13 Income from interest-bearing assets and expenses on interest-bearing liabilities

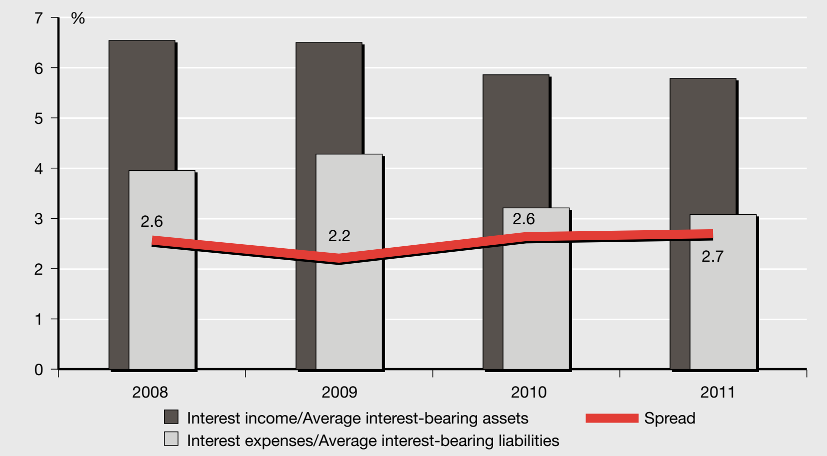
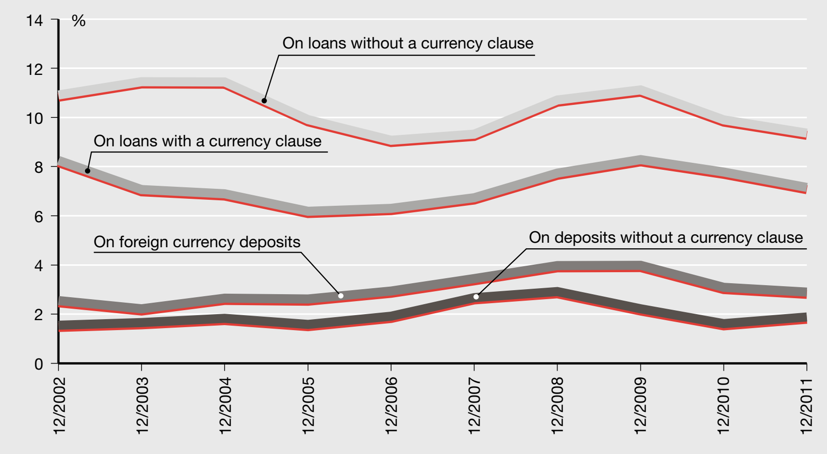


FIGURE 1.14 Weighted averages of bank monthly interest rates, on annual basis



be attributed the most to the group of large banks, which was the only group that visibly improved its efficacy in the past few years, with the value of this indicator in this bank group reaching HRK 21.1m. The value of this indicator in medium-sized and small banks also rose over the year, though at a slower rate, reaching HRK 14.5m and HRK 10.1m, respectively.

The cost to income ratio of banks continued to improve, in line with a trend present for several years, and stood at 47.9% at the end of the year, a decline of 0.6 percentage points from the end of 2010 (Figure 1.16). All bank groups improved their cost-to-income ratios, particularly the small banks (3.1 percentage points), although they continued to maintain the least favourable ratio (77.1%). As expected, large banks maintained the best cost-to-income ratio, using 43.5% of net income to cover operating expenses while this ratio in medium-sized banks stood at 58.9%.

A considerable decline in expenses on loss provisions led to a fall in the share of these expenses in the operating income of banks, from 46.7% in 2010 to 44.2% at the end of 2011. Large banks maintained the most favourable ratio, reducing it additionally by 2.5 percentage points to 40.3%.

FIGURE 1.15 Bank assets per employee

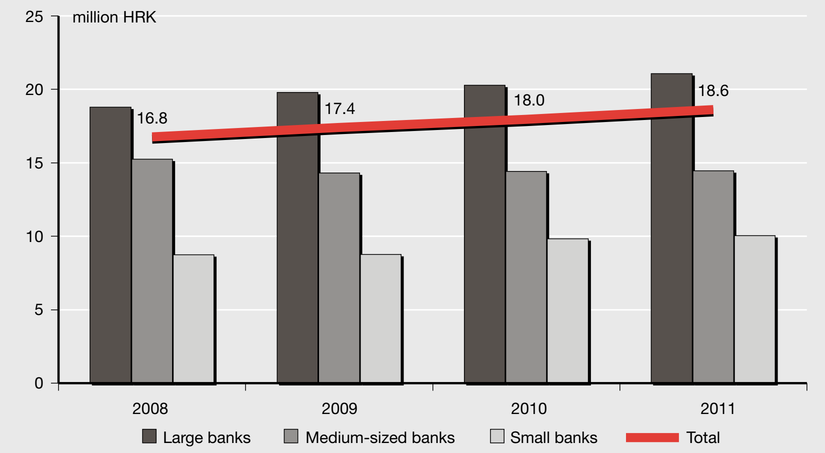
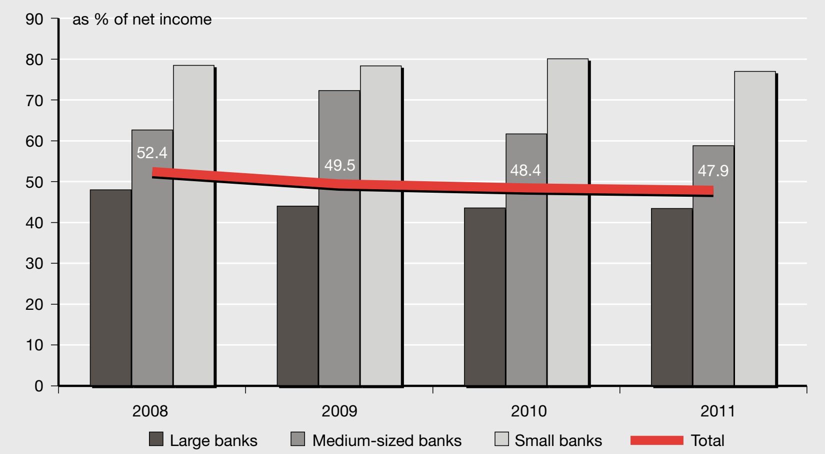


FIGURE 1.16 Bank operating expenses



Small banks halved the shares of these expenses in their operating income, from 173.6% to 87.1%, influenced by a significant reduction in expenses on provisions for identified losses in several banks in this group. This ratio worsened only in the group of medium-sized banks where it stood at 67.4%.

1.2.4 Credit risk

Placements and assumed off-balance sheet liabilities

The growth in exposure to credit risk accelerated slightly in 2011; however, due to further worsening of the quality of this exposure, risk aversion remained high. Total placements and assumed off-balance sheet liabilities that are exposed to credit risk and are subject to classification into risk categories in accordance with the rules that govern classification, rose by HRK 18.4bn or 4.4% in 2011,

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

Risk category	Dec. 2008			Dec. 2009			Dec. 2010			Dec. 2011		
	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage	Placements and assumed off-balance sheet liabilities	Value adjustments and provisions	Coverage
A	408,397.9	3,674.9	0.9	403,906.5	3,613.0	0.9	386,077.1	3,564.9	0.9	398,369.0	3,600.3	0.9
B-1	6,312.0	661.4	10.5	10,764.0	1,416.9	13.2	16,233.9	2,151.0	13.2	16,754.6	2,344.6	14.0
B-2	2,744.7	1,128.2	41.1	5,303.4	2,225.6	42.0	9,327.2	4,147.6	44.5	13,909.6	6,172.1	44.4
B-3	808.9	572.4	70.8	1,283.3	931.8	72.6	1,895.2	1,518.0	80.1	1,848.0	1,482.2	80.2
C	4,214.6	4,193.3	99.5	5,366.6	5,281.8	98.4	5,784.8	5,784.4	100.0	6,835.8	6,835.9	100.0
Total	422,478.1	10,230.1	2.4	426,623.8	13,469.1	3.2	419,318.1	17,165.8	4.1	437,716.9	20,435.0	4.7

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

reaching HRK 437.7bn. The growth in total exposure to credit risk[12] accelerated slightly from the previous year[13], driven primarily by growth in the riskiest component, i.e. loans granted. The remaining components of total exposure also rose, though at a slower rate, with the result that the structure of total exposure saw a more considerable increase only in the share of loans. They accounted for two thirds of the total credit exposure and were followed by given deposits whose growth in 2011 was modest. There were considerable changes in their structure, mainly under the influence of two regulatory changes. An increase in the percentage of allocation led to an increase in the amount of allocated reserve requirements in the account with the CNB, while the level of deposits with foreign banks fell as a result of a reduction in the prescribed percentage of coverage of foreign currency claims by foreign currency liabilities.[14] At the end of 2011, this percentage stood at a level that was considerably higher than the prescribed minimum, suggesting, together with the level of currency and a considerable increase in the settlement accounts, that increased caution in risk assumption continues to be present, driven by unfavourable developments in the economy and further deterioration in the quality of credit exposure.

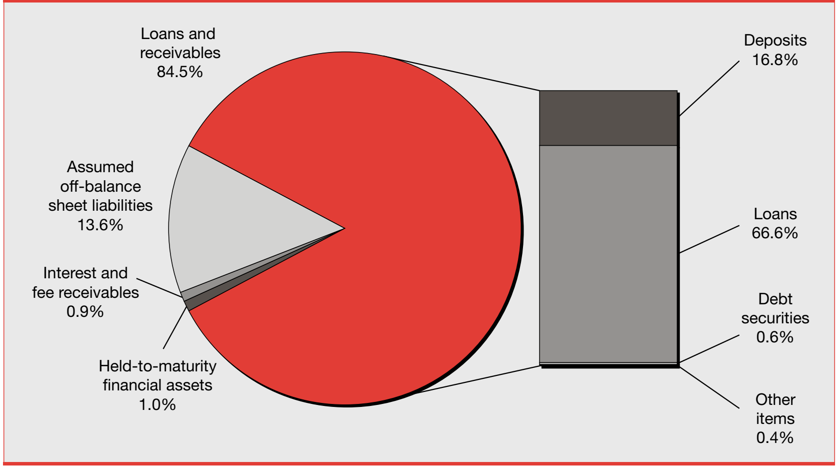
Large banks witnessed the highest growth rate in exposure to credit risk, having increased all the components of exposure to credit risk, including off-balance sheet liabilities. Due to a sharp increase in payments based on guarantees and probably also due to the diminishing demand, fewer guarantees were issued in 2009 and 2010. This fall had the largest impact on the decline in the total off-balance sheet liabilities during the observed years. Similar developments continued into 2011. The quality of issued guarantees deteriorated strongly, and their total amount fell slightly. However, total off-balance sheet liabilities rose slightly due to a simultaneous considerable increase in the amount of lines of credit and other commitments. This increase was seen exclusively in the large bank group, owing to an increase in credit lines to public enterprises and household overdraft facilities. As this bank group also witnessed the highest growth rate in loans granted as a result of increased lending to the biggest clients and the public sector, total placements and assumed off-balance sheet liabilities also rose the most in this bank group.

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

13 The effect of methodological changes excluded (with the portfolio of financial assets available for sale excluded from the scope of items classified into risk categories), the total exposure to credit risk rose by 3.1% in 2010.

14 The minimum percentage of coverage of foreign currency claims by foreign currency liabilities was cut from 20% to 17% in March and in October the reserve requirements rate was raised from 13% to 14%.

FIGURE 1.17 Structure of bank placements and assumed off-balance sheet liabilities, as at 31 December 2011



The year 2011 saw a further, though slower, increase in claims that will not be fully recoverable. The highest quality risk category, category A, accounted for 91.0% of the total amount of placements and assumed off-balance sheet liabilities. This risk category includes placements with no objective evidence of value impairment and off-balance sheet liabilities for which no outflows are expected, or where if outflows do take place, they are expected to be fully recovered. Partly recoverable placements and assumed off-balance sheet liabilities (risk categories B-1, B-2 and B-3) and fully irrecoverable placements and assumed off-balance sheet liabilities (risk category C) accounted for the remaining 9.0% of the total amount of placements and assumed off-balance sheet liabilities. One year ago, this indicator was much lower and stood at 7.9%. The share of risk categories B[15] and C in total credit risk exposure rose at a slower rate for the second consecutive year, influenced in 2011 by a considerably slower growth in risk categories B and C (18.4% compared to 31.7% in 2010).

The level of new credit activities was not sufficient to halt deterioration in the quality of exposure. Credit portfolio losses continued to grow while their share in the total exposure to credit risk (total value adjustments and provisions to total placements and assumed off-balance sheet liabilities ratio) rose for the third consecutive year, reaching 4.7%. Value adjustments and provisions for B and C category loans rose by 23.8%, a small fall compared to 2010. The ageing of the part of the portfolio classified into B and C categories led to an increase in arrears and growing losses. Within B and C categories, risk sub-category B-2 rose the most (loss of between 30% and 70% of the amount of claims). Risk category C placements which are deemed fully irrecoverable by banks (100% losses[16]) also rose considerably and much more than in the previous year. Therefore, after a downward trend present for many years, the average loss on exposures classified into risk categories B and C, i.e. the coverage of these exposures by value adjustments and provisions, rose to 42.8% in 2011. This could be attributed, among others, to a fall in the value of instruments of collateral taken into account in the calculation of cash flows and the amount of losses, particularly real estate property. Value adjustments and collectively assessed impairment provisions rose very slightly so the coverage of risk category A held steady at the same level as in the previous year (0.9%).[17]

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

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

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

Diminished ability to repay liabilities to the banks, particularly in the case of corporates, led to an increase in extensions of repayment terms and restructuring of placements. This had an impact on the amount of due but unpaid receivables and the amount of B and C category placements. A category placements with a payment delay of over 90 days[18] fell very slightly in 2011 and so did their share in total placements, from 1.0% to 0.9%. Owing to a lower amount of due but unpaid risk category A placements, the growth in total due but unpaid receivables was much smaller in 2011. At the same time, the intensity of the activities of placement rollover and restructuring increased. The data on the amount of placements rolled over and restructured in individual months of 2011 point to a rapid growth in the intensity of such activities, which peaked in December, when HRK 5.7bn in placements were rolled over and restructured. It should be noted that, in accordance with the regulations, placement restructuring caused by the financial difficulties of debtors calls for reclassification into worse risk categories so the use of this rule has a significant impact on the amount of B and C risk category placements reported.

In the same way as in the previous two years, B and C category placements and off-balance sheet liabilities rose the fastest in the group of large banks. Nevertheless, this bank group again had the best quality placements and off-balance sheet liabilities, attributable, among other things, to credit portfolio structure. As regards the distribution of loans of large banks, the less risky household and government sectors and the public enterprises subsector accounted for a much larger share of large bank loans. Small banks were the only bank group in which loans to enterprises accounted for the major share or 61.7% of the total loans granted. In large banks, loans to this sector accounted for 40.4% and in medium-sized banks they accounted for 42.4%, averaging 42.1%. In 2011, the share of corporate loans rose considerably due to a steady growth in loans to that sector in all bank groups.

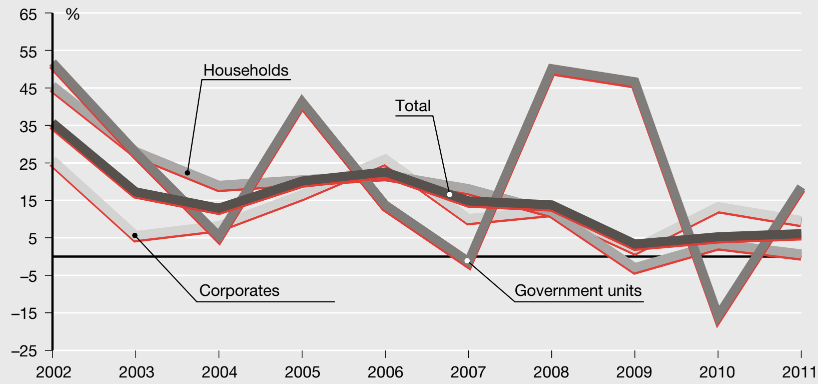
Loans

In 2011, credit activity continued to recover slowly, while the continued high level of risk aversion can be seen in loan growth to less risky segments, particularly large and more stable clients. Granted bank loans (classified in the loans and receivables portfolio, gross) stood at HRK 291.7bn at the end of 2011, which is an increase of HRK 16.8bn or 6.1%, from the end of the previous year. The reported growth in loans was largely influenced by exchange rate changes and if their effects are excluded, loans grew by 4.3% effectively. This slight acceleration in bank loan growth from 3.5% in 2010 was due mainly to credit activity heightening in the corporate sector. The loans to that sector rose by 9.6% (8.1% effectively) with a particularly fast growth rate being seen in loans to public enterprises. The deleveraging of the household sector continued for the third consecutive year. The exchange rate effects excluded, household loans fell by 1.3%.

In the light of unfavourable economic developments, the quality of loans continued to deteriorate, though at a slower rate. This was due to credit activity heightening and a slower growth in B and C risk category loans, which was particularly evident in the last quarter of the year. The share of B and C risk category loans rose from 11.2% at the end of 2010 to 12.4% at the end of 2011. In line with

18 Under the applicable regulations, placements with a payment delay of over 90 days may be classified as risk category A provided the bank has taken legal steps towards collecting its receivables by exercising the instruments of collateral and no more than two years have elapsed since the bank has taken legal actions towards collecting such receivables.

FIGURE 1.18 Rates of change of bank loans



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

the developments so far and a traditionally higher degree of risk involved in corporate lending, the growth in B and C category loans in that sector had the biggest influence on the growth in total loans classified into these risk categories. The share of B and C risk category loans in the corporate sector rose from 18.1% to 20.1%[19] so the relatively good quality of household loans, coupled with the fact that they again accounted for the largest share of the credit portfolio of banks (43.9%), limited the level of indicators in total loan quality. However, due to the ageing of the portfolio, the growth in the share of B and C category household loans was only slightly slower than that in the corporate sector. The share of B and C category loans rose to 8.6% of total household loans.

In search of less risky clients, in 2011 the banks considerably increased loans to government units, public enterprises and other big clients. The growth in corporate loans had a key impact on total loan growth, while loans to government units witnessed the highest growth rate (18.6%). The bulk of growth in loans to the government units took place in the first quarter of the year, spurred by changes in the regulations on the minimum required amount of foreign currency claims and freeing up of a considerable amount of foreign currency that had been immobilised until then. A little over one third of the increase in loans to corporates went to the public sub-sector which is characterised by a considerably better quality of loans. Loans to public enterprises rose by 15.3%, mostly as a result of an increase in loans to three public enterprises involved in construction, electricity supply and transport and storage. The share of B and C risk category loans in public enterprises stood at 2.4%, compared to over one fourth of total loans or 25.3% in other corporates. Loans to other corporates grew by 8.1%, accelerating their growth compared to the year before. The trend for the construction activity to dominate in newly granted loans came to a halt. Manufacturing, particularly the manufacture of food products, agriculture and real estate activities accounted for the largest share of the increase in loans. At the end of 2011, loans to manufacturing accounted for the largest share of loans to other corporates, increasing by 9.3% over the observed period. Loans to agriculture and real estate activities grew noticeably (28.0% and 15.0%, respectively), considerably increasing their shares in the distribution of loans. Nevertheless, their values remained relatively low, with the bulk of the credit portfolio of other corporates again being accounted for by manufacturing, trade and construction.

19 The indicator of corporate loan quality was largely influenced by one large bank with a very bad quality of loans to that sector. The effects of that bank excluded, B and C category loans accounted for 17.5% of total corporate loans.

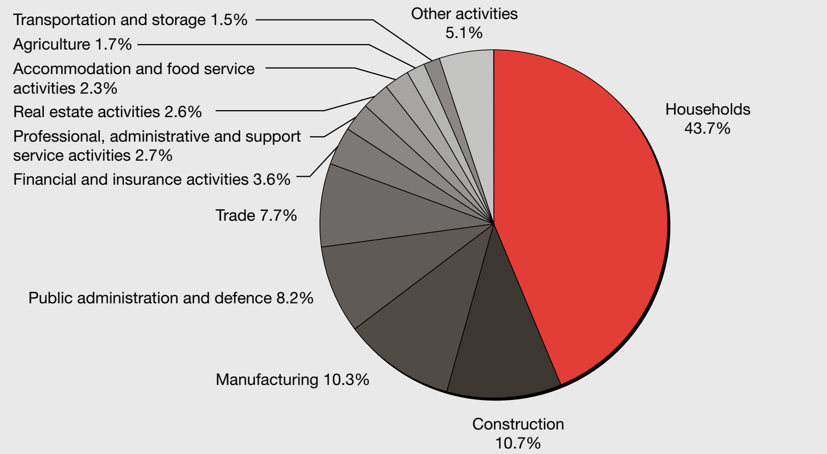
TABLE 1.9 Bank loans, end of period, in million HRK and %

	Dec. 2008		Dec. 2009			Dec. 2010			Dec. 2011		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans											
Government units	21,509.8	8.5	31,547.7	12.1	46.7	26,559.3	9.7	–15.8	31,496.8	10.8	18.6
Corporates	96,827.7	38.3	98,924.4	37.9	2.2	112,139.4	40.8	13.4	122,942.8	42.1	9.6
Households	125,922.6	49.8	122,195.0	46.8	–3.0	127,139.1	46.2	4.0	128,057.8	43.9	0.7
Home loans	52,317.5	20.7	52,959.6	20.3	1.2	57,981.0	21.1	9.5	59,642.3	20.4	2.9
Mortgage loans	3,130.1	1.2	3,084.2	1.2	–1.5	3,513.3	1.3	13.9	3,261.3	1.1	–7.2
Car loans	9,646.0	3.8	7,810.5	3.0	–19.0	6,236.8	2.3	–20.1	4,539.4	1.6	–27.2
Credit card loans	5,529.7	2.2	5,022.3	1.9	–9.2	4,386.8	1.6	–12.7	4,109.3	1.4	–6.3
Other household loans	55,299.3	21.9	53,318.4	20.4	–3.6	55,021.2	20.0	3.2	56,505.5	19.4	2.7
Other sectors	8,422.1	3.3	8,472.0	3.2	0.6	9,111.8	3.3	7.6	9,219.5	3.2	1.2
Total	252,682.2	100.0	261,139.0	100.0	3.3	274,949.6	100.0	5.3	291,716.9	100.0	6.1
Partly recoverable and fully irrecoverable loans											
Government units	67.0	0.5	62.1	0.3	–7.4	75.5	0.2	21.7	97.4	0.3	29.0
Corporates	7,234.8	58.0	12,736.0	62.6	76.0	20,257.0	65.6	59.1	24,744.7	68.2	22.2
Households	4,998.4	40.1	7,081.3	34.8	41.7	9,930.1	32.2	40.2	11,020.9	30.4	11.0
Home loans	891.9	7.1	1,446.6	7.1	62.2	2,584.7	8.4	78.7	3,111.4	8.6	20.4
Mortgage loans	304.0	2.4	368.0	1.8	21.1	788.6	2.6	114.3	699.8	1.9	–11.3
Car loans	277.6	2.2	330.3	1.6	19.0	257.6	0.8	–22.0	181.5	0.5	–29.5
Credit card loans	102.8	0.8	152.6	0.7	48.4	174.6	0.6	14.4	164.3	0.5	–5.9
Other household loans	3,422.1	27.4	4,783.8	23.5	39.8	6,124.6	19.8	28.0	6,863.9	18.9	12.1
Other sectors	178.0	1.4	481.7	2.4	170.5	616.1	2.0	27.9	411.5	1.1	–33.2
Total	12,478.3	100.0	20,361.1	100.0	63.2	30,878.6	100.0	51.7	36,274.5	100.0	17.5
Value adjustments of partly recoverable and fully irrecoverable loans											
Government units	14.5	0.2	5.5	0.1	–61.9	6.0	0.1	8.8	19.8	0.1	228.2
Corporates	2,904.6	45.2	4,232.1	48.6	45.7	6,481.5	54.1	53.1	8,681.0	57.8	33.9
Households	3,391.3	52.7	4,309.5	49.5	27.1	5,269.9	44.0	22.3	6,046.5	40.3	14.7
Home loans	384.3	6.0	516.7	5.9	34.4	749.8	6.3	45.1	1,039.0	6.9	38.6
Mortgage loans	118.7	1.8	116.6	1.3	–1.7	226.9	1.9	94.5	185.1	1.2	–18.4
Car loans	204.9	3.2	206.4	2.4	0.8	141.5	1.2	–31.4	138.9	0.9	–1.9
Credit card loans	89.0	1.4	125.6	1.4	41.2	149.9	1.3	19.4	147.9	1.0	–1.3
Other household loans	2,594.4	40.4	3,344.2	38.4	28.9	4,001.7	33.4	19.7	4,535.5	30.2	13.3
Other sectors	118.9	1.8	163.5	1.9	37.5	230.0	1.9	40.7	262.6	1.7	14.2
Total	6,429.3	100.0	8,710.6	100.0	35.5	11,987.3	100.0	37.6	15,009.8	100.0	25.2

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

The banks continued to provide direct and indirect support to construction considering the significant share of the financing of construction and sale of residential and other property in the credit portfolios of banks. Loans to that activity (loans to corporates involved in construction and management of state roads and motorways excluded) rose slightly in 2011 but fell in the last quarter of the year, thus bringing their sharp increase from the previous year to a halt. However, the worsening of the quality of these loans also made the biggest contribution to lower total bank loan quality in 2011. The share of B and C category loans reached 33.5% with the coverage of these groups by value adjustments and provisions remaining low (29.7%). Lending for new projects slowed down, and during the year the banks rolled over and restructured large amounts of loans and continued to provide various forms of direct support to spur activities in the real estate market and avoid greater losses. Loans to corporates in the real estate business rose considerably, with some of these loans definitely going to

FIGURE 1.19 Structure of bank loans by activities, as at 31 December 2011

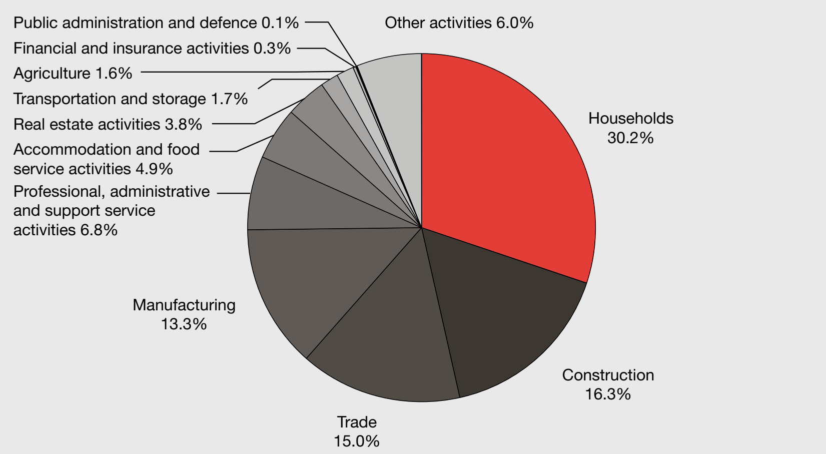


business groups that manage unsold units, while the quality of loans to this activity continued to deteriorate strongly. Individual segments of home lending also rose considerably, to a great extent also driven by government incentives introduced in March 2011 consisting of government subsidies and government-guaranteed home loans.[20] Euro home loans rose considerably (kuna loans with a currency clause in euro included), while the second part of the year saw a visible relatively sharp, though small in absolute terms, increase in kuna home loans (without a currency clause). The troublesome issue of the exchange rate of the Swiss franc and the aggravated repayment of home loans indexed to that currency turned some banks increasingly towards heavier advertisement of kuna home loans. To alleviate the position of users of home loans indexed to the Swiss franc, in June 2011 the Government of the Republic of Croatia and leading banks signed a Memorandum on alleviating the position of users of housing loans denominated in Swiss francs and in August of that year they signed an Annex to this Memorandum providing for the fixing of the exchange rate of the kuna against the Swiss franc at 5.80 and the transfer of the balance between the annuity calculated at the fixed and the actual exchange rate to the so called “deferred claim”. By the end of 2011, only seven users of home loans in Swiss francs, of a little over 60 thousand of them, had opted for the possibility of deferring their liabilities envisaged under this agreement.

In 2011, the banks were increasingly oriented towards existing and major debtors. Unlike the previous year, 2011 was marked by the absence of any significant increase in loans to new clients from low-risk and relatively poorly represented activities such as art, entertainment and other service activities and activities related to environmental protection and renewable sources of energy. By contrast, loans to large clients, particularly in construction, shipbuilding, trade and transport grew. Loan rollover and restructuring efforts were on the increase exactly in these activities, and the reason for a part of the increase in exposure to large clients, usually more stable and less risky, does not lie solely in the need for safer placements but also in “forced lending”. This defers the recognition of losses, so that value adjustments, though larger, still provide a relatively poor coverage of non-performing loans. The coverage of corporate B and C risk category loans stood at a relatively low 35.0%, largely influenced by the indicator in the construction activity. The low coverage in this activity might be due

20 Act on Subsidies and Government Guarantees for Housing Loans (OG 31/2011). In the first four years, the Republic of Croatia undertakes to pay one half of the monthly instalment. The Act prescribes the interest rate, the price per square metre and the amount of loan as well as other, qualitative criteria.

FIGURE 1.20 Structure of bank partly recoverable and fully irrecoverable loans by activities, as at 31 December 2011

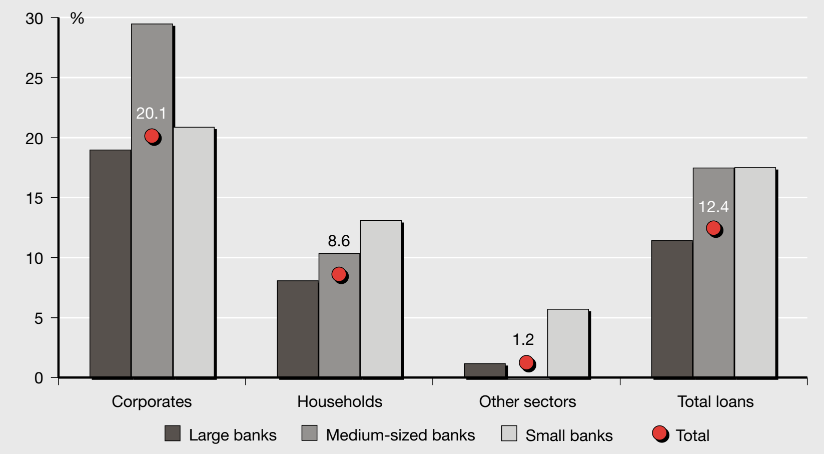


to the fact that these loans are well-collateralised by real estate property as well as to loan rollover and restructuring efforts. It is of key importance to provide a realistic estimate of the value of real estate property and, should a client's financial position worsen, correctly to apply the rule on the reclassification of restructured loans into higher risk categories.

The share of loans exposed to currency-induced credit risk rose in 2011 and so did the share of loans unhedged against this risk. Euro loans and loans in kuna with a currency clause accounted for almost the entire increase in loans in 2011, with the share of these loans in total bank loans standing at 63.7%. Loans in Swiss francs (kuna loans with a currency clause in Swiss francs included) that had been withdrawn from the market due to their diminished appeal, continued to trend downwards while kuna loans (without a currency clause) also fell slightly. Loans in the remaining foreign currencies had a very small impact on total loan growth. Their considerable relative increase was due to currency adjustments of assets and liabilities, i.e. to growing deposits in other, poorly represented foreign currencies whose increase reflected insecurities in the eurozone. The euro component was dominant in the increase in loans to corporates and government units, with the result that these sectors as well as total loans granted witnessed a considerable increase in currency-induced credit risk. Over three quarters of total bank loans (net) were exposed to currency-induced credit risk and a little over 90% of that amount was unhedged against this risk, i.e. placed to clients with an unmatched currency position. The banks are required by law to view credit risk from placements in foreign currencies or indexed to foreign currencies in terms of possible changes in the financial position of the debtor that may arise due to changes in the exchange rate of the domestic currency against foreign currencies. The banks have to establish an internal system of monitoring, analysing and assessing whether the foreign exchange positions of individual debtors or peer groups of debtors are matched and whether their cash flows can be adjusted with regard to the potential changes in the level of their liabilities towards a bank and overall liabilities due to the effect of exchange rate changes.

The materialisation of currency-induced credit risk is one of the factors that led to a considerable increase in B and C risk category liabilities in the case of loans in Swiss francs (kuna loans with a currency clause in that currency included). At the end of 2011, the quality of loans in Swiss francs was for the first time poorer than the quality of euro loans (kuna loans with a currency clause in that currency included) while the quality of kuna loans was the worst, as a result of domination of the riskier corporate sector in the total kuna loans granted. The bulk of loans in Swiss francs, which

FIGURE 1.21 Share of bank partly recoverable and fully irrecoverable loans, as at 31. prosinca 2011.



accounted for 10.9% of total bank loans, had been granted to the household sector, mainly in the form of home loans. The quality of these loans was much worse than that of home loans in euro, due to increased loan repayments resulting from exchange rate and interest rate changes and this portfolio's fast growth during the period of relaxation in lending terms. More specifically, from mid-2005 to mid-2008, under execution laws applicable at the time, debtors could authorise the attachment of their entire salary for the purpose of collecting their liabilities. This improved the calculation of their credit worthiness made by banks in the process of credit extension.

By applying administered interest rates[21], the banks manage repricing risk and reduce direct exposure to interest rate risk. Of the total amount of loans (net), one half was negotiated at an administered interest rate, 40% at a variable interest rate and the remaining share at a fixed interest rate. In the household sector, a little over 90% of the total amount of loans were granted at administered interest rates and in 2011 this sector saw a small decline in the share of loans with an administered rate and an increase in the share of loans with variable interest rates. Similar developments were seen at total loans level, though they were of much bigger scope. Loans granted at variable interest rates rose by 19.4%, with their share in total loans rising by almost five percentage points. Contributions to this came from equal increases in loans to corporates and to government units negotiated at this type of interest rate.

As in 2010, the largest number of clients used bank loans to finance working capital and refinance the existing obligations. In the household sector, the amount of loans for working capital rose the most, while the growth in loans to large clients, particularly those in the public sector was seen in the growth of syndicated loans. Investment loans also rose slightly, while high growth rates were seen in transaction account overdraft facilities, factoring and loans for guarantee-based payments. Households saw an increase in general-purpose loans, i.e. the types of loans that can be used for servicing other liabilities to banks and other creditors. These data, coupled with a growing trend of payment term extensions and loan restructuring, point to a further worsening of the financial positions of debtors.

The household sector remained very cautious as regards consumption and borrowing. In 2011,

21 Subject to change based on a decision of a bank's management board.

household loans fell slightly in real terms, resulting from the fall in car purchase loans and most other types of household loans. Car purchase loans continued to fall at an accelerated rate or 30.0% effectively. After falling steadily for three years, the amount of these loans fell by almost one half. An increase was seen only in cash general-purpose loans and overdraft facilities, which rose by 6.3% and 1.6%, respectively.

The level of home loans held steady at end-2010 level, while deterioration in their quality, particularly deterioration in the quality of home loans indexed to the Swiss franc, was the major contributing factor that led to a worsening in total household loans. Despite a significant increase in the euro component (indexed loans included) of 7.6% (effectively), the total amount of home loans remained the same in real terms, if the effects of exchange rate changes are excluded. This is due to a further fall in loans in Swiss francs (indexed loans included). Accelerated ageing of home loans in Swiss francs contributed to further worsening of the quality of these loans while because of their considerable share in total home loans (41.3%), these loans had a key impact on the worsening of the quality of total home loans. The share of B and C category claims in home loans in Swiss francs stood at 7.3% while the share of these loan categories in home loans in euro stood at 3.3%. Combined, the share of B and C category loans in total home loans stood at 5.2%. In terms of loan quality, car purchase and credit card loans rated better, with B and C category loans accounting for 4.0% of both types of these loans. The relatively good quality of car purchase loans can partly be attributed to the fact that most car purchase loans are covered by insurance while the good quality of credit card loans can largely be attributed to one bank's having loan repayments guaranteed by a credit card company.

1.2.5 Liquidity risk

Sources of financing

At the end of 2011, the banks' sources of financing[22] totalled HRK 336.1bn, an increase of HRK 12.7bn or 3.9% from the end of the previous year. The rate of growth in the sources of financing was influenced by changes in the exchange rate of the kuna, and if this effect is excluded, the real growth rate was a little slower than in 2010 and stood at approximately 2.1%.

The growth in the sources of financing in 2011 was mostly based on deposit growth and to a much lesser extent on the growth in the amount of issued subordinated and hybrid instruments, while bank liabilities based on received loans fell from end-2010. Received deposits rose by HRK 12.2bn or 4.5%, effectively by around 3.0%. The increase in issued subordinated instruments in large banks and hybrid instruments in small banks led to a total increase in these instruments of 191.7% and 5.0%, respectively. This increase did not have any significant impact on the total sources of financing, with the share of subordinated and hybrid instruments in the total sources of financing of individual bank groups and total banks continuing to be very low. Received loans fell by HRK 600.2m or 1.2%, with the share of received loans in total sources of financing continuing the downward trend present for several years (Table 1.10).

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

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

	Large banks		Medium-sized banks		Small banks		Total	
	Dec. 2010	Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010	Dec. 2011	Dec. 2010	Dec. 2011
Deposits	82.2	83.0	89.3	89.2	87.4	86.3	83.3	83.9
Loans	16.7	15.6	8.2	8.6	11.3	11.5	15.4	14.7
Debt securities issued	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid and subordinated instruments issued	1.1	1.3	2.4	2.1	1.3	2.2	1.2	1.5
TOTAL SOURCES OF FINANCING	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Deposits and loans of majority foreign owner	21.3	24.0	6.3	4.5	2.9	4.1	18.2	20.5

In large and medium-sized banks, the sources of financing rose by 4.5% and 3.5%, respectively, while the fall in deposits led to a fall in the sources of financing in small banks (0.9%). There were no big changes in the structure of the sources of financing of individual bank groups, with deposits remaining the dominant source of financing, particularly in the case of medium-sized banks (Table 1.10). A fall in received loans in the group of large banks influenced overall developments, however, despite this fall, large banks again relied more than other bank groups on received loans.

The increase in the received deposits of banks was mostly boosted by an increase in non-resident deposits (HRK 7.7bn or 16.3%) which were almost entirely accounted for by the funds of majority foreign owners. Though slower compared to the year before, the growth in household deposits of HRK 6.8bn or 4.5% had a considerable influence on the increase in deposits as it was the only domestic source of growth in bank deposits in 2011, apart from a smaller increase in deposits of non-profit institutions. The deposits of other domestic sectors, government units, corporates and financial institutions fell by a total of HRK 2.6bn or 4.0%, additionally prompting the banks to turn for funds to majority foreign owners[23] which accounted for 20.8% of the total sources.

The sources from majority foreign owners rose by a considerable HRK 9.8bn or 16.6%, reaching HRK 68.7bn at the end of 2011, with the increased borrowing being accounted for slightly more by the increase in received deposits and to a lesser extent to an increase in received loans. The increase in the sources from majority foreign owners was particularly large in the group of small banks (41.0%), followed by large banks (17.7%), while a considerable decline in these sources in medium-sized banks (25.8%) offset the total change. Again 12 out of 17 banks in majority foreign ownership used these sources in a range from below 1.0% to 46.1% of the total loans and deposits received. Six banks increased the amount of these sources from the end of 2010.

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

	Dec. 2008		Dec. 2009			Dec. 2010			Dec. 2011		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from government units	125.7	0.2	62.2	0.1	–50.6	15.2	0.0	–75.5	8.5	0.0	–44.3
Loans from financial institutions	19,270.0	37.0	21,180.5	40.0	9.9	18,178.8	36.5	–14.2	17,316.5	35.2	–4.7
Loans from corporates	3.5	0.0	4.6	0.0	29.7	1.7	0.0	–62.7	1.6	0.0	–5.0
Loans from foreign financial institutions	32,603.9	62.5	31,712.7	59.9	–2.7	31,571.0	63.4	–0.4	31,841.5	64.8	0.9
Loans from other non-residents	129.3	0.2	8.0	0.0	–93.8	6.4	0.0	–20.3	4.9	0.0	–23.0
TOTAL LOANS RECEIVED	52,132.6	100.0	52,968.0	100.0	1.6	49,773.1	100.0	–6.0	49,173.0	100.0	–1.2
Loans from majority foreign owner	22,735.6	43.6	23,641.7	44.6	4.0	23,033.5	46.3	–2.6	25,128.2	51.1	9.1

23 Further analysis of the sources of financing involves mainly received deposits and loans.

The bulk of the increase in household deposits can be ascribed to time deposits which rose by HRK 5.9bn or 4.9%, reaching HRK 126.2bn. Other types of household deposits also rose, though to a smaller extent, leading to a slight increase in the share of time deposits in total household deposits, which stood at 79.2%. Most household time deposits were in foreign currency, with euro deposits accounting for over three quarters of these deposits.

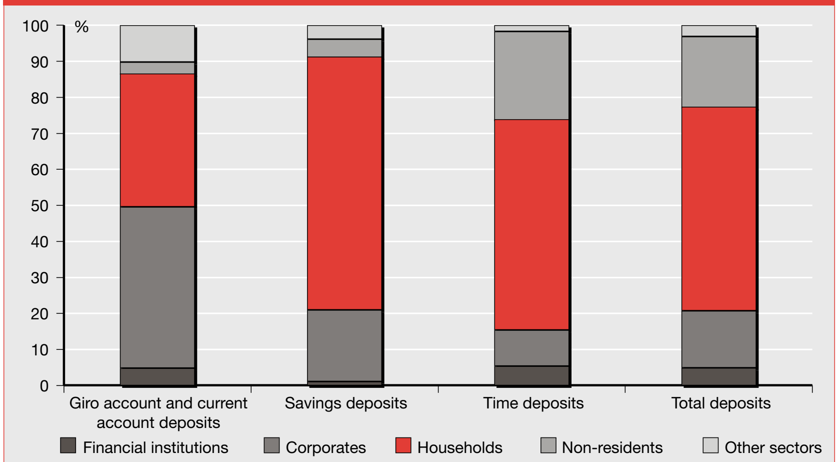
Following a very small increase in 2010., corporate deposits fell again at the end of 2011, suggesting a further depletion of the funds of and liquidity problems in that sector. On an annual level, corporate deposits fell by 3.0% (HRK 1.4bn), which led to a further fall in the share of this sector in total deposits, i.e. in total sources of bank financing. In contrast with the pre-crisis periods, when corporate deposits accounted for approximately 20% of total deposits, at the end of 2011 the share of these deposits fell to 15.8%. Compared to the end of 2010, time and savings deposits of corporates declined while corporate giro and current accounts rose.

Due to the dominant influence of corporate deposits, the increase in giro and current account deposits of 6.4% led to a small increase in their share in the total deposits of banks (to 14.1%). By contrast, savings deposits fell slightly (1.2%), due to a fall in these deposits in all the sectors except the household sector, with their share in total deposits falling to 9.4%. Time deposits again accounted for a little over two thirds of all deposits and owing to an increase in time deposits of majority foreign owners and households, these deposits rose by a total of 10.5%, with their share in total deposits rising to 76.5%.

Deposits rose in large and medium-sized banks but fell in small banks. The main source of the large bank deposit growth, of 5.5%, was deposits of the majority foreign owners and households. The growth in deposits of medium-sized banks of 3.4% was due to households and government units. Deposits of small banks fell by 2.2%, mainly due to a fall in deposits of financial institutions and corporates.

Deposits growth in 2011 was based on the growth in kuna deposits of almost all sectors, which rose by a total of HRK 9.0bn (10.8%) from the end of 2010. Kuna deposits with a currency clause declined while a small nominal growth in foreign currency deposits was due to changes in the exchange

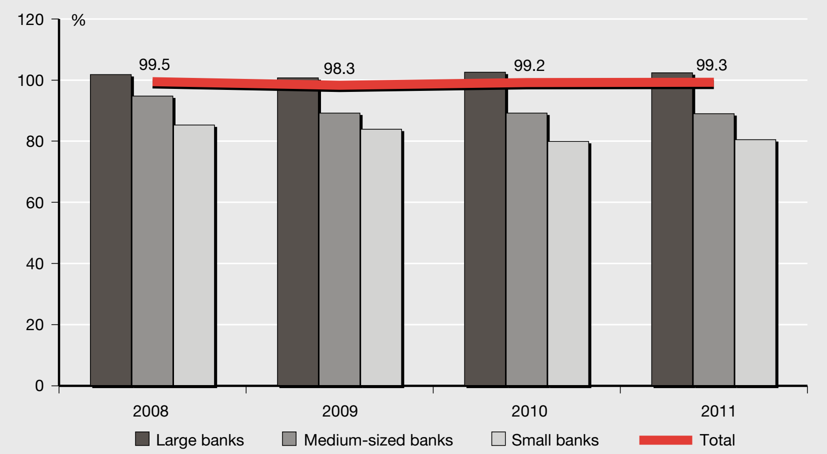
FIGURE 1.22 Sectoral structure of received deposits, as at 31 December 2011



rate of the kuna. The effects of exchange rate changes excluded, foreign currency deposits fell by approximately 0.5% in real terms, mainly as a result of a fall in euro deposits. These changes led to a halt in the upward trend in the share of foreign currency and indexed deposits present for many years, with this share falling by almost two percentage points from the end of 2010 and standing at 67.3%. This, combined with a simultaneous increase in kuna deposits, led to an increase in the share of kuna deposits to 32.8%. Euro deposits again accounted for the major share of currency and indexed deposits (85.4%) while deposits in Swiss francs accounted for 6.7% and those in American dollars and all other currencies for 6.6% and 1.3%, respectively.

Due to the equal growth dynamics of loans granted and deposits received compared to the end of 2010, their ratio at total bank level did not change much (Figure 1.23). The changes in this ratio were also small in individual bank groups with the biggest change being seen in small banks where this ratio rose to 80.7%, more as a result of a fall in deposits than of a fall in loans. Large banks again had the biggest impact on the level of this ratio at total bank level, which was again the highest in this bank group despite a small decline, and stood at 102.5%. This ratio also fell in medium-sized banks, where it stood at 89.2%.

FIGURE 1.23 Bank loans granted/deposits received

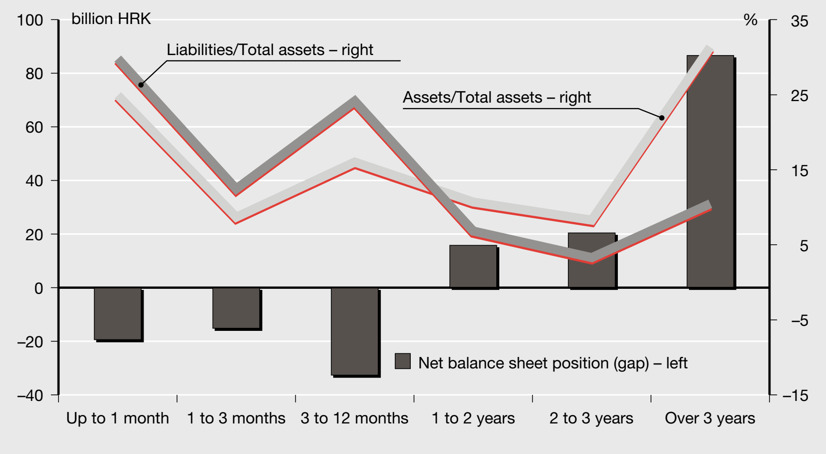


The fall in loans from CBRD of HRK 1.3bn or 7.9% and a fall in loans from non-residents other than majority foreign owners of HRK 1.8bn or 21.4% were crucial for the fall in the amount of loans received. The banks partly compensated for this fall by borrowing from other domestic financial institutions and majority foreign owners. The described developments were influenced by changes in large banks where loans received fell by 1.9%. A small growth in loans from domestic sources and a growth in loans from foreign owners in medium-sized and small banks led to an increase in received loans of 8.4% and 1.6%, respectively. Medium-sized and small banks again relied predominantly on domestic loans, which accounted for 94.9% and 79.8%, respectively, of the total received loans, while large banks relied predominantly on loans from non-residents, which accounted for 71.8% of the total received loans, at the end of 2011, most notably loans received from majority foreign owners.

Maturity adjustment of bank assets and liabilities

At the end of 2011, short-term bank liabilities again exceeded short-term bank assets, with the balance sheet maturity structure mismatch, measured by a cumulative gap[24] in the short-term maturity category (up to one year), standing at HRK 67.6bn (Figure 1.24). The mismatch rose slightly from the end of 2010 (HRK 3.1bn), causing a small fall in the coverage of short-term liabilities by short-term assets at the end of 2011, to 75.0%.

FIGURE 1.24 Asset and liability maturity match or mismatch, as at 31 December 2011



The largest increase in mismatch was seen in the maturity category from one to three months (HRK 7.0bn) while the biggest gap, that in the maturity category from three months to one year, which stood at HRK 32.8bn, rose by an additional HRK 2.5bn. The increase in the cumulative short-term mismatch was influenced by a somewhat faster growth in liabilities with the remaining maturity up to one year (HRK 8.0bn or 3.1%) than assets of the same maturity (HRK 4.9n or 2.5%). Short-term liabilities of banks were almost exclusively influenced by an increase in time deposits, particularly those with the remaining term to maturity of between one and three months. These deposits rose by HRK 7.2bn (18.6%) and deposits with the remaining term to maturity of between three and twelve months also rose considerably (HRK 4.0bn or 4.7%). The increase in giro and current account deposits with the shortest remaining term to maturity (up to one month) was fully offset by a decline in the amount of received loans. However, received loans, and to a smaller extent the increase in issued subordinated instruments, influenced the growth of long-term liabilities of banks, which totalled HRK 6.5bn (8.4%).

As regards short-term assets, the increase in loans granted, particularly those maturing in up to one month, compensated for the fall in deposits with banking institutions and securities investments. Bank assets with the remaining term to maturity of over one year rose slightly faster (HRK 11.1bn or 5.7%), mainly due to an increase in loans granted with the remaining term to maturity of between one and two years.

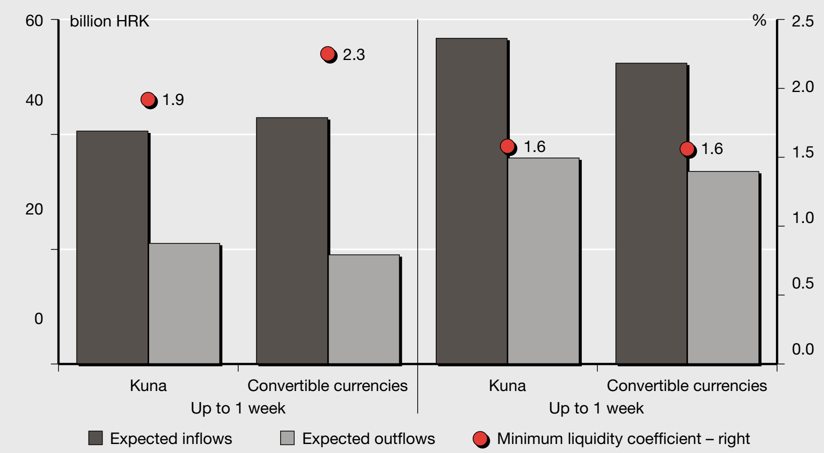
24 This represents the difference between net assets and liabilities with the same term to maturity. A positive gap is the situation where a bank's assets exceed its liabilities in a given period and a negative gap is the situation where a bank's liabilities exceed its assets in a given period.

Minimum liquidity coefficient

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

At the end of 2011, the banks maintained minimum liquidity coefficients (MLC) for both kuna and convertible currencies and both given time periods, i.e. one week and one month, much above the prescribed minimum (Figure 1.25). The level of all coefficients at total bank level and in the group of large and medium-sized banks rose slightly from the end of 2010. By contrast, the group of small banks witnessed a decline in the level of MLC for both given time periods and currencies. Despite this decline and the difficulties encountered by several banks in maintaining the MLC, small banks again had the highest level of this coefficient of all bank groups and all banks as a whole.

FIGURE 1.25 Minimum liquidity coefficient, as at 31 December 2011



The assets that banks can (in accordance with their own estimates) turn into cash within four days and without major losses, i.e. readily marketable assets, stood at HRK 59.3bn at the end of 2011, accounting for 14.6% of the total bank assets. The amount of readily marketable assets rose by 4.1% from the end of 2010, mainly due to an increase in kuna asset items, most notably deposits with the CNB and investments in MoF T-bills. As regards readily marketable foreign currency assets, the decline in securities investments exceeded the increase in placements to other credit institutions, which led to a fall in readily marketable assets in convertible currencies.

The strengthening of the kuna part of readily marketable assets in the first half of 2011 led to a change in the currency structure of these assets, with readily marketable assets in kuna[25] accounting for 53.9% and assets in convertible currencies for the remaining 46.1% of readily marketable assets. Compared to the end of 2010, this is an increase of kuna in readily marketable assets of 5.4 percentage points. Deposits with the CNB and MoF T-bills accounted for the bulk of these kuna assets (HRK 15.9bn or 49.6% and HRK 7.7bn or 24.2%, respectively). Placements, i.e. deposits with credit institutions and loans to credit institutions again accounted for the majority of readily marketable assets in convertible currencies (HRK 19.9bn or 72.9%).

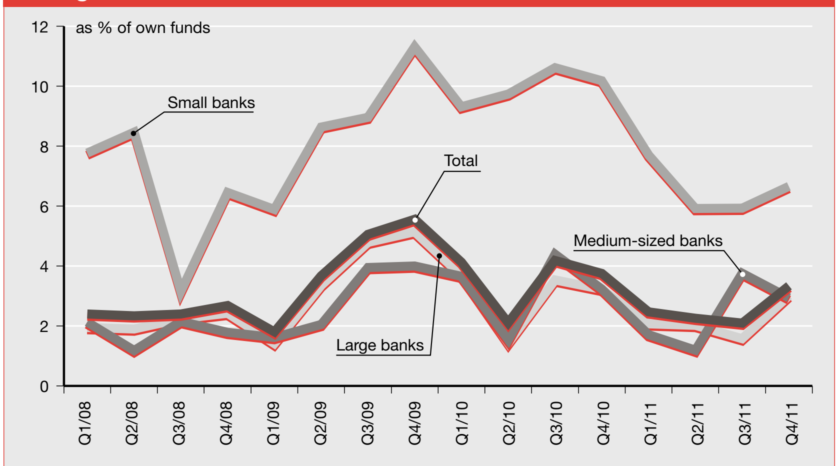
Observed by bank groups, medium-sized banks accounted for the biggest share of readily marketable assets in total assets (17.2%), followed by the group of small banks which accounted for a slightly smaller share (16.4%) of readily marketable assets in total assets. Large banks, due to their faster and simpler access to liquidity sources, maintained the lowest share of readily marketable assets in total assets (14.1%).

1.2.6 Currency adjustment of bank assets and liabilities

Approximately two thirds of bank assets and liabilities are in foreign currency or in kuna with a currency clause, the biggest share of these assets and liabilities being in euro. The banks hedged a surplus of foreign currency assets over foreign currency liabilities (indexed items included) by means of forward agreements, thus bringing their direct exposure to currency risk to a low level. However, indirect exposure, i.e. exposure to currency-induced credit risk continued to be very high.

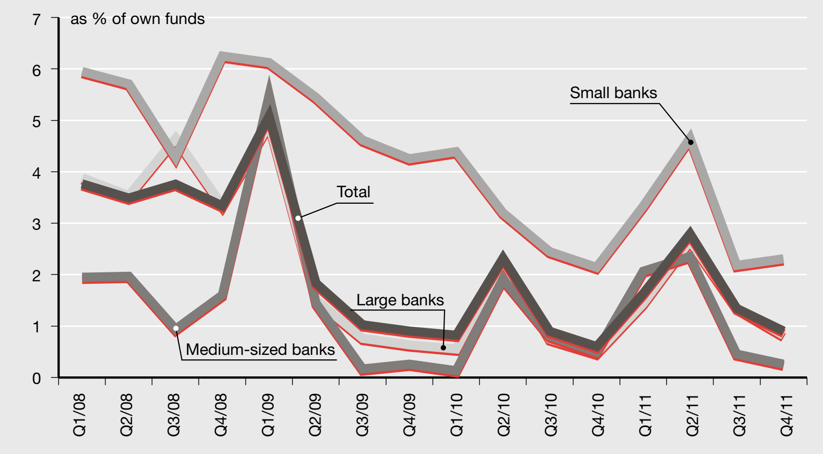
Following uninterrupted three-year growth, the share of foreign currency components of assets and liabilities in total assets and liabilities fell in 2011. The reason for this lay in a higher increase in kuna assets of 6.5% and a much slower increase in foreign currency assets (2.8%). Taking into account the

FIGURE 1.26 Long foreign exchange position of banks, quarterly averages



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

FIGURE 1.27 Short foreign exchange position of banks, quarterly averages



developments in the exchange rates of the three most-widely represented currencies in the previous year, total foreign currency assets rose at a much slower rate effectively (0.4%). Kuna liabilities of banks also rose several times faster (8.3%) than foreign liabilities of banks (2.5%).

At the end of last year, foreign currency assets accounted for exactly 65.0% of the total assets of banks and stood at HRK 264.5bn. Foreign currency liabilities were 11.2% smaller than foreign currency assets and stood at HRK 237.9bn. This was a little over two thirds, or 67.8% of the total liabilities of banks. Three currencies, the euro, the Swiss franc and the American dollar again accounted for the largest share of foreign currency assets and liabilities of banks. The euro accounted for the largest share or 82.5% of foreign currency assets and for an even bigger share of foreign currency liabilities (83.8%). The share of the Swiss franc in foreign currency assets and liabilities stood at 12.1% and 9.2%, respectively. By contrast, the American dollar accounted for a smaller share in foreign currency assets (4.3%) than in foreign currency liabilities (5.8%).

On the reporting date at the end of 2011, the largest number of banks had a net long open position. The total open position of banks that are obligated to allocate capital requirements for currency risk was long and stood at HRK 1.2bn, or 2.2% of own funds. This was a decline of 22.3% (HRK 338.8m) from the end of 2010, mainly due to a decline in the open position in the euro. Nevertheless, the bulk of total exposure to currency risk again involved the position in the euro (83.0%). The fall in the total open position led to a fall in the initial capital requirements of banks for currency risk, of over one fourth.

1.2.7 Interest rate risk in the non-trading book

Last year was the second year of the application of the regulation that lays down the procedures and principles for the management of interest rate risk in the non-trading book and the manner of calculation of the change in the economic value of the non-trading book[26]. Interest rate risk in the non-trading book arises from core business activities of banks, with the maturity mismatch of a bank's non-trading

26 Decision on the management of interest rate risk in the non-trading book (OG 2/2010 and 34/2010).

book positions, due to maturity mismatch (for fixed interest rates) and a revaluation of interest rates (for variable interest rates), being the major source of this risk. In accordance with the mentioned regulation, the banks are obligated to estimate the change in the economic value of the non-trading book, i.e. estimate the change in the present value of all the expected net cash flows of a bank's non-trading book positions, in the conditions of a given parallel interest rate shock of 200 basis points. The ratio of change in the economic value of the non-trading book and own funds cannot exceed 20%.

During 2011, in the same way as in the first year of application, the banks reported a low level of exposure to interest rate risk in the non-trading book, with a falling trend in the ratio of change in the economic value of the non-trading book and own funds. The level of this ratio moved within a very narrow range during this period, from the highest 3.1% at the end of March 2010, to the lowest 1.4% at the end of the third quarter 2011. Relatively low levels of indicators of exposure to interest rate risk are the result of well matched interest rate sensitive assets and liabilities in time zones in which the banks distribute asset, liability and derivative financial instruments positions in accordance with the remaining number of days until maturity, i.e. the next interest rate change. The banks distributed most of the interest rate sensitive assets and liabilities into short-term zones (up to one year) and these were the only zones with significant mismatches. However, low weights assigned to short-term zones limit the effect of these positions on the change in the economic value. The effect of derivative financial instruments on the total net weighted position was small, which shows that the banks did not have to make big use of these items to hedge against interest rate risk in the non-trading book.

At the end of 2011, the downward trend in the ratio of change in the economic value of the non-trading book of all banks and own funds came to a halt while the estimated change in the present value of the expected net cash flows of the non-trading book positions and its ratio with own funds rose slightly. The change in the economic value of the non-trading book stood at HRK 911.8m or 1.7% of own funds[27] and this development was mostly due to the effect of changes in positions with a fixed interest rate in long-term time zones (Table 1.12). In bank assets, this mainly involved the

TABLE 1.12 Interest rate risk in the non-trading book, as at 31 December 2011, in million HRK and %

Currency	Interest rate type	Net position (before weighting)	Net weighted position
HRK	Administered interest rate	–16,827.0	–282.8
	Variable interest rate	26,290.2	392.2
	Fixed interest rate	3,576.9	522.7
EUR	Administered interest rate	–3,281.1	377.0
	Variable interest rate	56,291.1	100.0
	Fixed interest rate	–39,876.7	43.9
CHF	Administered interest rate	24,236.4	220.6
	Variable interest rate	–9,869.5	–39.3
	Fixed interest rate	–4,141.8	–339.7
USD	Administered interest rate	–905.9	–13.1
	Variable interest rate	1,304.4	1.0
	Fixed interest rate	–1,248.8	–6.4
Other	Administered interest rate	–7,120.9	–44.9
	Variable interest rate	4,447.5	1.0
	Fixed interest rate	1,615.0	–20.3
Change in the economic value of the non-trading book			911.8
Own funds			54,866.0
Relative ratio: Change in the economic value of the non-trading book/Own funds			1.7

27 The change in the economic value of all banks combined, and of individual bank peer groups, was obtained by aggregating individual bank data which enabled netting of opposite sign positions between individual institutions.

growth in the amount of loans granted at a fixed interest rate while in bank liabilities, this involved a decline in corporate deposits.

In the conditions of a parallel growth in interest rates, the amount of net weighted position was positive for items with all types of interest rates and had the highest value for items with a variable interest rate. Looking by currencies, the position in kuna showed to be the most sensitive to interest rate shock. The net weighted position in kuna and in euro was positive, in contrast with items in other foreign currencies which showed a negative mismatch in most time zones, which means that liabilities were bigger than assets, so that in the conditions of interest rate growth, the net weighted position in these currencies was also negative and reduced the economic value.

At the end of 2011, 90.9% of the total assets of banks were interest rate-sensitive assets. The major share of interest rate-sensitive assets involved positions with a variable interest rate (39.7%), with corporate loans accounting for the biggest share. Positions whose interest rates changes are subject to a decision of a bank's management board, i.e. positions with administered interest rates, accounted for 36.6% of interest rate sensitive assets. The bulk of this amount was accounted for by household loans, with the possibility of the next interest rate change within a month. The positions with a fixed interest rate accounted for the remaining part of interest rate sensitive assets (23.7%), with securities investments and time deposits with other banks accounting for the biggest part of these positions.

As regards interest rate sensitive liabilities of banks, which accounted for 95.5% of total liabilities, positions with administered interest rate (41.6%) accounted for the largest share. As with assets, positions with administered interest rates mostly went to the household sector, or more specifically to household time deposits whose interest rate can change within a period of up to one month. The positions with a fixed interest rate accounted for 38.0% of interest rate sensitive liabilities, which again largely involved household time deposits. The positions with a variable interest rate, mainly loans received, accounted for the smallest share (20.4%) of interest rate sensitive liabilities.

At the end of 2011, half of the amount of the most significant bank asset item, loans granted, was granted at an administered interest rate, that is subject to changes based on a decision of a bank's management board. The banks distributed the bulk of this amount into short-term time zones, particularly the shortest one (up to one month), which carries the smallest risk weight. The short term in which the next interest rate change is possible has a favourable effect on the level of exposure to interest rate risk as the use of low weights for net positions in short-term time zones reduces banks' exposure to that risk. The portfolio of household loans accounted for a very large share of administered interest rates. At the end of 2011, these loans accounted for 90.1% of the total amount of loans included in the estimate of exposure to interest rate risk in the non-trading book. The banks distributed one half of the total household loans granted at an administered interest rate into the shortest time zone of the possible next change in the interest rate (up to one month) and over 90% of these loans were all distributed into short-term zones (up to one year). Variable interest rate was the most commonly used interest rate in corporate lending. This interest rate accounted for a little over two thirds of the total amount of loans made.

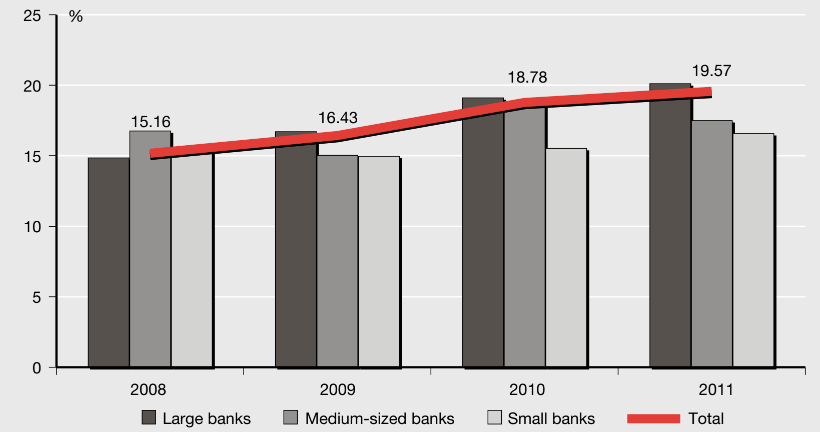
On total deposits level, deposits with an administered interest rate accounted for the largest share, or almost the entire amount of sight deposits and over one third of time deposits. The household sector saw a further trend of substitution of time deposits with administered interest rates by time deposits with fixed interest rates.

The ratio of change in the economic value of the non-trading book and own funds was equal in large and medium-sized banks where it stood at 1.7% while in small banks this ratio stood at 0.8%. At the end of 2011, the ratio of change in the economic value of the non-trading book and own funds was below 20% in all banks, while the median of distribution of the ratio of change in the economic value and own funds stood at 2.3%.

1.2.8 Capital adequacy

The second year of the application of Basel II standards in the reporting on capital adequacy led to a further increase in this ratio from 18.78% at the end of 2010 to 19.57% at the end of 2011 (Figure 1.28). The increase in the capital adequacy ratio of banks was due to a simultaneous increase in the level of own funds and a reduction in total capital requirements.

FIGURE 1.28 Bank capital adequacy ratio



Note: Basel II has been applied since 31 March 2010

Large banks maintained the highest capital adequacy ratio (20.13%), which is an increase of 1.0 percentage point from the end of 2010. In the group of small banks, the capital adequacy ratio rose by 1.1 percentage point to 16.60%. By contrast, influenced by an increase in the capital requirements which was not followed by an increase in own funds, medium-sized banks reported a fall in their capital adequacy ratio of 1.3 percentage points to 17.51%. All the banks, except one small bank[28], maintained a capital adequacy ratio above the legally prescribed minimum of 12%[29], even though a larger number of banks (15) witnessed a fall in this ratio. As a result of such distribution, the share of assets of banks with adequacy ratio above 15% rose further to 90.0% of the assets of all banks (Table 1.15).

At the end of 2011, banks' own funds stood at HRK 54.9bn, an increase of HRK 484.0m or 0.9%

28 At the time of the preparation of this publication, one small bank submitted a corrigendum to the report showing balance as at 31 December 2011 and reported a capital adequacy ratio below the prescribed minimum. Owing to recapitalisation efforts in 2012, the bank aligned its capital adequacy ratio with the legislative requirements. Data listed in part 1. The performance indicators of credit institutions were not updated to account for this bank's corrigendum data.

29 The Republic of Croatia used national discretion which enables it to prescribe a higher capital adequacy ratio than the 8% prescribed by the Capital Requirements Directive (CRD).

TABLE 1.13 Own funds, capital requirements and capital adequacy ratio of banks, as at 31 December 2011, in million HRK and %

	Large banks		Medium-sized banks		Small banks		Total	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
Own funds	46,124.4	100.0	4,392.6	100.0	4,349.0	100.0	54,866.0	100.0
ORIGINAL OWN FUNDS	44,930.1	97.4	4,043.1	92.0	3,738.2	86.0	52,711.4	96.1
Paid up capital (excl. cumulative preferential shares) net of own shares	26,445.5	57.3	3,714.2	84.6	3,600.5	82.8	33,760.2	61.5
Reserves and retained earnings	18,744.5	40.6	455.6	10.4	266.0	6.1	19,466.1	35.5
Other	–259.9	–0.6	–126.6	–2.9	–128.3	–2.9	–514.8	–0.9
ADDITIONAL OWN FUNDS	3,692.0	8.0	417.0	9.5	624.5	14.4	4,733.5	8.6
Paid-up cumulative preferential shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Hybrid and subordinated instruments	3,692.0	8.0	417.0	9.5	646.3	14.9	4,755.3	8.7
Other	0.0	0.0	0.0	0.0	–21.8	–0.5	–21.8	0.0
ITEMS DEDUCTED FROM ORIGINAL OWN FUNDS AND ADDITIONAL OWN FUNDS	–2,497.7	–5.4	–67.6	–1.5	–13.7	–0.3	–2,579.0	–4.7
ANCILLARY OWN FUNDS (for market risk coverage)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital requirements	27,489.7	100.0	3,010.4	100.0	3,143.3	100.0	33,643.4	100.0
CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	24,508.9	89.2	2,625.4	87.2	2,801.9	89.1	29,936.3	89.0
Standardised approach	21,044.6	76.6	2,625.4	87.2	2,801.9	89.1	26,472.0	78.7
Corporates	9,089.6	33.1	1,123.8	37.3	1,089.9	34.7	11,303.3	33.6
o/w: Secured by real estate property	28.7	0.1	0.2	0.0	50.7	1.6	79.6	0.2
Retail	10,075.0	36.7	1,267.7	42.1	1,374.4	43.7	12,717.1	37.8
o/w: Secured by real estate property	327.6	1.2	7.9	0.3	38.2	1.2	373.7	1.1
Other	1,880.1	6.8	233.9	7.8	337.5	10.7	2,451.6	7.3
IRB approach	3,464.3	12.6	–	–	–	–	3,464.3	10.3
Corporates	2,256.4	8.2	–	–	–	–	2,256.4	6.7
Retail	817.7	3.0	–	–	–	–	817.7	2.4
SETTLEMENT/DELIVERY RISKS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
POSITION, FOREIGN EXCHANGE AND COMMODITY RISKS	400.4	1.5	55.9	1.9	39.7	1.3	496.1	1.5
o/w: Internal models	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Traded debt instruments	301.7	1.1	17.6	0.6	6.5	0.2	325.8	1.0
Foreign exchange	85.1	0.3	14.7	0.5	30.5	1.0	130.4	0.4
Other risks	13.6	0.0	23.6	0.8	2.7	0.1	39.8	0.1
RISK OF EXCEEDING THE PERMITTED EXPOSURE LIMITS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OPERATIONAL RISK	2,580.3	9.4	329.1	10.9	301.6	9.6	3,211.0	9.5
Simplified approach	0.0	0.0	126.1	4.2	273.9	8.7	400.0	1.2
Standardised approach	1,329.6	4.8	203.0	6.7	27.7	0.9	1,560.4	4.6
Advanced measurement approach	1,250.7	4.5	0.0	0.0	0.0	0.0	1,250.7	3.7
Surplus/deficit of own funds	18,634.7	–	1,382.2	–	1,205.7	–	21,222.6	–
Capital adequacy ratio	20.13	–	17.51	–	16.60	–	19.57	–

from the end of 2010. Own funds growth was due to a decision reached by several banks, particularly two large banks, to include a part of current year profit (according to audited end-2011 data) in the calculation of capital. Other developments were significant, but their effect played a bigger role in the structure of own funds than in their level.

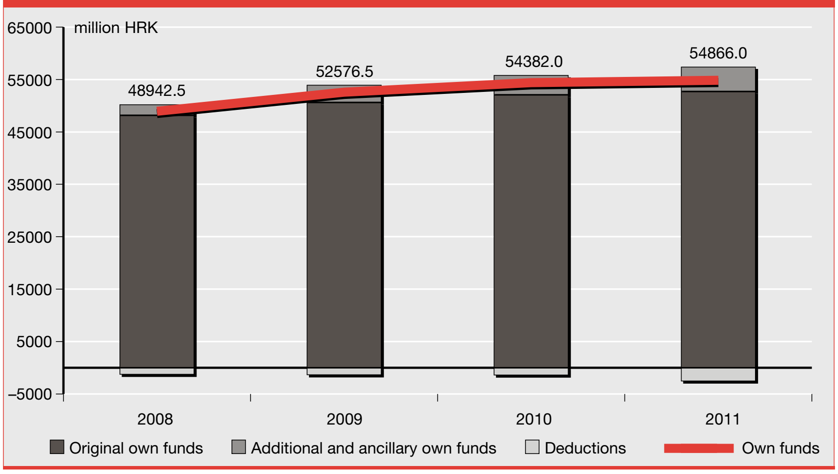
Of all original own funds items, share capital rose the most (HRK 4.3bn or 14.7%). The bulk of the increase in this item was accounted for by an increase in the share capital which was based on previous years' profits accumulated in the reserves in one large bank. Five small banks increased share capital through an issue of common shares by a total of HRK 179.5m. The amount of share capital was negatively influenced by a withdrawal of common shares and a decline in the share capital in one large bank of 14.4% and the exit of one small bank from the system. One large bank that had substituted growth in direct investments in other financial institutions that are considered deduction items, mostly by several issues of subordinated bonds during the year, had a significant impact on changes in original own funds used for the coverage of capital requirements, or the so called net original own funds. Eventually, original own funds declined by approximately 1.0% while additional own funds, due to their low base, rose by a considerable 26%.

The increase in additional own funds of almost HRK 1.0bn was largely due to the mentioned increase in subordinated instruments in one large bank as well as to an increase in subordinated and hybrid instruments in several small banks. This led to a small increase in the share of additional own funds (net) in own funds, from 6.7% to 8.5%. The bulk of own funds was again accounted for by their highest quality component, i.e. original own funds (91.5%), while the capital adequacy ratio of original own funds stood at 17.91%. None of the banks used ancillary own funds (for market risk coverage).

At the end of 2011, the total capital requirements of banks stood at HRK 33.6bn, down 1.1% from the end of 2010. The fall in the total capital requirements was due to a fall in their most important component, i.e. capital requirements for credit risk, credit counterparty and dilution risk and free deliveries (hereinafter: credit risk). As a result, the share of capital requirements for credit risk in the structure of total capital requirements fell by 0.5 percentage points, to 89.0% (Figure 1.31), while the shares of capital requirements for operational and market risks rose to 9.5% or by 1.5%.

The capital requirements for operational risk rose by a slight 1.5%, influenced by their growth in large and medium-sized banks. For banks using the basic indicator approach, the increase in the initial capital requirements was due to an increase in the relevant indicator, which depends on bank performance. The banks using the standardised approach can also attribute the increase in the capital requirements to mapped business lines. The major part of the risks and, by extension, losses on operating risks, was seen in banking lines involving retail and corporate banking. By contrast, two large banks that use the advanced measurement approach reduced their initial capital requirements. The largest number of banks (23), used the basic indicator approach, while the remaining seven banks used the standardised approach.

FIGURE 1.29 Bank own funds



The increase in capital requirements for market risks was driven by an increase in the capital requirements for general position risk of debt instruments in large banks, mostly associated with increased euro investments that generate an open unmatched position. The capital requirements for currency risk fell as a result of a simultaneous fall in the amount of the total open position and an increase in own funds in most banks.[30] No banks used internal models to calculate capital requirements for market risks. Ten banks, i.e. all the large and medium-sized banks and one small bank, calculated capital requirements for trading book positions. The value of trading book positions in the remaining banks was not significant.

The capital requirements for credit risk[31] were down 3.8% from the end of 2010, despite an increase in original exposure of 3.6%. The bulk of this increase can be attributed to an increase in balance sheet exposure and to a lesser extent to an increase in derivative financial instruments, while securities-related transactions with a long settlement term declined. The further decline in capital requirements for credit risk, despite an increase in their calculation base, can be ascribed to several key elements. Firstly, in 2011, the banks considerably increased the use of credit risk mitigation techniques (43.1%). Secondly, the use of the preferential weight of 35% increased considerably under the standardised approach and the non-risk exposures (0% risk weight) also continued to grow. And lastly, at the end of the third quarter, to calculate capital requirements for credit risk, one large bank started to use the internal ratings-based approach (IRB) (based on a decision issued by the CNB) which led to a fall in the capital requirements for credit risk. All the remaining banks used the standardised approach. All this led to a further decline in the average weight for credit risk, which fell from 63.6% to 59.0% (Figure 1.31) as well as lower capital requirements for credit risk.

All banks use some form of credit risk mitigation techniques (except the savings bank), while the use of all the permitted techniques and the conversion of off-balance sheet items led to a reduction in original net exposure of HRK 48.9bn (10.5%), an increase compared with the previous year. The use of techniques involving a substitution of weights (inflows/outflows to other risk weights), i.e. guarantees, rose by 36.9%, in contrast to the use of other substitution techniques, which fell. Guarantees received again accounted for the major share of substitution techniques and for almost one half of all the used credit risk mitigation techniques. Techniques involving a substitution of weights were mainly used for outflows from the category of public sector entities and corporates to the central government and central bank category. The techniques which enable a direct reduction in the original amount of exposure (financial collateral comprehensive method) was again used by a smaller number of banks, most of which were large banks, with their amount falling by 13.5% from the end of 2010. The decline in these techniques was largely influenced by one large bank moving to the advanced approach to credit risk measurement. Under the IRB approach, of the recognised techniques, the most widely

30 The banks are obligated to calculate capital requirements for currency risk if their total open foreign exchange position increased by the net position in gold exceeds 2% of own funds. Ten banks did not have to calculate capital requirements for currency risk.

31 The capital requirements for credit risk are obtained by multiplying the credit risk-weighted exposure by 12% (minimum capital adequacy ratio). The credit risk-weighted exposure amount is obtained by multiplying the exposure that is being weighted by the relevant credit risk weight. Under the standardised approach, the supervisor prescribes the methods and the manner of risk parameters determination (by means of weights). Under the IRB approach, the basic categories (PD, LGD and EAD) are based on internal ratings-based approach and own estimates of risk parameters. There are two possible approaches, a foundation internal ratings-based approach and an advanced internal ratings-based approach, depending on whether the bank is allowed to use own estimates of risk parameters (PD, LGD, conversion factors and M). The use of different credit risk mitigation techniques, such as unfunded credit protection and the financial collateral simple method, effectively implies a substitution of weights (i.e. the substitution of PD or LGD), so that individual exposure to an obligor receives a weight (i.e. PD or LGD) of the protection provider (unfunded credit protection), i.e. the weight (or PD or LGD) that the credit institution would assign in case of a direct exposure to a collateral (financial collateral simple method). The financial collateral comprehensive method, allows for a direct reduction in the amount of exposure that is being weighted.

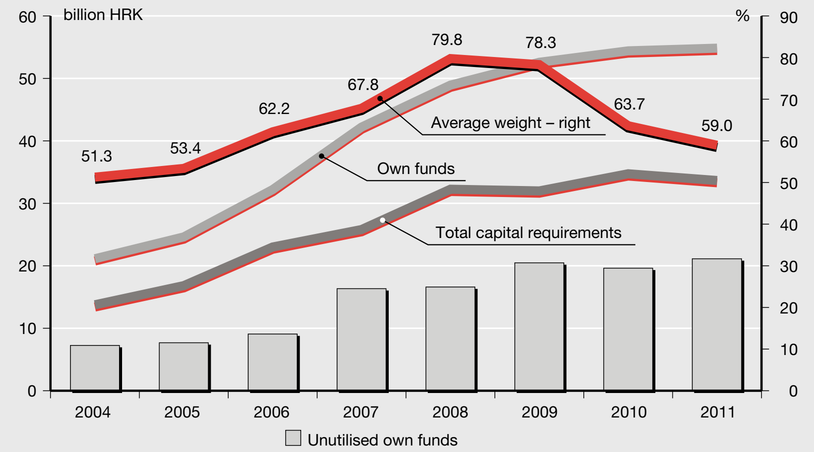
TABLE 1.14 Breakdown of net exposure to credit risk by risk weights, as at 31 December 2011, in million HRK

	Retail	Corporates	Central governments and central banks	Institutions	Public sector entities	Local and regional self-government	Collective investment undertakings	Other	Equity investment	Total
STANDARDISED APPROACH										
Total exposure	118,935.3	91,803.0	105,432.8	26,555.7	5,900.8	3,392.5	374.2	18,250.0	–	370,644.3
On-balance sheet items	113,289.7	77,736.4	103,619.3	23,775.4	4,883.4	3,330.1	374.2	17,744.2	–	344,752.8
Off-balance sheet items	5,645.2	13,330.8	1,614.1	514.7	717.5	62.3	0.0	229.7	–	22,114.4
Securities transactions and long settlement transactions	0.0	331.9	0.0	1,082.8	299.9	0.0	0.0	276.0	–	1,990.7
Derivative financial instruments	0.3	403.9	199.4	1,182.8	0.0	0.0	0.0	0.0	–	1,786.4
Contracts for novation and other netting agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	0.0
Breakdown of total exposure by risk weights										
Weight 0%	0.0	0.0	102,220.4	911.1	3,814.5	0.0	0.0	9,200.5	–	116,146.5
Weight 10%	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	–	0.2
Weight 20%	0.0	14.7	17.1	20,143.8	13.1	0.0	0.0	559.4	–	20,748.1
Weight 35% (residential real estate property)	8,577.7	277.6	0.0	0.0	0.0	0.0	0.0	3.0	–	8,858.3
Weight 50%	223.4	1,148.9	3,138.8	4,896.0	2,071.3	3,319.7	0.0	0.0	–	14,798.2
o/w: Commercial real estate property	223.4	1,133.0	0.0	0.4	0.0	0.0	0.0	0.0	–	1,356.9
Weight 75%	35,044.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	–	35,044.6
Weight 100%	72,111.1	83,819.8	39.8	600.7	0.3	34.0	309.3	8,369.4	–	165,284.3
o/w: Past due items	2,720.3	5,774.5	0.0	1.1	0.0	3.0	0.1	77.9	–	8,577.0
Weight 150%	2,978.4	6,400.6	16.8	4.1	1.6	38.7	64.9	17.5	–	9,522.7
o/w: Past due items	2,545.8	4,093.6	16.3	3.4	1.6	38.7	0.0	7.5	–	6,707.0
Other risk weights	0.0	141.3	0.0	0.0	0.0	0.0	0.0	100.0	–	241.2
Credit risk mitigation techniques – substitution effects										
Total outflow	–1,293.2	–11,312.4	0.0	–233.2	–15,372.1	–35.0	0.0	–435.3	–	–28,681.2
Total inflow	18.8	173.2	24,357.0	374.9	44.6	728.8	0.0	1,713.2	–	27,410.3
IRB APPROACH										
Total exposure	18,267.0	18,976.3	13,437.9	1,512.7	–	–	–	–	114.6	52,308.7
On-balance sheet items	17,737.3	16,856.9	13,307.0	1,354.8	–	–	–	–	114.6	49,370.8
Off-balance sheet items	529.7	2,100.7	130.9	15.7	–	–	–	–	–	2,777.0
Securities transactions and long settlement transactions	0.0	0.0	0.0	26.0	–	–	–	–	–	26.0
Derivative financial instruments	0.0	18.7	0.0	116.2	–	–	–	–	–	134.9
Contracts for novation and other netting agreements	0.0	0.0	0.0	0.0	–	–	–	–	–	0.0
Credit risk mitigation techniques – effects of PD adjustment										
Total outflow	0.0	–711.5	0.0	0.0	–	–	–	–	0.0	–711.5
Total inflow	0.0	0.0	1,967.8	14.5	–	–	–	–	0.0	1,982.3

used technique was funded credit protection, residential and commercial real estate property and to a lesser extent, other recognised financial collateral.

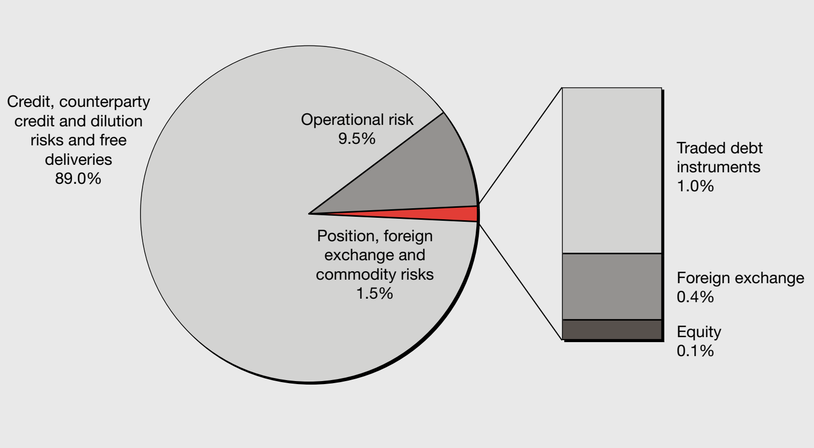
A small decline in the average weight for credit risk to 59.5% under the standardised approach was influenced by further growth in the importance of the central government and central bank category (Table 1.14), which was almost entirely risk-free, and a decline in the average weight for the retail category. The growth in exposure in the central government and central bank category was largely due to an increase in inflows in this category by means of the use of credit risk mitigation techniques, despite a considerable increase in original exposure following a growth in gross loans to government units of 18.6% in 2011. The decline in the average weight in the retail category was due to a considerable increase in the use of the so called preferential weight (35%) for exposures secured by

FIGURE 1.30 Average credit risk weight



residential real estate property, particularly in two large banks. The share of exposures weighted by 35% thus rose to 2.4%, but its significance in the structure of total net exposure still remained low. As the original exposure in that category declined during the same period, the increase can be attributed to the meeting of the strict criteria for the use of a lower risk weight. The exposures covered by commercial real estate property also rose somewhat, but their shares remained relatively low. Due to a reduction in the rate of minimum foreign currency coverage, the banks reduced deposits with foreign banks, with the amount of exposure in the institutional category falling.

FIGURE 1.31 Structure of bank total capital requirements, as at 31 December 2011



The exposures that are estimated by means of the IRB approach were equally distributed into the retail, corporate and central government and central bank categories, with the average weight for credit risk standing at 54.5%, or at a considerably lower level than exposures estimated by means of the standardised approach. This related in particular to the retail category, in which the average risk weight stood at 37.3%. Such a big difference in the risk weight in the retail category under the two mentioned approaches can largely be explained by significantly different methodologies, as well as the still poor use of lower risk weights under the standardised approach, particularly in the case of exposures secured by real estate.

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

	Dec. 2008		Dec. 2009		Dec. 2010		Dec. 2011	
	Number of banks	Share in bank assets (%)	Number of banks	Share in bank assets (%)	Number of banks	Share in bank assets (%)	Number of banks	Share in bank assets (%)
Ratio lower than 10%	0	0.0	0	0.0	3	1.0	0	0.0
Ratio from 10% to 12%	4	11.8	6	5.8	0	0.0	0	0.0
Ratio from 12% to 15%	14	31.9	11	25.9	9	13.2	10	10.0
Ratio from 15% to 20%	9	50.6	9	55.3	11	55.2	13	34.6
Ratio higher than 20%	7	5.8	8	13.0	10	30.6	9	55.4

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

The distribution of capital adequacy ratio, where large banks maintain the highest values of this ratio, also led to a significant surplus of own funds at total bank level, which, following an additional increase in large bank groups, rose to HRK 21.2bn at the end of 2011. This also led to an uneven distribution of this surplus, which stood at HRK 3.1bn per bank on average in large banks and at a little less than HRK 0.5bn per bank in medium-sized banks. Small banks had the smallest amount of unused capital, on average only HRK 52.4m per bank. As a result, small banks turned the most to additional own funds, with the share of this capital in own funds being the largest exactly in this bank group (14.2%), while in five banks in this group it exceeded 40% of own funds[32]. Medium-sized and large banks accounted for much lower shares of additional own funds in own funds (8.8% and 7.9%, respectively).

1.3 Housing savings banks

The assets of housing savings banks rose considerably in 2011 (14.0%) while the profit generated fell by over one third from 2010. To meet the requirements set by the regulation on the interest rate risk in the non-trading book[33], housing savings banks were forced to adjust interest rate-sensitive assets and liabilities, i.e. the relation between these two ensuing from a mismatch between long-term home loans and received deposits of much shorter maturity of interest rate change. This led to changes in the structure of housing savings bank balance sheets, i.e. to an increase in long-term sources (from owners) and an increase in short-term deposits and securities investments.

At the end of 2011, there were again five housing savings banks operating in the country, with their ownership structure remaining unchanged. One housing savings bank was in majority domestic ownership and the remaining four in the majority (direct or indirect) ownership of foreign shareholders. The assets of housing savings banks in majority foreign ownership accounted for 96.4% of the total assets of all housing savings banks. The one housing savings bank in domestic ownership slightly increased its share in the total assets of housing savings banks, to 3.6%.

32 As prescribed by law, the amount of additional own funds may not exceed the amount of original own funds.
33 As of 31 March 2011, housing savings banks are obligated to abide by the regulation on the interest rate risk in the non-trading book.

1.3.1 Balance sheet

The assets of housing savings banks rose by 14.0% in 2011, with four housing savings banks reporting an increase in assets ranging from 14.0% to 24.3%, while one housing savings bank reported a slight decrease in assets. The increase in the balance sheet amount was due to an increase in loans and deposits of domestic and foreign financial institutions and to an increase in deposits of housing savings bank savers (5.6%). The major share of the sources was channelled in deposits with financial institutions and in securities investments. Investments in deposits with banking institutions rose by a factor of over three and a half while the securities portfolio rose by almost one quarter. A particularly large increase was seen in the securities portfolio and the portfolio of other financial instruments held for trading. This led to an increase in the share of investments in bank deposits in assets, to 8.5%, and investments in securities, which amounted to over one quarter of the assets of housing savings banks, or 25.4%.

Net loans granted rose at a rate that was several times slower than that of total assets (1.8%). Their share in total housing savings bank assets declined from 69.2% to 61.8%. Household loans, which accounted for a little over two thirds of total net loans, rose considerably (13.4%), so that the slow growth rate in total net loans can be attributed to a decline in loans to government units and central government funds[34].

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

	Dec. 2008		Dec. 2009			Dec. 2010			Dec. 2011		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Money assets and deposits with the CNB	0.02	0.00	0.02	0.00	23.53	0.02	0.00	–28.57	0.02	0.00	60.00
Money assets	0.02	0.00	0.02	0.00	23.53	0.02	0.00	–28.57	0.02	0.00	60.00
Deposits with the CNB	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Deposits with banking institutions	259.74	3.73	177.76	2.64	–31.56	184.97	2.69	4.06	669.70	8.54	262.06
MoF treasury bills and CNB bills	327.72	4.70	295.39	4.38	–9.87	570.62	8.29	93.18	668.14	8.52	17.09
Securities and other financial instruments held for trading	76.52	1.10	0.00	0.00	–100.00	0.00	0.00	0.00	193.99	2.47	–
Securities and other financial instruments available for sale	1,121.08	16.09	71.47	1.06	–93.63	137.43	2.00	92.30	210.40	2.68	53.10
Securities and other financial instruments held to maturity	692.70	9.94	794.53	11.79	14.70	798.57	11.61	0.51	820.39	10.46	2.73
Securities and other financial instruments not traded in active markets but carried at fair value	241.45	3.47	99.66	1.48	–58.72	101.59	1.48	1.94	99.94	1.27	–1.63
Derivative financial assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Loans to financial institutions	273.94	3.93	117.00	1.74	–57.29	73.58	1.07	–37.11	90.89	1.16	23.53
Loans to other clients	3,780.69	54.28	4,847.85	71.94	28.23	4,689.13	68.15	–3.27	4,756.07	60.61	1.43
Investments in subsidiaries and associates	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Foreclosed and repossessed assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tangible assets (net of depreciation)	8.75	0.13	7.47	0.11	–14.59	7.21	0.10	–3.51	6.20	0.08	–14.08
Interest, fees and other assets	240.86	3.46	383.17	5.69	59.08	368.31	5.35	–3.88	386.88	4.93	5.04
Net of: Collectively assessed impairment provisions	58.00	0.83	55.86	0.83	–3.69	50.80	0.74	–9.05	56.11	0.72	10.44
TOTAL ASSETS	6,965.47	100.00	6,738.46	100.00	–3.26	6,880.62	100.00	2.11	7,846.51	100.00	14.04

34 This includes entities financed by special extrabudgetary taxes such as Croatian Institute for Health Insurance, Croatian Pension Insurance Administration, Croatian Motorways, Croatian Roads, etc.

FIGURE 1.32 Assets, deposits and loans of housing savings banks

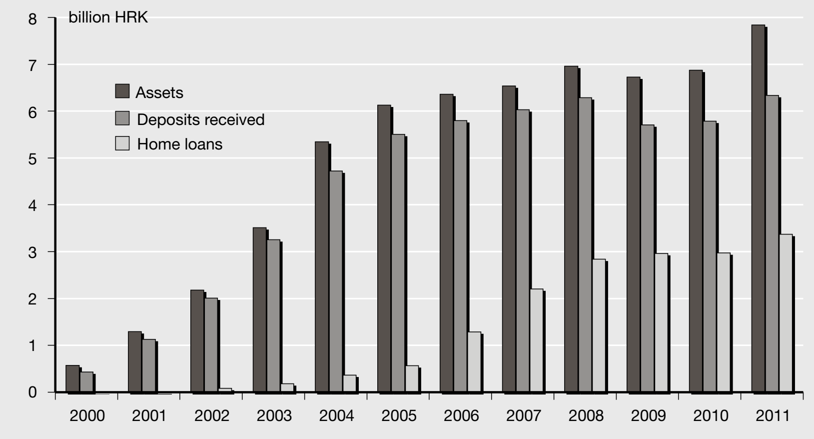


TABLE 1.17 Structure of housing savings bank liabilities and capital, end of period, in million HRK and %

	Dec. 2008		Dec. 2009			Dec. 2010			Dec. 2011		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Loans from financial institutions	0.15	0.00	134.65	2.00	–	183.08	2.66	35.97	458.92	5.85	150.66
Short-term loans	0.00	0.00	134.54	2.00	0.00	183.01	2.66	36.03	172.71	2.20	–5.63
Long-term loans	0.15	0.00	0.11	0.00	–	0.08	0.00	–31.86	286.21	3.65	371,598.70
Deposits	6,298.11	90.42	5,713.30	84.79	–9.29	5,791.50	84.17	1.37	6,345.17	80.87	9.56
Giro account and current account deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Savings deposits	0.04	0.00	0.00	0.00	0.00	172.85	2.51	–	154.14	1.96	–10.82
Time deposits	6,298.07	90.42	5,713.30	84.79	–9.28	5,618.65	81.66	–1.66	6,191.03	78.90	10.19
Other loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	94.13	1.20	–
Short-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	94.13	1.20	–
Derivative financial liabilities and other financial liabilities held for trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Short-term debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Long-term debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Subordinated instruments issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Hybrid instruments issued	91.31	1.31	96.13	1.43	5.28	96.67	1.40	0.56	97.66	1.24	1.03
Interest, fees and other liabilities	263.36	3.78	375.08	5.57	42.42	344.62	5.01	–8.12	368.26	4.69	6.86
TOTAL LIABILITIES	6,652.92	95.51	6,319.16	93.78	–5.02	6,415.87	93.25	1.53	7,364.14	93.85	14.78
Share capital	450.89	6.47	487.89	7.24	8.21	487.89	7.09	0.00	487.89	6.22	0.00
Current year profit/loss	12.91	0.19	49.38	0.73	282.45	17.09	0.25	–65.39	10.57	0.13	–38.14
Retained earnings/loss	–61.58	–0.88	–50.03	–0.74	–18.76	–1.31	–0.02	–97.39	15.02	0.19	–
Legal reserves	3.44	0.05	4.80	0.07	39.62	5.46	0.08	13.66	6.22	0.08	13.96
Reserves provided for by the articles of association and other capital reserves	0.62	0.01	0.14	0.00	–77.83	10.93	0.16	–	9.16	0.12	–16.26
Unrealised gains/losses on value adjustments of financial assets available for sale	–93.74	–1.35	–72.88	–1.08	–22.25	–55.31	–0.80	–24.10	–46.49	–0.59	–15.95
Reserves arising from hedging transactions	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Previous year profit/loss	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL CAPITAL	312.55	4.49	419.31	6.22	34.16	464.75	6.75	10.84	482.37	6.15	3.79
TOTAL LIABILITIES AND CAPITAL	6,965.47	100.00	6,738.46	100.00	–3.26	6,880.62	100.00	2.11	7,846.51	100.00	14.04

On the liabilities side, received deposits, the major source of financing of housing savings banks, rose by a little over half a billion kuna or 9.6%. Deposits of housing savings bank savers and deposits of financial institutions rose by almost the same amount. Exceptionally sharp was the increase in loans received (202.1%), with their share in the total balance sheet amount rising to 7.1%. The reason behind the growth in deposits and loans from financial institutions was the already mentioned meeting of the regulation on the management of interest rate risk in the non-trading book. A much larger increase in deposits received than loans granted led to a fall in the loans granted to deposits received ratio, which stood at 76.4% at the end of 2011, down from 82.2% at the end of 2010.

The balance sheet capital of housing savings banks rose by 3.8% or HRK 17.6m from the end of 2010. This increase took place owing to retained 2010 profit and a fall in unrealised losses on value adjustment of available-for-sale financial assets. In 2011, housing savings banks did not increase their share capital, while a much slower growth of capital than assets led to a fall in the capital to assets ratio, from 6.8% to 6.2%.

1.3.2 Income statement

In 2011, housing savings banks generated HRK 15.9m in profit (pre-tax), which is a decline of over one third or 38.3% compared with the previous year (Table 1.18). Only two housing savings banks operated with profit, which was a reduction from that reported in 2010, while the remaining three housing savings banks operated with a loss. At the end of 2010, two of them had operated with profit, while the third one had reduced its losses.

A fall in the profit generated by housing savings banks over the year was primarily due to big changes in the amount of expenses on loss provisions. In 2010, the housing savings banks had generated

TABLE 1.18 Housing savings bank income statement, in million HRK

	Jan.–Dec. 2010	Jan.–Dec. 2011
Net interest income	112.11	117.40
Total interest income	304.61	343.47
Total interest expenses	192.49	226.07
Net income from fees and commissions	61.74	61.79
Total income from fees and commissions	70.13	70.45
Total expenses on fees and commissions	8.40	8.66
Net other non-interest income	–25.70	–21.59
Other non-interest income	10.45	–5.35
Other non-interest expenses	36.15	16.24
Net non-interest income	36.03	40.19
General administrative expenses and depreciation	129.66	134.42
Net operating income before loss provisions	18.49	23.17
Total expenses on loss provisions	–2.14	1.89
Expenses on value adjustments and provisions for identified losses	–5.12	5.41
Expenses on collectively assessed impairment provisions	–7.26	7.30
Income/loss before taxes	25.74	15.87
Income tax	8.65	5.30
Current year profit/loss	17.09	10.57

income from repealed provisions for risk category A owing to the exclusion of the available-for-sale portfolio from the scope of placements classified into risk categories. By contrast, in 2011, the housing savings banks reported expenses on this basis. This resulted in a much poorer total performance, despite a 6.4% increase in net income and a small increase in costs.

The increase in net income of housing savings banks was caused by an increase in net interest income of 4.7%. All types of interest income rose, with interest income from investment in debt securities of the RC rising the most (16.6%). Interest income from deposits came next, rising by a sharp 623.0% while interest income from loans rose by a small 2.8%. As regards interest expenses, those associated with deposits rose the most, by HRK 17.3m or 10.7%.

Due to a significant fall in profit, the indicators of returns of housing savings banks continued to deteriorate in 2011. The return on average assets (ROAA) of housing savings banks halved, falling from 0.4% to 0.2%. The return on average equity (ROAE) also fell sharply during that period, from 3.9% to 2.2%. The interest rate spread of housing savings banks was again almost two times lower than that of banks (1.5%), having also deteriorated slighly from the end of 2010. The ratio of general administrative expenses and depreciation and net income improved somewhat, rising from 87.5% to 85.3%, though it still pointed to poor cost-to-income ratio of housing savings banks and was much higher than that of banks which stood at 47.9%.

1.3.3 Credit risk

Total placements and off-balance sheet liabilities of housing savings banks stood at HRK 6.5bn at the end of 2011, which is an increase of HRK 472.3m or 7.9% compared with the year before.

The housing savings banks again classified a large majority of total placements and assumed off-balance sheet liabilities into the highest-quality risk category A. The increase in the placements of this group was almost equal to the increase in overall placements with the former's share in total placements remaining unchanged, standing at 99.5%. Partly recoverable and fully irrecoverable placements, i.e. B and C risk category placements accounted for the remaining 0.5%. They were down 9.1%, owing to a decline in risk category B of 11.7%, while risk category C placements rose by 49.6%. These changes led to a higher coverage of B and C risk category placements by value adjustments and provisions, which remained at a level slightly below 20%. In the light of such a distribution of placements in risk categories, collectively assessed impairment provisions (for risk category A), which rose by 10.6%, again accounted for the bulk of total value adjustments and provisions. By contrast, value adjustments and provisions for B and C category placements fell by 5.2%.

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

Risk category	Dec. 2008		Dec. 2009			Dec. 2010			Dec. 2011		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
A	6,598.48	99.53	6,385.10	99.64	–3.23	5,947.73	99.45	–6.85	6,423.04	99.54	7.99
B-1, B-2 and B-3	24.57	0.37	18.76	0.29	–23.63	31.51	0.53	67.93	27.83	0.43	–11.65
C	6.47	0.10	4.22	0.07	–34.74	1.37	0.02	–67.58	2.05	0.03	49.63
Total	6,629.52	100.00	6,408.08	100.00	–3.34	5,980.61	100.00	–6.67	6,452.93	100.00	7.90

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

	Dec. 2008	Dec. 2009	Dec. 2010	Dec. 2011
Total value adjustments against placements and provisions for assumed off-balance sheet liabilities	69.80	64.24	57.26	62.34
Value adjustments and provisions	10.70	8.09	6.23	5.90
Collectively assessed value adjustments and provisions	59.00	56.16	51.04	56.44
Total placements and assumed off-balance sheet liabilities	6,629.50	6,408.08	5,980.61	6,452.93
Coverage	1.05	1.00	0.96	0.97

One housing savings bank estimated all its placements and assumed off-balance sheet liabilities as fully recoverable, classifying them entirely into risk category A. The remaining housing savings banks estimated only a very small portion of their placements as partly recoverable or fully irrecoverable, classifying between 0.1% and 1.1% of their placements in categories B and C.

The loan and receivable portfolio was again dominant in the structure of total placements and assumed off-balance sheet liabilities. In 2011, the share of this portfolio in total placements rose from 85.3% to 85.9%. Loans and to a lesser extent debt securities and deposits accounted for the bulk, or over two thirds (68.0%) of this portfolio. Securities accounted for a little less than one fifth of the portfolio (19.4%) while deposits increased their share the most, from 3.6% in 2010 to 12.2%. Most of the loans distributed in the loans and receivables portfolio, or almost 90% of these loans, went to home loans whose quality remained very good. The share of risk categories B and C in home loans fell from 1.1% to 0.9%.

1.3.4 Capital adequacy

At the end of 2011, the capital adequacy ratio of housing savings banks was 19.87%, which is a decline of 0.41 percentage points from the 20.28% at the end of 2010. This decline was the result of an increase in capital requirements for the coverage of operating risks which rose by 7.4% over the year.

Own funds of housing savings banks rose by HRK 27.8m or 5.3% over the observed period, reaching HRK 558.1m. The increase in own funds was almost entirely due to an increase in original own funds of HRK 26.8m or 6.2% while additional own funds rose by only 1.1m or a little over 1%. Ancillary own funds (which may be used exclusively for market risk coverage) were not reported by any housing savings bank. The original own funds rose mostly as a result of an increase in reinvested earnings, while the increase in additional own funds was the result of an issue of hybrid instruments.

As regards the increase in total capital requirements of HRK 23.2m, it was caused by a simultaneous increase in capital requirements for credit risk (credit counterparty, dilution risk and free deliveries) of HRK 10.9m or 4.1% and a significant increase in capital requirements for position, currency and commodity risks of HRK 12.9m. The capital requirements for market risks were four times greater than in 2010 due to an increase in requirements for general position risk of debt instruments. This was due to transactions in two housing savings banks and the necessary adjustment with the provisions of the regulation governing the management of interest rate risk in the non-trading book. Due to a strong growth, the share of capital requirements for market risks rose considerably, reaching 4.7% of the total capital requirements. The capital requirements for operational risk, introduced in 2010, declined somewhat during the observed period, and accounted for 12.8% of the total capital requirements. The capital requirements for credit risk again accounted for a significant 82.5% of the total capital requirements.

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.

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

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

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

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

Figure 1.2 Herfindahl-Hirschman Index (HHI)

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

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

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 10 000 (monopoly).
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of assets, loans and deposits of banks.

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

With respect to ownership structure, banks in the Republic of Croatia are divided into domestic and foreign-owned banks. Banks under domestic ownership are divided into private domestic banks and state-owned domestic banks. A bank is classified as a private domestic bank if it is majority owned by domestic natural and legal persons, or as a state-owned domestic bank if it is majority owned by governmental units. A bank is classified as a foreign-owned bank if it is majority owned by foreign natural and legal persons. Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank assets. Up to 31

December 2009,. the source of data on the ownership structure of banks was form PD3 (Decision on supervisory reports of banks, OG 115/2003, 29/2006, 46/2006 and 74/2006) and, as of 31 March 2010, it is report PD32 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011 and 147/2011).

Table 1.3 Number of employees, operating units and ATMs

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

Table 1.4 Territorial distribution of operating units and ATMs by counties

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

Figure 1.3 Concentration of bank operating units and ATMs by counties

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

Table 1.5 Structure of bank assets

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

Figure 1.4 Rates of change in bank peer group assets

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

Figure 1.5 Structure of bank peer group assets

This figure shows the structure of assets for each bank peer group and for all banks combined. Bank asset items consist of six positions: money assets and deposits with the CNB, deposits (with banking institutions), securities (including T-bills), loans (loans to financial institutions and other clients), other assets (derivative financial assets, investments in subsidiaries, associates and joint ventures,

foreclosed and repossessed assets, tangible assets net of depreciation, and interest, fees and other assets) and collectively assessed impairment provisions.
Form BS1-2 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the amount of bank assets.

Table 1.6 Structure of bank liabilities and capital

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

Figure 1.6 Structure of bank peer group liabilities and capital

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

Figure 1.7 Structure of bank standard off-balance sheet items

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

Figure 1.8 Structure of bank derivative financial instruments (notional amount)

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

Figure 1.9 Bank income before taxes

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

Table 1.7 Bank income statement

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

Figure 1.10 Structure of bank net income

The columns show the share of net interest income, net income from fees and commissions and net other non-interest income in total net income of individual bank peer groups and all banks combined at the end of the reporting period.
Form RDG1-1 (Decision relating to the bank statistical report, OG 166/2003, 53/2004, 129/2004 and 60/2006) is the source of data on the net income of banks.

Figure 1.11 Bank return on average assets (ROAA)

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

Figure 1.12 Bank return on average equity (ROAE)

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

Figure 1.13 Income from interest-bearing assets and expenses on interest-bearing liabilities

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

Figure 1.14 Weighted averages of bank monthly interest rates

The base for the calculation of the weighted averages of bank monthly interest rates on kuna and foreign currency loans are the amounts of loans disbursed during the reporting month at certain interest rates. Exempted are interest rates on giro and current account overdrafts, for which the

weighted averages were calculated based on the balance of these loans at the end of the reporting month. Interest rates on kuna deposits not tied to a currency clause comprise interest rates on giro account and current account deposits, savings deposits and time deposits. The averages of interest rates on total kuna deposits not tied to a currency clause and total foreign currency deposits are weighted by the end-of-the period balances of all categories included in the calculation. The exceptions are kuna and foreign currency time deposits, whose weighted averages are calculated on the basis of deposits received in the reporting month.
Data on interest rates of banks have been obtained from regular reports of banks and the source of data on interest rates of banks is the CNB statistics.

Figure 1.15 Bank assets per employee

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

Figure 1.16 Bank operating expenses

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

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

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

Figure 1.17 Structure of bank placements and assumed off-balance sheet liabilities

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

Figure 1.18 Rates of change of bank loans

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

Table 1.9 Bank loans

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

Figure 1.19 Structure of bank loans by activities

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

Figure 1.20 Structure of bank partly recoverable and fully irrecoverable loans by activities

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

Figure 1.21 Share of bank partly recoverable and fully irrecoverable loans

The total partly recoverable and fully irrecoverable loans (gross) of bank peer groups and all banks combined are expressed as a share of total loans (gross) of bank peer groups and all banks combined. Shown are the selected sectors and total loans at the end of the reporting period. Loans include exclusively loans distributed in the loans and receivables portfolio and household loans include loans to non-profit institutions serving households.

Report RS2 (Decision on supervisory reports of credit institutions, OG 35/2010, 81/2010, 146/2010, 68/2011 and 147/2011) is the source of data on bank loans. The distribution of exposure by institutional sectors is conducted by the CNB in accordance with the European System of Accounts 1995 (ESA 95), based on reporting records delivered by banks in accordance with the Instructions for statistical and prudential reporting (OG 35/2010, 95/2010, 146/2010 and 68/2011).

Table 1.10 Structure of bank sources of financing

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

Table 1.11 Sectoral structure of received loans

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

Figure 1.22 Sectoral structure of received deposits

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

Figure 1.23 Bank loans granted/deposits received

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

Figure 1.24 Asset and liability maturity match or mismatch

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

Figure 1.25 Minimum liquidity coefficient

Minimum liquidity coefficient (MLC) is calculated as the ratio between the expected inflows (readily

marketable assets included) and the expected outflows in two given periods (up to one week and up to one month). MLC is calculated for kuna, all convertible currencies combined and for each nonconvertible currency separately (where outflows in an individual non-convertible currency account for over 1% of the total assets of a credit institution). MLC for periods up to one week and up to one month has to equal or be greater than 1 on each day.
Form KL (Decision on liquidity risk management, OG 2/2010) is the source of data on MLC.

Figure 1.26 Long foreign exchange position of banks

Each bank peer group ratio between its long foreign exchange position (f/c claims exceeding f/c liabilities) and its own funds is calculated by adding up first the quarterly average long foreign exchange positions of banks belonging to an individual bank peer group and then by adding up in the same manner own funds of all banks in the respective peer group. The sums thus calculated are mutually divided.
Form VR-2 (Decision on the limitation of bank exposure to foreign exchange risk, OG 17/2003, 39/2006, 130/2006 and 25/2009 and the Decision on the limitation of credit institution exposure to foreign exchange risk, OG 38/2010 and 62/2011) is the source of data on the long foreign exchange position. Up to 31 March 2010, the source of own funds data was form JK2 (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 201, it is form JKAP (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

Figure 1.27 Short foreign exchange position of banks

Each bank peer group ratio between its short foreign exchange position (f/c liabilities exceeding f/c claims) and its own funds is calculated by first adding up quarterly average short foreign exchange positions of banks belonging to an individual bank peer group and then by adding up own funds of all banks in the respective peer group. The sums thus calculated are mutually divided.
Form VR-2 (Decision on the limitation of bank exposure to foreign exchange risk, OG 17/2003, 39/2006, 130/2006 and 25/2009 and the Decision on the limitation of credit institution exposure to foreign exchange risk, OG 38/2010 and 62/2011) is the source of data on the short foreign exchange position of banks. Up to 31 March 2010, the source of own funds data was form JK2 (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 2010 it is form JKAP (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

Table 1.12 Interest rate risk in the non-trading book

Interest rate risk in the non-trading book is measured by a change in its economic value in the conditions of a standard interest rate shock. A standard interest rate shock is a parallel shift in interest rates of 200 basis points. A change in the economic value of the non-trading book is calculated as a sum total of net weighted positions across all time zones, for each major currency individually (a currency that constitutes over 5% of the total balance sheet assets) and for other currencies on an aggregate basis.
The ratio between the change in the economic value and bank own funds must not exceed 20%.
Forms EVKI-FKS, EVKI-PKS, EVKI-AKS and EVKI-ZBR (Decision on the management of interest rate risk in the non-trading book, OG 2/2010 and 34/2010) are the source of data on the interest rate risk in the non-trading book.

Figure 1.28 Bank capital adequacy ratio

The capital adequacy ratio is calculated as a ratio between total own funds of individual bank peer groups and total own funds of all banks combined and total risk exposure of individual bank peer groups and all banks combined. Up to 31 December 2009, the total risk exposure was calculated as the sum of assets weighted by credit risk (including risky and derivative off-balance sheet items weighted by credit risk), increased by total foreign exchange position exposure to currency risk, capital requirements for position risks (multiplied by 10), capital requirements for settlement risk and capital requirements for counterparty risk (multiplied by 10), and capital requirements for exceeding the permissible exposure limits (multiplied by 10). As of 31 March 2010, the total risk exposure is calculated as the sum of exposures to credit, counterparty credit and dilution risks and free deliveries, increased by the initial capital requirements for settlement/delivery risk (multiplied by 12.5), the initial capital requirements for position, foreign exchange and commodity risk (multiplied by 12.5), the initial capital requirements for exceeding the permissible exposure limits (multiplied by 12.5) and the initial capital requirements for operational risk (multiplied by 12.5). As of 31 March 2010, the banks have to maintain a minimum

capital adequacy ratio of 12% (previously 10%).

Up to 31 December 2009, the source of data on the capital adequacy of banks was form SAK (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 2010 it is form SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

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

This table shows the structure of own funds and capital requirements and the capital adequacy ratio at the end of the reporting period for each bank peer group and all banks combined (see the accompanying explanation with Figure 2.28 and Figure 2.29).

Up to 31 December 2009, the source of data on the capital adequacy of banks was forms JK2 and SAK (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 2010 it is forms JKAP and SAJK (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

Figure 1.29 Bank own funds

The columns show the components of own funds at the end of the reporting period. Original own funds is the amount of original own funds net of deduction items, while additional own funds and ancillary own funds represent those amounts of additional own funds and ancillary own funds that are included in own funds (after application of the limits). Own funds are reduced by deduction items. As of 31 March 2010, one half of the total amount of deduction items is deducted from original own funds and half from additional own funds.

Up to 31 December 2009, the source of data on the own funds of banks was form JK2 (Instructions for the uniform implementation of the Decision on the capital adequacy of banks, OG 195/2003, 39/2004, 41/2006, 130/2006, 14/2008, 33/2008 and 18/2009) and as of 31 March 2010 it is form JKAP (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010).

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

This table shows the net exposure to credit risk after the use of credit risk mitigation techniques. The net exposure is shown by approach used for assessment of the capital requirement for credit risk, by exposure classes and credit risk-weights. The line items total outflow and total inflow show the substitution effects of credit risk mitigation techniques.

Forms SP and IRB by individual exposure classes (Decision on reports on own funds and capital requirements of credit institutions, OG 1/2009, 41/2009, 75/2009 and 2/2010) are the source of data on the net exposure of banks to credit risk.

Figure 1.30 Average credit risk weight

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

Figure 1.31 Structure of bank total capital requirements

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

Table 1.15 Breakdown of bank capital adequacy ratio

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

Figure 1.32 Assets, deposits and loans of housing savings banks

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

Table 1.16 Structure of housing savings bank assets

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

Table 1.17 Structure of housing savings bank liabilities and capital

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

Table 1.18 Housing savings bank income statement

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

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

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

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

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

3 List of credit institutions

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

Data on shareholders who hold 3% or more of share in the share capital of an institution, and financial and capital adequacy data are as at 31 December 2011. 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 2012.

Data on auditors relate to the audits performed in 2011.

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Management board

Goran Gazivoda – chairperson, Ivan Dujmović

Supervisory board

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

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

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

Balance sheet as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	347,498
Money assets	38,691
Deposits with the CNB	308,807
Deposits with banking institutions	309,025
MoF treasury bills and CNB bills	78,213
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	891
Securities and other financial instruments held to maturity	82,178
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	69,481
Loans to other clients	1,714,502
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	488
Tangible assets (net of depreciation)	63,386
Interest, fees and other assets	39,640
Net of: Collectively assessed impairment provisions	20,892
TOTAL ASSETS	2,684,411

Liabilities and capital	
Loans from financial institutions	175,149
Short-term loans	6,750
Long-term loans	168,399
Deposits	2,093,276
Giro account and current account deposits	68,941
Savings deposits	76,318
Time deposits	1,948,017
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	84,094
TOTAL LIABILITIES	2,352,519
Capital	331,892
TOTAL LIABILITIES AND CAPITAL	2,684,411

Income statement as at 31 December 2011, in thousand HRK

Net interest income	110,511
Total interest income	198,633
Total interest expenses	88,123
Net income from fees and commissions	16,155
Total income from fees and commissions	18,922
Total expenses on fees and commissions	2,767
Net other non-interest income	7,402
Other non-interest income	12,734
Other non-interest expenses	5,332
Net non-interest income	23,557
General administrative expenses and depreciation	99,975
Net operating income before loss provisions	34,092
Total expenses on loss provisions	22,643
Expenses on value adjustments and provisions for identified losses	21,659
Expenses on collectively assessed impairment provisions	984
Income (loss) before taxes	11,449
Income tax	596
Current year profit (loss)	10,853

Off-balance sheet items as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	13,333
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	5,816
Margin credit lines	0
Other credit lines and commitments	6,740
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	25,889

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

Capital adequacy ratio, in % as at 31 December 2011

14.49

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Management board

Mehmet Murat Sabaz – chairperson, Mićo Tomičić

Supervisory board

Burak Tashkinov Ekmekchiev – chairperson,
Mehmet Koçak, Boris Zenić

Shareholders	Share in share capital (%)
1. Eksen Holding A.Ş.	80.90

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	102,508
Money assets	27,646
Deposits with the CNB	74,861
Deposits with banking institutions	76,158
MoF treasury bills and CNB bills	50,042
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	36,523
Securities and other financial instruments held to maturity	26,851
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	13
Loans to financial institutions	3,430
Loans to other clients	220,832
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	892
Tangible assets (net of depreciation)	8,323
Interest, fees and other assets	6,969
Net of: Collectively assessed impairment provisions	3,620
TOTAL ASSETS	528,920

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	460,734
Giro account and current account deposits	17,243
Savings deposits	6,064
Time deposits	437,426
Other loans	272
Short-term loans	0
Long-term loans	272
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	22,140
TOTAL LIABILITIES	483,146
Capital	45,774
TOTAL LIABILITIES AND CAPITAL	528,920

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	19,644
Total interest income	42,233
Total interest expenses	22,590
Net income from fees and commissions	4,974
Total income from fees and commissions	6,932
Total expenses on fees and commissions	1,958
Net other non-interest income	2,589
Other non-interest income	4,835
Other non-interest expenses	2,246
Net non-interest income	7,563
General administrative expenses and depreciation	21,744
Net operating income before loss provisions	5,463
Total expenses on loss provisions	13,586
Expenses on value adjustments and provisions for identified losses	13,685
Expenses on collectively assessed impairment provisions	–99
Income (loss) before taxes	–8,123
Income tax	0
Current year profit (loss)	–8,123

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	5,371
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	154
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	5,524

Derivative financial instruments	
Options	1,882
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	1,882

Capital adequacy ratio, in %
as at 31 December 2011

14.01

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Management board

Gian Luigi Bonfe – chairperson, Darko Kosovec

Supervisory board

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

Shareholders	Share in share capital (%)
1. Cassa di Risparmio della Repubblica di San Marino S.p.A.	99.48

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	103,202
Money assets	13,289
Deposits with the CNB	89,913
Deposits with banking institutions	106,612
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	33,078
Securities and other financial instruments held to maturity	3,269
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	77
Loans to financial institutions	29,566
Loans to other clients	783,336
Investments in subsidiaries and associates	141
Foreclosed and repossessed assets	12,356
Tangible assets (net of depreciation)	26,365
Interest, fees and other assets	32,503
Net of: Collectively assessed impairment provisions	9,127
TOTAL ASSETS	1,121,377

Liabilities and capital	
Loans from financial institutions	67,516
Short-term loans	26,102
Long-term loans	41,414
Deposits	834,982
Giro account and current account deposits	12,031
Savings deposits	33,408
Time deposits	789,543
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	89,849
Interest, fees and other liabilities	39,676
TOTAL LIABILITIES	1,032,024
Capital	89,353
TOTAL LIABILITIES AND CAPITAL	1,121,377

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	29,476
Total interest income	83,940
Total interest expenses	54,463
Net income from fees and commissions	5,119
Total income from fees and commissions	6,139
Total expenses on fees and commissions	1,020
Net other non-interest income	5,768
Other non-interest income	8,588
Other non-interest expenses	2,819
Net non-interest income	10,887
General administrative expenses and depreciation	55,058
Net operating income before loss provisions	–14,695
Total expenses on loss provisions	13,996
Expenses on value adjustments and provisions for identified losses	15,380
Expenses on collectively assessed impairment provisions	–1,384
Income (loss) before taxes	–28,691
Income tax	0
Current year profit (loss)	–28,691

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	12,228
Uncovered letters of credit	4,366
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	37,090
Other standard risky off-balance sheet items	5,345
Total standard off-balance sheet items	59,029

Derivative financial instruments	
Options	0
Swaps	0
Forwards	28,496
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	28,496

Capital adequacy ratio, in %
as at 31 December 2011

15.32

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Management board

Ante Blažević – chairperson, Ivo Krolo

Supervisory board

Irena Kalebić Bašić – chairperson, Nediljko Ivančević, Ivan Filipović

Shareholders	Share in share capital (%)
1. Juroslav Buljubašić	36.43
2. Hypo Alpe-Adria-Bank d.d. (custody account)	9.71
3. Venči Čulić Meić	7.50
4. Irena Kalebić Bašić	7.24
5. Joško Dvornik	5.75
6. Mirko Vukušić	5.74
7. Blue Line International INC.	5.51
8. Nataša Vuković	4.98
9. own shares	4.59
10. Jakiša Medić	3.02

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	41,005
Money assets	10,951
Deposits with the CNB	30,054
Deposits with banking institutions	33,114
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	2,454
Securities and other financial instruments available for sale	5,064
Securities and other financial instruments held to maturity	763
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	236,971
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	230
Tangible assets (net of depreciation)	15,660
Interest, fees and other assets	9,737
Net of: Collectively assessed impairment provisions	2,753
TOTAL ASSETS	342,245

Liabilities and capital	
Loans from financial institutions	33
Short-term loans	0
Long-term loans	33
Deposits	272,172
Giro account and current account deposits	16,300
Savings deposits	7,927
Time deposits	247,945
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	3,765
Interest, fees and other liabilities	14,226
TOTAL LIABILITIES	290,196
Capital	52,049
TOTAL LIABILITIES AND CAPITAL	342,245

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	21,414
Total interest income	33,423
Total interest expenses	12,009
Net income from fees and commissions	1,800
Total income from fees and commissions	2,465
Total expenses on fees and commissions	665
Net other non-interest income	–1,048
Other non-interest income	1,040
Other non-interest expenses	2,088
Net non-interest income	752
General administrative expenses and depreciation	16,255
Net operating income before loss provisions	5,910
Total expenses on loss provisions	5,370
Expenses on value adjustments and provisions for identified losses	4,985
Expenses on collectively assessed impairment provisions	385
Income (loss) before taxes	540
Income tax	181
Current year profit (loss)	358

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	4,078
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	2,178
Margin credit lines	0
Other credit lines and commitments	0
Other standard risky off-balance sheet items	146
Total standard off-balance sheet items	6,402

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

Capital adequacy ratio, in %
as at 31 December 2011

17.66

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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 2011:
KPMG Croatia d.o.o., Zagreb

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	146,781
Money assets	4,602
Deposits with the CNB	142,180
Deposits with banking institutions	120,644
MoF treasury bills and CNB bills	22,088
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	1,376
Securities and other financial instruments held to maturity	20,124
Securities and other financial instruments not traded in active markets but carried at fair value	21,000
Derivative financial assets	0
Loans to financial institutions	11,606
Loans to other clients	697,227
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	286
Tangible assets (net of depreciation)	24,369
Interest, fees and other assets	17,253
Net of: Collectively assessed impairment provisions	9,281
TOTAL ASSETS	1,073,474

Liabilities and capital	
Loans from financial institutions	54,428
Short-term loans	0
Long-term loans	54,428
Deposits	577,047
Giro account and current account deposits	185,132
Savings deposits	14,038
Time deposits	377,876
Other loans	289,921
Short-term loans	105,426
Long-term loans	184,495
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	17,496
TOTAL LIABILITIES	938,892
Capital	134,582
TOTAL LIABILITIES AND CAPITAL	1,073,474

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	25,988
Total interest income	44,420
Total interest expenses	18,433
Net income from fees and commissions	5,261
Total income from fees and commissions	7,084
Total expenses on fees and commissions	1,823
Net other non-interest income	1,232
Other non-interest income	2,212
Other non-interest expenses	980
Net non-interest income	6,493
General administrative expenses and depreciation	28,061
Net operating income before loss provisions	4,420
Total expenses on loss provisions	4,375
Expenses on value adjustments and provisions for identified losses	1,649
Expenses on collectively assessed impairment provisions	2,727
Income (loss) before taxes	45
Income tax	–11
Current year profit (loss)	56

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	45,155
Uncovered letters of credit	202
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	16,189
Margin credit lines	0
Other credit lines and commitments	16,229
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	77,775

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

Capital adequacy ratio, in %
as at 31 December 2011

15.99

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Management board

Ivo Markotić – chairperson, Gordana Amančić

Supervisory board

Dragutin Biondić – chairperson, Igor Knežević, Zlatko Mateša, Dragutin Kalogjera, Maroje Matana

Shareholders	Share in share capital (%)
1. Heruc d.d.	41.23
2. Privredna banka Zagreb d.d. (custody account)	7.78
3. Heruc Euro Holding LTD	6.54

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	83,616
Money assets	12,632
Deposits with the CNB	70,984
Deposits with banking institutions	99,467
MoF treasury bills and CNB bills	69,991
Securities and other financial instruments held for trading	453
Securities and other financial instruments available for sale	10,233
Securities and other financial instruments held to maturity	31,535
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	17
Loans to financial institutions	6,988
Loans to other clients	1,205,839
Investments in subsidiaries and associates	6,450
Foreclosed and repossessed assets	34,480
Tangible assets (net of depreciation)	4,839
Interest, fees and other assets	59,113
Net of: Collectively assessed impairment provisions	12,727
TOTAL ASSETS	1,600,295

Liabilities and capital	
Loans from financial institutions	429,663
Short-term loans	85,529
Long-term loans	344,133
Deposits	879,793
Giro account and current account deposits	128,596
Savings deposits	16,281
Time deposits	734,916
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	17
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	48,355
Interest, fees and other liabilities	48,782
TOTAL LIABILITIES	1,406,610
Capital	193,684
TOTAL LIABILITIES AND CAPITAL	1,600,295

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	47,033
Total interest income	107,795
Total interest expenses	60,762
Net income from fees and commissions	8,613
Total income from fees and commissions	13,391
Total expenses on fees and commissions	4,778
Net other non-interest income	17,786
Other non-interest income	20,268
Other non-interest expenses	2,482
Net non-interest income	26,399
General administrative expenses and depreciation	54,408
Net operating income before loss provisions	19,024
Total expenses on loss provisions	15,739
Expenses on value adjustments and provisions for identified losses	15,631
Expenses on collectively assessed impairment provisions	108
Income (loss) before taxes	3,285
Income tax	737
Current year profit (loss)	2,548

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	122,459
Uncovered letters of credit	6,419
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,989
Margin credit lines	0
Other credit lines and commitments	64,628
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	195,496

Derivative financial instruments	
Options	13,092
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	13,092

Capital adequacy ratio, in %
as at 31 December 2011

13.11

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Management board

Ivan Purgar – chairperson, Marko Gabela

Supervisory board

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

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	243,204
Money assets	33,021
Deposits with the CNB	210,184
Deposits with banking institutions	259,451
MoF treasury bills and CNB bills	213,352
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	62,151
Securities and other financial instruments held to maturity	9,906
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	159
Loans to financial institutions	11,441
Loans to other clients	974,580
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	54,883
Tangible assets (net of depreciation)	23,168
Interest, fees and other assets	45,019
Net of: Collectively assessed impairment provisions	12,636
TOTAL ASSETS	1,884,678

Liabilities and capital	
Loans from financial institutions	252,070
Short-term loans	31,848
Long-term loans	220,222
Deposits	1,301,574
Giro account and current account deposits	173,793
Savings deposits	77,710
Time deposits	1,050,071
Other loans	22,623
Short-term loans	22,591
Long-term loans	32
Derivative financial liabilities and other financial liabilities held for trading	160
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	70,000
Interest, fees and other liabilities	122,882
TOTAL LIABILITIES	1,769,309
Capital	115,369
TOTAL LIABILITIES AND CAPITAL	1,884,678

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	47,064
Total interest income	101,424
Total interest expenses	54,359
Net income from fees and commissions	5,705
Total income from fees and commissions	11,236
Total expenses on fees and commissions	5,532
Net other non-interest income	13,568
Other non-interest income	17,980
Other non-interest expenses	4,412
Net non-interest income	19,273
General administrative expenses and depreciation	68,165
Net operating income before loss provisions	–1,828
Total expenses on loss provisions	6,205
Expenses on value adjustments and provisions for identified losses	6,374
Expenses on collectively assessed impairment provisions	–170
Income (loss) before taxes	–8,032
Income tax	0
Current year profit (loss)	–8,032

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	27,042
Uncovered letters of credit	4,307
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	25,706
Margin credit lines	0
Other credit lines and commitments	0
Other standard risky off-balance sheet items	70
Total standard off-balance sheet items	57,125

Derivative financial instruments	
Options	23,807
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	23,807

Capital adequacy ratio, in %
as at 31 December 2011

15.23

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Management board

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

Supervisory board

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

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	7,055,539
Money assets	759,259
Deposits with the CNB	6,296,280
Deposits with banking institutions	1,218,055
MoF treasury bills and CNB bills	1,483,160
Securities and other financial instruments held for trading	5,556
Securities and other financial instruments available for sale	4,868,457
Securities and other financial instruments held to maturity	360,087
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	44,019
Loans to financial institutions	499,294
Loans to other clients	39,522,729
Investments in subsidiaries and associates	1,300,256
Foreclosed and repossessed assets	108,778
Tangible assets (net of depreciation)	409,549
Interest, fees and other assets	805,784
Net of: Collectively assessed impairment provisions	458,309
TOTAL ASSETS	57,222,955

Liabilities and capital	
Loans from financial institutions	2,665,822
Short-term loans	788,530
Long-term loans	1,877,292
Deposits	42,384,927
Giro account and current account deposits	4,181,379
Savings deposits	3,216,858
Time deposits	34,986,689
Other loans	3,226,929
Short-term loans	83,546
Long-term loans	3,143,383
Derivative financial liabilities and other financial liabilities held for trading	87,572
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	828,346
Hybrid instruments issued	0
Interest, fees and other liabilities	1,616,211
TOTAL LIABILITIES	50,809,807
Capital	6,413,148
TOTAL LIABILITIES AND CAPITAL	57,222,955

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	1,417,176
Total interest income	2,933,705
Total interest expenses	1,516,529
Net income from fees and commissions	307,732
Total income from fees and commissions	431,979
Total expenses on fees and commissions	124,247
Net other non-interest income	341,561
Other non-interest income	415,965
Other non-interest expenses	74,404
Net non-interest income	649,293
General administrative expenses and depreciation	743,662
Net operating income before loss provisions	1,322,808
Total expenses on loss provisions	519,702
Expenses on value adjustments and provisions for identified losses	497,646
Expenses on collectively assessed impairment provisions	22,056
Income (loss) before taxes	803,106
Income tax	152,537
Current year profit (loss)	650,568

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,545,278
Uncovered letters of credit	127,328
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	560,088
Margin credit lines	0
Other credit lines and commitments	1,525,414
Other standard risky off-balance sheet items	7,954
Total standard off-balance sheet items	3,766,062

Derivative financial instruments	
Options	134,259
Swaps	4,779,222
Forwards	25,434,590
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	30,348,071

Capital adequacy ratio, in %
as at 31 December 2011

15.11

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Management board

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

Supervisory board

Damir Kaufman – chairperson, Dražen Kobas, Anita Pavković, Krešimir Bračić, Mario Mikulić, Marin Palada

Shareholders	Share in share capital (%)
1. Republic of Croatia	51.51
2. Hrvatska pošta d.d.	27.52
3. Croatian Pension Insurance Administration	20.20

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	2,288,853
Money assets	544,383
Deposits with the CNB	1,744,470
Deposits with banking institutions	1,213,246
MoF treasury bills and CNB bills	588,096
Securities and other financial instruments held for trading	261,787
Securities and other financial instruments available for sale	859,043
Securities and other financial instruments held to maturity	686,059
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	2,973
Loans to financial institutions	204,064
Loans to other clients	9,574,121
Investments in subsidiaries and associates	75,541
Foreclosed and repossessed assets	104,183
Tangible assets (net of depreciation)	155,785
Interest, fees and other assets	558,656
Net of: Collectively assessed impairment provisions	118,862
TOTAL ASSETS	16,453,547

Liabilities and capital	
Loans from financial institutions	1,237,190
Short-term loans	67,506
Long-term loans	1,169,684
Deposits	11,392,930
Giro account and current account deposits	2,552,222
Savings deposits	1,112,519
Time deposits	7,728,189
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	2,580
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	601,638
Interest, fees and other liabilities	1,963,806
TOTAL LIABILITIES	15,198,144
Capital	1,255,403
TOTAL LIABILITIES AND CAPITAL	16,453,547

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	467,701
Total interest income	867,728
Total interest expenses	400,027
Net income from fees and commissions	180,552
Total income from fees and commissions	570,600
Total expenses on fees and commissions	390,047
Net other non-interest income	16,201
Other non-interest income	69,708
Other non-interest expenses	53,507
Net non-interest income	196,753
General administrative expenses and depreciation	446,951
Net operating income before loss provisions	217,504
Total expenses on loss provisions	135,108
Expenses on value adjustments and provisions for identified losses	123,549
Expenses on collectively assessed impairment provisions	11,558
Income (loss) before taxes	82,396
Income tax	–5,528
Current year profit (loss)	87,925

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	556,618
Uncovered letters of credit	85,860
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	396,434
Margin credit lines	0
Other credit lines and commitments	1,188,535
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	2,227,448

Derivative financial instruments	
Options	0
Swaps	712,140
Forwards	327,459
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	1,039,598

Capital adequacy ratio, in %
as at 31 December 2011

14.20

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Management board

Markus Ferstl – chairperson, Ivo Bilić, Brane Golubić, Tea Martinčić

Supervisory board

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

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	4,978,476
Money assets	388,145
Deposits with the CNB	4,590,331
Deposits with banking institutions	437,240
MoF treasury bills and CNB bills	932,461
Securities and other financial instruments held for trading	84,953
Securities and other financial instruments available for sale	3,322,620
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	1,822
Loans to financial institutions	489,894
Loans to other clients	29,786,855
Investments in subsidiaries and associates	244,234
Foreclosed and repossessed assets	112,748
Tangible assets (net of depreciation)	342,248
Interest, fees and other assets	627,862
Net of: Collectively assessed impairment provisions	275,646
TOTAL ASSETS	41,085,768

Liabilities and capital	
Loans from financial institutions	1,735,717
Short-term loans	473,984
Long-term loans	1,261,733
Deposits	27,400,527
Giro account and current account deposits	2,216,770
Savings deposits	1,400,750
Time deposits	23,783,007
Other loans	2,384,870
Short-term loans	2,376,923
Long-term loans	7,946
Derivative financial liabilities and other financial liabilities held for trading	99,153
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	2,430,034
Interest, fees and other liabilities	1,579,063
TOTAL LIABILITIES	35,629,363
Capital	5,456,405
TOTAL LIABILITIES AND CAPITAL	41,085,768

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	892,130
Total interest income	2,042,771
Total interest expenses	1,150,642
Net income from fees and commissions	235,623
Total income from fees and commissions	307,320
Total expenses on fees and commissions	71,697
Net other non-interest income	98,278
Other non-interest income	140,398
Other non-interest expenses	42,120
Net non-interest income	333,902
General administrative expenses and depreciation	671,939
Net operating income before loss provisions	554,092
Total expenses on loss provisions	499,181
Expenses on value adjustments and provisions for identified losses	490,750
Expenses on collectively assessed impairment provisions	8,431
Income (loss) before taxes	54,911
Income tax	12,550
Current year profit (loss)	42,361

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	2,019,239
Uncovered letters of credit	50,232
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	158,275
Margin credit lines	0
Other credit lines and commitments	1,140,513
Other standard risky off-balance sheet items	914,158
Total standard off-balance sheet items	4,282,417

Derivative financial instruments	
Options	0
Swaps	5,875,390
Forwards	1,784
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	5,877,175

Capital adequacy ratio, in %
as at 31 December 2011

26.11

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Management board

Branko Buljan – chairperson, Ružica Šarić

Supervisory board

Darko Medak – chairperson, Dubravka Ostojić, Slavka Petrov

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	307,526
Money assets	25,270
Deposits with the CNB	282,257
Deposits with banking institutions	194,603
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	1,609
Securities and other financial instruments available for sale	0
Securities and other financial instruments held to maturity	65,017
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	6,370
Loans to other clients	1,269,379
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	6,206
Tangible assets (net of depreciation)	40,157
Interest, fees and other assets	29,507
Net of: Collectively assessed impairment provisions	15,468
TOTAL ASSETS	1,904,906

Liabilities and capital	
Loans from financial institutions	86,423
Short-term loans	0
Long-term loans	86,423
Deposits	1,549,053
Giro account and current account deposits	94,235
Savings deposits	18,804
Time deposits	1,436,014
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	84,416
Interest, fees and other liabilities	44,988
TOTAL LIABILITIES	1,764,880
Capital	140,026
TOTAL LIABILITIES AND CAPITAL	1,904,906

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	76,946
Total interest income	153,725
Total interest expenses	76,779
Net income from fees and commissions	3,661
Total income from fees and commissions	6,097
Total expenses on fees and commissions	2,437
Net other non-interest income	881
Other non-interest income	3,459
Other non-interest expenses	2,578
Net non-interest income	4,542
General administrative expenses and depreciation	33,403
Net operating income before loss provisions	48,085
Total expenses on loss provisions	22,756
Expenses on value adjustments and provisions for identified losses	19,788
Expenses on collectively assessed impairment provisions	2,968
Income (loss) before taxes	25,328
Income tax	5,182
Current year profit (loss)	20,146

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	66,410
Uncovered letters of credit	2,815
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	22,190
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	91,415

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

Capital adequacy ratio, in %
as at 31 December 2011

14.62

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Management board

Miro Dodić – chairperson, Marina Vidič, Klaudija Paljuh

Supervisory board

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

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	374,725
Money assets	39,655
Deposits with the CNB	335,070
Deposits with banking institutions	275,661
MoF treasury bills and CNB bills	315,206
Securities and other financial instruments held for trading	370
Securities and other financial instruments available for sale	2,805
Securities and other financial instruments held to maturity	50,180
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	20,583
Loans to other clients	1,444,895
Investments in subsidiaries and associates	20
Foreclosed and repossessed assets	6,410
Tangible assets (net of depreciation)	54,141
Interest, fees and other assets	15,243
Net of: Collectively assessed impairment provisions	19,366
TOTAL ASSETS	2,540,871

Liabilities and capital	
Loans from financial institutions	64,909
Short-term loans	15,003
Long-term loans	49,905
Deposits	2,164,201
Giro account and current account deposits	295,663
Savings deposits	351,101
Time deposits	1,517,437
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	18,786
Interest, fees and other liabilities	44,735
TOTAL LIABILITIES	2,292,630
Capital	248,242
TOTAL LIABILITIES AND CAPITAL	2,540,871

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	64,258
Total interest income	125,093
Total interest expenses	60,835
Net income from fees and commissions	20,250
Total income from fees and commissions	24,607
Total expenses on fees and commissions	4,357
Net other non-interest income	16,095
Other non-interest income	19,117
Other non-interest expenses	3,022
Net non-interest income	36,346
General administrative expenses and depreciation	62,185
Net operating income before loss provisions	38,419
Total expenses on loss provisions	15,127
Expenses on value adjustments and provisions for identified losses	13,758
Expenses on collectively assessed impairment provisions	1,370
Income (loss) before taxes	23,292
Income tax	4,563
Current year profit (loss)	18,728

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	45,445
Uncovered letters of credit	11,024
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	29,593
Margin credit lines	0
Other credit lines and commitments	44,801
Other standard risky off-balance sheet items	200
Total standard off-balance sheet items	131,063

Derivative financial instruments	
Options	4,707
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	4,707

Capital adequacy ratio, in %
as at 31 December 2011

15.13

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Management board

Ivo Šinko – chairperson, Marija Trlaja, Mirko Goreta

Supervisory board

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

Shareholders	Share in share capital (%)
1. Alfa d.d.	7.06
2. Croatia osiguranje d.d.	6.48
3. Josip Stojanović	4.80
4. Ugo grupa d.o.o.	4.58
5. Importanne d.o.o.	4.40
6. Tiskara Malenica d.o.o.	3.88
7. Marko Sarađen	3.43
8. Vodovod i odvodnja d.o.o.	3.39
9. Rivijera hoteli i kampovi d.d.	3.17

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	368,591
Money assets	56,793
Deposits with the CNB	311,797
Deposits with banking institutions	453,046
MoF treasury bills and CNB bills	74,587
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	14,934
Securities and other financial instruments held to maturity	232,427
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	19
Loans to financial institutions	30,420
Loans to other clients	1,513,297
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	152,682
Tangible assets (net of depreciation)	23,100
Interest, fees and other assets	34,317
Net of: Collectively assessed impairment provisions	18,863
TOTAL ASSETS	2,878,558

Liabilities and capital	
Loans from financial institutions	279,040
Short-term loans	107,000
Long-term loans	172,040
Deposits	2,205,560
Giro account and current account deposits	238,030
Savings deposits	331,991
Time deposits	1,635,540
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	51
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	15,255
Hybrid instruments issued	0
Interest, fees and other liabilities	54,843
TOTAL LIABILITIES	2,554,750
Capital	323,808
TOTAL LIABILITIES AND CAPITAL	2,878,558

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	64,379
Total interest income	159,578
Total interest expenses	95,198
Net income from fees and commissions	16,191
Total income from fees and commissions	20,721
Total expenses on fees and commissions	4,531
Net other non-interest income	9,841
Other non-interest income	17,925
Other non-interest expenses	8,083
Net non-interest income	26,032
General administrative expenses and depreciation	62,258
Net operating income before loss provisions	28,154
Total expenses on loss provisions	24,637
Expenses on value adjustments and provisions for identified losses	24,654
Expenses on collectively assessed impairment provisions	–18
Income (loss) before taxes	3,517
Income tax	0
Current year profit (loss)	3,517

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	56,772
Uncovered letters of credit	6,756
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	139,572
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	203,100

Derivative financial instruments	
Options	8,046
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	8,046

Capital adequacy ratio, in %
as at 31 December 2011

15.96

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Management board

Sandi Šola – chairperson, Marijana Trpčić-Reškovac

Supervisory board

Danijel Žamboki – chairperson, Goran Vukšić, Ivica Horvat, Josip Paladino

Shareholders	Share in share capital (%)
1. Sandi Šola	19.54
2. Mate Šarić	9.63
3. Jaime Ivan Guerrero Devlahovich	8.48
4. Marijan Šarić	4.94
5. Société Générale-Splitska banka d.d. (custody account)	4.06
6. Dario Šimić	3.95
7. Privredna banka Zagreb d.d. (custody acount)	3.53
8. Goran Ivanišević	3.34

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	231,217
Money assets	26,601
Deposits with the CNB	204,616
Deposits with banking institutions	158,557
MoF treasury bills and CNB bills	67,092
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	19,058
Securities and other financial instruments held to maturity	218,419
Securities and other financial instruments not traded in active markets but carried at fair value	89,293
Derivative financial assets	25
Loans to financial institutions	132
Loans to other clients	847,107
Investments in subsidiaries and associates	32,026
Foreclosed and repossessed assets	83,158
Tangible assets (net of depreciation)	86,605
Interest, fees and other assets	36,476
Net of: Collectively assessed impairment provisions	11,632
TOTAL ASSETS	1,857,535

Liabilities and capital	
Loans from financial institutions	269,378
Short-term loans	134,300
Long-term loans	135,078
Deposits	1,401,171
Giro account and current account deposits	226,271
Savings deposits	202,742
Time deposits	972,157
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	22
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	81,872
Interest, fees and other liabilities	47,700
TOTAL LIABILITIES	1,800,143
Capital	57,392
TOTAL LIABILITIES AND CAPITAL	1,857,535

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	42,283
Total interest income	109,075
Total interest expenses	66,792
Net income from fees and commissions	13,488
Total income from fees and commissions	21,538
Total expenses on fees and commissions	8,050
Net other non-interest income	–1,059
Other non-interest income	4,766
Other non-interest expenses	5,825
Net non-interest income	12,428
General administrative expenses and depreciation	78,681
Net operating income before loss provisions	–23,970
Total expenses on loss provisions	9,576
Expenses on value adjustments and provisions for identified losses	13,238
Expenses on collectively assessed impairment provisions	–3,663
Income (loss) before taxes	–33,546
Income tax	0
Current year profit (loss)	–33,546

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	130,808
Uncovered letters of credit	152
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	11,078
Margin credit lines	0
Other credit lines and commitments	146,414
Other standard risky off-balance sheet items	3,155
Total standard off-balance sheet items	291,607

Derivative financial instruments	
Options	3,544
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	3,544

Capital adequacy ratio, in %
as at 31 December 2011

8.94

1 The bank submitted new capital adequacy reports showing balance as at 31 December 2011 at the time of publication of this issue of the Banks Bulletin. These data are shown here but they have not been included in the aggregate banking sector data presented in part 1 of this publication, Performance indicators of credit institutions. After recapitalisation in 2012, bank capital adequacy surpassed the statutory minimum of 12%.

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Management board

Emil Mihalina – chairperson, Ivan Dropulić, Stjepan Anić

Supervisory board

Nadira Eror – chairperson, Ankica Čeko, Irena Severin

Shareholders	Share in share capital (%)
1. Agram životno osiguranje d.d.	17.86
2. Euroherc osiguranje d.d.	16.99
3. Jadransko osiguranje d.d.	16.24
4. Euroleasing d.o.o.	14.39
5. Privredna banka Zagreb d.d. (custody account)	5.33
6. Euro daus d.d.	4.99
7. Automehanika servisi d.d.	4.19
8. Euroagram nekretnine d.o.o.	4.17
9. Sunce osiguranje d.d.	3.58
10. Privredna banka Zagreb d.d. (custody account)	3.31
11. Eurodom d.o.o.	3.09

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	354,080
Money assets	56,256
Deposits with the CNB	297,824
Deposits with banking institutions	174,302
MoF treasury bills and CNB bills	55,843
Securities and other financial instruments held for trading	55,873
Securities and other financial instruments available for sale	264,483
Securities and other financial instruments held to maturity	64,909
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	5,537
Loans to financial institutions	57,177
Loans to other clients	1,575,457
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	13,159
Tangible assets (net of depreciation)	33,381
Interest, fees and other assets	69,569
Net of: Collectively assessed impairment provisions	18,320
TOTAL ASSETS	2,705,450

Liabilities and capital	
Loans from financial institutions	197,972
Short-term loans	169,641
Long-term loans	28,331
Deposits	2,064,985
Giro account and current account deposits	263,897
Savings deposits	63,502
Time deposits	1,737,586
Other loans	45,902
Short-term loans	45,902
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	3,652
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	50,500
Hybrid instruments issued	0
Interest, fees and other liabilities	62,166
TOTAL LIABILITIES	2,425,176
Capital	280,274
TOTAL LIABILITIES AND CAPITAL	2,705,450

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	73,539
Total interest income	162,118
Total interest expenses	88,579
Net income from fees and commissions	14,397
Total income from fees and commissions	23,805
Total expenses on fees and commissions	9,408
Net other non-interest income	18,100
Other non-interest income	19,971
Other non-interest expenses	1,872
Net non-interest income	32,496
General administrative expenses and depreciation	68,518
Net operating income before loss provisions	37,518
Total expenses on loss provisions	22,414
Expenses on value adjustments and provisions for identified losses	19,677
Expenses on collectively assessed impairment provisions	2,736
Income (loss) before taxes	15,104
Income tax	3,153
Current year profit (loss)	11,951

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	77,924
Uncovered letters of credit	7,812
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	50,520
Margin credit lines	0
Other credit lines and commitments	16,738
Other standard risky off-balance sheet items	28,360
Total standard off-balance sheet items	181,355

Derivative financial instruments	
Options	13,815
Swaps	62,430
Forwards	83,576
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	159,821

Capital adequacy ratio, in %
as at 31 December 2011

15.50

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Management board

Nenad Jeđud – chairperson, Davor Vodanović, Tihomir Gluić

Supervisory board

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

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	399,000
Money assets	83,064
Deposits with the CNB	315,937
Deposits with banking institutions	381,643
MoF treasury bills and CNB bills	540,873
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	79,707
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	32
Loans to financial institutions	15,420
Loans to other clients	1,389,116
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	10,149
Tangible assets (net of depreciation)	31,059
Interest, fees and other assets	18,769
Net of: Collectively assessed impairment provisions	23,060
TOTAL ASSETS	2,842,708

Liabilities and capital	
Loans from financial institutions	81,525
Short-term loans	16,200
Long-term loans	65,325
Deposits	2,340,941
Giro account and current account deposits	376,290
Savings deposits	441,520
Time deposits	1,523,132
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	32
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	52,164
TOTAL LIABILITIES	2,474,662
Capital	368,046
TOTAL LIABILITIES AND CAPITAL	2,842,708

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	80,074
Total interest income	148,997
Total interest expenses	68,924
Net income from fees and commissions	31,322
Total income from fees and commissions	34,741
Total expenses on fees and commissions	3,419
Net other non-interest income	4,672
Other non-interest income	10,717
Other non-interest expenses	6,045
Net non-interest income	35,994
General administrative expenses and depreciation	63,812
Net operating income before loss provisions	52,256
Total expenses on loss provisions	11,504
Expenses on value adjustments and provisions for identified losses	14,351
Expenses on collectively assessed impairment provisions	–2,847
Income (loss) before taxes	40,751
Income tax	8,275
Current year profit (loss)	32,476

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	58,801
Uncovered letters of credit	498
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	28,520
Margin credit lines	0
Other credit lines and commitments	218,041
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	305,860

Derivative financial instruments	
Options	6,246
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	6,246

Capital adequacy ratio, in %
as at 31 December 2011

22.09

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Management board

Stipan Pamuković – chairperson, Janko Hrnjak

Supervisory board

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

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	21,826
Money assets	3,865
Deposits with the CNB	17,962
Deposits with banking institutions	24,383
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	17,000
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	300
Loans to other clients	206,331
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	9,680
Tangible assets (net of depreciation)	1,847
Interest, fees and other assets	7,583
Net of: Collectively assessed impairment provisions	1,786
TOTAL ASSETS	287,165

Liabilities and capital	
Loans from financial institutions	9,850
Short-term loans	9,850
Long-term loans	0
Deposits	225,601
Giro account and current account deposits	32,502
Savings deposits	31,513
Time deposits	161,586
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	19,015
Interest, fees and other liabilities	7,558
TOTAL LIABILITIES	262,025
Capital	25,140
TOTAL LIABILITIES AND CAPITAL	287,165

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	3,129
Total interest income	17,766
Total interest expenses	14,636
Net income from fees and commissions	949
Total income from fees and commissions	1,750
Total expenses on fees and commissions	801
Net other non-interest income	328
Other non-interest income	772
Other non-interest expenses	444
Net non-interest income	1,277
General administrative expenses and depreciation	10,395
Net operating income before loss provisions	–5,988
Total expenses on loss provisions	8,573
Expenses on value adjustments and provisions for identified losses	8,596
Expenses on collectively assessed impairment provisions	–23
Income (loss) before taxes	–14,561
Income tax	0
Current year profit (loss)	–14,561

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	31,395
Uncovered letters of credit	354
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	4,517
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	36,267

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

Capital adequacy ratio, in %
as at 31 December 2011

14.47

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Management board

Balazs Pal Bekeffy – chairperson, Zorislav Vidović, Helena Banjad

Supervisory board

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

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	1,432,096
Money assets	171,740
Deposits with the CNB	1,260,356
Deposits with banking institutions	1,120,966
MoF treasury bills and CNB bills	597,270
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	463,706
Securities and other financial instruments held to maturity	23,816
Securities and other financial instruments not traded in active markets but carried at fair value	30,317
Derivative financial assets	9,368
Loans to financial institutions	22,966
Loans to other clients	8,708,916
Investments in subsidiaries and associates	83,626
Foreclosed and repossessed assets	5,919
Tangible assets (net of depreciation)	205,047
Interest, fees and other assets	223,612
Net of: Collectively assessed impairment provisions	90,898
TOTAL ASSETS	12,836,729

Liabilities and capital	
Loans from financial institutions	843,477
Short-term loans	22,076
Long-term loans	821,401
Deposits	10,237,378
Giro account and current account deposits	1,344,649
Savings deposits	1,341,412
Time deposits	7,551,317
Other loans	5,421
Short-term loans	0
Long-term loans	5,421
Derivative financial liabilities and other financial liabilities held for trading	996
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	38,502
Hybrid instruments issued	0
Interest, fees and other liabilities	320,767
TOTAL LIABILITIES	11,446,542
Capital	1,390,187
TOTAL LIABILITIES AND CAPITAL	12,836,729

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	389,650
Total interest income	726,310
Total interest expenses	336,660
Net income from fees and commissions	104,012
Total income from fees and commissions	141,918
Total expenses on fees and commissions	37,906
Net other non-interest income	143,542
Other non-interest income	182,827
Other non-interest expenses	39,284
Net non-interest income	247,555
General administrative expenses and depreciation	312,654
Net operating income before loss provisions	324,551
Total expenses on loss provisions	199,740
Expenses on value adjustments and provisions for identified losses	199,925
Expenses on collectively assessed impairment provisions	–185
Income (loss) before taxes	124,811
Income tax	25,364
Current year profit (loss)	99,447

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	146,173
Uncovered letters of credit	18,256
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	136,049
Margin credit lines	0
Other credit lines and commitments	778,231
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	1,078,709

Derivative financial instruments	
Options	84,595
Swaps	1,380,687
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	1,465,282

Capital adequacy ratio, in %
as at 31 December 2011

14.75

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Management board

Ivan Ćurković – chairperson, Petar Repušić

Supervisory board

Borislav Škegro – chairperson, Ivan Miloloža, Božo Čulo

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	109,039
Money assets	12,072
Deposits with the CNB	96,968
Deposits with banking institutions	64,907
MoF treasury bills and CNB bills	19,848
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	66,410
Securities and other financial instruments held to maturity	6,168
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	52
Loans to financial institutions	4,115
Loans to other clients	970,801
Investments in subsidiaries and associates	197
Foreclosed and repossessed assets	14,684
Tangible assets (net of depreciation)	30,881
Interest, fees and other assets	40,450
Net of: Collectively assessed impairment provisions	9,543
TOTAL ASSETS	1,318,008

Liabilities and capital	
Loans from financial institutions	286,644
Short-term loans	85,735
Long-term loans	200,909
Deposits	828,577
Giro account and current account deposits	132,407
Savings deposits	39,800
Time deposits	656,371
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	47
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	27,294
TOTAL LIABILITIES	1,142,562
Capital	175,446
TOTAL LIABILITIES AND CAPITAL	1,318,008

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	48,961
Total interest income	90,048
Total interest expenses	41,088
Net income from fees and commissions	6,739
Total income from fees and commissions	9,756
Total expenses on fees and commissions	3,017
Net other non-interest income	5,360
Other non-interest income	6,702
Other non-interest expenses	1,342
Net non-interest income	12,099
General administrative expenses and depreciation	46,759
Net operating income before loss provisions	14,301
Total expenses on loss provisions	14,039
Expenses on value adjustments and provisions for identified losses	13,664
Expenses on collectively assessed impairment provisions	376
Income (loss) before taxes	261
Income tax	–56
Current year profit (loss)	317

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	58,209
Uncovered letters of credit	4,224
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	5,406
Margin credit lines	0
Other credit lines and commitments	13,719
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	81,557

Derivative financial instruments	
Options	10,367
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	10,367

Capital adequacy ratio, in %
as at 31 December 2011

14.40

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Management board

Julio Kuruc – chairperson, Davorka Jakir, Marijan Marušić

Supervisory board

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

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	340,225
Money assets	36,072
Deposits with the CNB	304,154
Deposits with banking institutions	213,394
MoF treasury bills and CNB bills	495
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	405,955
Securities and other financial instruments held to maturity	94,071
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	19,600
Loans to other clients	1,707,494
Investments in subsidiaries and associates	3,570
Foreclosed and repossessed assets	6,692
Tangible assets (net of depreciation)	70,470
Interest, fees and other assets	80,635
Net of: Collectively assessed impairment provisions	20,540
TOTAL ASSETS	2,922,063

Liabilities and capital	
Loans from financial institutions	133,830
Short-term loans	46,000
Long-term loans	87,830
Deposits	2,256,956
Giro account and current account deposits	403,541
Savings deposits	240,156
Time deposits	1,613,258
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	75,304
Interest, fees and other liabilities	87,516
TOTAL LIABILITIES	2,553,606
Capital	368,457
TOTAL LIABILITIES AND CAPITAL	2,922,063

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	104,613
Total interest income	179,738
Total interest expenses	75,126
Net income from fees and commissions	25,505
Total income from fees and commissions	36,749
Total expenses on fees and commissions	11,244
Net other non-interest income	6,521
Other non-interest income	12,287
Other non-interest expenses	5,765
Net non-interest income	32,026
General administrative expenses and depreciation	99,893
Net operating income before loss provisions	36,745
Total expenses on loss provisions	21,110
Expenses on value adjustments and provisions for identified losses	23,010
Expenses on collectively assessed impairment provisions	–1,900
Income (loss) before taxes	15,635
Income tax	3,170
Current year profit (loss)	12,466

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	80,426
Uncovered letters of credit	23,182
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	12,323
Margin credit lines	776
Other credit lines and commitments	273,140
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	389,846

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

Capital adequacy ratio, in %
as at 31 December 2011

16.61

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Management board

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

Supervisory board

Jože Perić – chairperson, Gordana Pavletić, Franco Brunati

Shareholders	Share in share capital (%)
1. Francesco Signorio	36.17
2. C.I.M. Banque SA	28.61
3. Domenico Petrella 7.96	
4. Svetlana Signorio	6.42
5. Carlo Di Dato	6.13
6. Cofisi S.A.	5.48
7. J.L.L. Marc Jourdan	3.25

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	24,214
Money assets	4,005
Deposits with the CNB	20,209
Deposits with banking institutions	33,984
MoF treasury bills and CNB bills	16,893
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	39,023
Securities and other financial instruments held to maturity	334
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	8,847
Loans to other clients	57,186
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	137
Tangible assets (net of depreciation)	746
Interest, fees and other assets	5,377
Net of: Collectively assessed impairment provisions	1,022
TOTAL ASSETS	185,720

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	131,877
Giro account and current account deposits	6,981
Savings deposits	9,913
Time deposits	114,982
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	20,731
Interest, fees and other liabilities	5,097
TOTAL LIABILITIES	157,705
Capital	28,015
TOTAL LIABILITIES AND CAPITAL	185,720

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	3,971
Total interest income	10,295
Total interest expenses	6,324
Net income from fees and commissions	299
Total income from fees and commissions	1,036
Total expenses on fees and commissions	737
Net other non-interest income	855
Other non-interest income	683
Other non-interest expenses	–172
Net non-interest income	1,154
General administrative expenses and depreciation	11,698
Net operating income before loss provisions	–6,572
Total expenses on loss provisions	3,052
Expenses on value adjustments and provisions for identified losses	3,239
Expenses on collectively assessed impairment provisions	–188
Income (loss) before taxes	–9,624
Income tax	0
Current year profit (loss)	–9,624

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	1,490
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	732
Other standard risky off-balance sheet items	1,883
Total standard off-balance sheet items	4,105

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

Capital adequacy ratio, in %
as at 31 December 2011

45.61

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

1. Intesa Bci Holding International S.A. 76.59
2. Europska banka za obnovu i razvoj (EBRD) 20.88

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

Management board

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

Supervisory board

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	9,120,672
Money assets	1,244,119
Deposits with the CNB	7,876,553
Deposits with banking institutions	5,984,112
MoF treasury bills and CNB bills	2,037,874
Securities and other financial instruments held for trading	26,874
Securities and other financial instruments available for sale	186,207
Securities and other financial instruments held to maturity	393,288
Securities and other financial instruments not traded in active markets but carried at fair value	380,239
Derivative financial assets	11,429
Loans to financial institutions	1,469,238
Loans to other clients	46,889,380
Investments in subsidiaries and associates	374,031
Foreclosed and repossessed assets	24,289
Tangible assets (net of depreciation)	693,345
Interest, fees and other assets	934,722
Net of: Collectively assessed impairment provisions	525,106
TOTAL ASSETS	68,000,594

Liabilities and capital	
Loans from financial institutions	2,467,296
Short-term loans	1,298,031
Long-term loans	1,169,265
Deposits	46,371,491
Giro account and current account deposits	7,638,004
Savings deposits	6,013,761
Time deposits	32,719,726
Other loans	5,498,941
Short-term loans	0
Long-term loans	5,498,941
Derivative financial liabilities and other financial liabilities held for trading	8,923
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	2,460,266
TOTAL LIABILITIES	56,806,917
Capital	11,193,677
TOTAL LIABILITIES AND CAPITAL	68,000,594

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	2,178,616
Total interest income	3,597,715
Total interest expenses	1,419,099
Net income from fees and commissions	475,994
Total income from fees and commissions	726,880
Total expenses on fees and commissions	250,887
Net other non-interest income	267,254
Other non-interest income	400,064
Other non-interest expenses	132,809
Net non-interest income	743,248
General administrative expenses and depreciation	1,181,565
Net operating income before loss provisions	1,740,299
Total expenses on loss provisions	361,269
Expenses on value adjustments and provisions for identified losses	396,388
Expenses on collectively assessed impairment provisions	–35,119
Income (loss) before taxes	1,379,030
Income tax	242,694
Current year profit (loss)	1,136,336

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	2,601,164
Uncovered letters of credit	309,837
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	3,744,920
Margin credit lines	0
Other credit lines and commitments	5,678,103
Other standard risky off-balance sheet items	46,727
Total standard off-balance sheet items	12,380,750

Derivative financial instruments	
Options	94,529
Swaps	6,928,084
Forwards	701,114
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	7,723,727

Capital adequacy ratio, in %
as at 31 December 2011

21.48

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Management board

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

Supervisory board

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

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	4,956,585
Money assets	515,424
Deposits with the CNB	4,441,161
Deposits with banking institutions	1,466,422
MoF treasury bills and CNB bills	977,633
Securities and other financial instruments held for trading	1,515,836
Securities and other financial instruments available for sale	19,669
Securities and other financial instruments held to maturity	603,881
Securities and other financial instruments not traded in active markets but carried at fair value	1,226,890
Derivative financial assets	59,452
Loans to financial institutions	1,258,907
Loans to other clients	25,192,421
Investments in subsidiaries and associates	210,745
Foreclosed and repossessed assets	12,811
Tangible assets (net of depreciation)	474,987
Interest, fees and other assets	1,145,061
Net of: Collectively assessed impairment provisions	315,864
TOTAL ASSETS	38,805,436

Liabilities and capital	
Loans from financial institutions	2,212,402
Short-term loans	1,236,778
Long-term loans	975,625
Deposits	24,001,799
Giro account and current account deposits	4,793,154
Savings deposits	3,011,963
Time deposits	16,196,682
Other loans	4,987,116
Short-term loans	300,634
Long-term loans	4,686,482
Derivative financial liabilities and other financial liabilities held for trading	742,610
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	1,230,737
TOTAL LIABILITIES	33,174,664
Capital	5,630,772
TOTAL LIABILITIES AND CAPITAL	38,805,436

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	1,308,730
Total interest income	2,256,847
Total interest expenses	948,116
Net income from fees and commissions	349,389
Total income from fees and commissions	470,942
Total expenses on fees and commissions	121,553
Net other non-interest income	2,851
Other non-interest income	78,373
Other non-interest expenses	75,522
Net non-interest income	352,239
General administrative expenses and depreciation	885,139
Net operating income before loss provisions	775,831
Total expenses on loss provisions	393,318
Expenses on value adjustments and provisions for identified losses	402,902
Expenses on collectively assessed impairment provisions	–9,584
Income (loss) before taxes	382,513
Income tax	56,032
Current year profit (loss)	326,480

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	4,157,261
Uncovered letters of credit	124,071
Guaranteed bills of exchange	368
Accepted bills of exchange	0
Revolving loans	571,238
Margin credit lines	0
Other credit lines and commitments	1,764,939
Other standard risky off-balance sheet items	2,065,925
Total standard off-balance sheet items	8,683,803

Derivative financial instruments	
Options	59,509
Swaps	26,479,369
Forwards	6,373,569
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	32,912,447

Capital adequacy ratio, in %
as at 31 December 2011

17.41

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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

Management board

Marijan Kantolić – chairperson, Verica Ljubičić

Supervisory board

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

Audit firm for 2011:
HLB revidicon d.o.o. Varaždin

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	49,035
Money assets	8,992
Deposits with the CNB	40,043
Deposits with banking institutions	137,118
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	258
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	1,104
Loans to financial institutions	2,597
Loans to other clients	174,504
Investments in subsidiaries and associates	47
Foreclosed and repossessed assets	12,524
Tangible assets (net of depreciation)	30,768
Interest, fees and other assets	5,077
Net of: Collectively assessed impairment provisions	3,118
TOTAL ASSETS	409,914

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	314,592
Giro account and current account deposits	67,617
Savings deposits	55,221
Time deposits	191,754
Other loans	42
Short-term loans	42
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	9,265
TOTAL LIABILITIES	323,899
Capital	86,015
TOTAL LIABILITIES AND CAPITAL	409,914

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	10,156
Total interest income	18,740
Total interest expenses	8,584
Net income from fees and commissions	2,600
Total income from fees and commissions	4,471
Total expenses on fees and commissions	1,872
Net other non-interest income	1,460
Other non-interest income	2,041
Other non-interest expenses	581
Net non-interest income	4,059
General administrative expenses and depreciation	12,578
Net operating income before loss provisions	1,637
Total expenses on loss provisions	217
Expenses on value adjustments and provisions for identified losses	195
Expenses on collectively assessed impairment provisions	22
Income (loss) before taxes	1,420
Income tax	283
Current year profit (loss)	1,138

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	7,660
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	13,257
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	20,917

Derivative financial instruments	
Options	38,545
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	38,545

Capital adequacy ratio, in %
as at 31 December 2011

30.66

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Management board

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

Supervisory board

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

	Shareholders	Share in share capital (%)
1.	Hypo-Alpe-Adria bank d.d. (custody account)	12.60
2.	State Agency for Bank Rehabilitation and Deposit Insurance	8.32
3.	Dragutin Sokačić	7.89
4.	Velebit osiguranje d.d.	5.47
5.	Raiffeisenbank Austria d.d. (custody account)	4.38
6.	Vaba d.d. banka	3.81
7.	Hrvatska poštanska banka d.d. (custody account)	3.78
8.	Josip Galić	3.26
9.	Milivoj Mrkoci	3.26
10.	Finesa Credos d.d.	3.16
11.	Croatia Lloyd d.d.	3.02

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	179,540
Money assets	19,609
Deposits with the CNB	159,931
Deposits with banking institutions	180,803
MoF treasury bills and CNB bills	104,080
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	39,285
Securities and other financial instruments held to maturity	88,451
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	7
Loans to financial institutions	15,856
Loans to other clients	668,160
Investments in subsidiaries and associates	5,759
Foreclosed and repossessed assets	8,355
Tangible assets (net of depreciation)	27,448
Interest, fees and other assets	23,179
Net of: Collectively assessed impairment provisions	9,722
TOTAL ASSETS	1,331,201

Liabilities and capital	
Loans from financial institutions	41,097
Short-term loans	0
Long-term loans	41,097
Deposits	1,050,667
Giro account and current account deposits	122,134
Savings deposits	79,995
Time deposits	848,538
Other loans	17,657
Short-term loans	0
Long-term loans	17,657
Derivative financial liabilities and other financial liabilities held for trading	10
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	48,302
TOTAL LIABILITIES	1,157,732
Capital	173,469
TOTAL LIABILITIES AND CAPITAL	1,331,201

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	37,010
Total interest income	83,927
Total interest expenses	46,917
Net income from fees and commissions	10,104
Total income from fees and commissions	13,461
Total expenses on fees and commissions	3,357
Net other non-interest income	779
Other non-interest income	5,058
Other non-interest expenses	4,279
Net non-interest income	10,883
General administrative expenses and depreciation	39,621
Net operating income before loss provisions	8,272
Total expenses on loss provisions	3,695
Expenses on value adjustments and provisions for identified losses	2,967
Expenses on collectively assessed impairment provisions	728
Income (loss) before taxes	4,577
Income tax	1,250
Current year profit (loss)	3,327

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	8,233
Uncovered letters of credit	320
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	2,218
Margin credit lines	0
Other credit lines and commitments	43,202
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	53,972

Derivative financial instruments	
Options	3,188
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	3,188

Capital adequacy ratio, in %
as at 31 December 2011

18.86

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Management board

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

Supervisory board

Patrick Renouvin – chairperson, Patrick Pierre Gelin, Didier Colin

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	4,203,275
Money assets	341,845
Deposits with the CNB	3,861,430
Deposits with banking institutions	2,999,899
MoF treasury bills and CNB bills	297,172
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	275,738
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	3,847
Loans to financial institutions	443,435
Loans to other clients	18,027,345
Investments in subsidiaries and associates	32,238
Foreclosed and repossessed assets	2,128
Tangible assets (net of depreciation)	207,034
Interest, fees and other assets	589,163
Net of: Collectively assessed impairment provisions	211,108
TOTAL ASSETS	26,870,168

Liabilities and capital	
Loans from financial institutions	932,997
Short-term loans	45,444
Long-term loans	887,552
Deposits	14,079,751
Giro account and current account deposits	2,744,828
Savings deposits	1,809,466
Time deposits	9,525,456
Other loans	6,844,819
Short-term loans	331,338
Long-term loans	6,513,480
Derivative financial liabilities and other financial liabilities held for trading	9,656
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	433,637
Hybrid instruments issued	0
Interest, fees and other liabilities	1,110,026
TOTAL LIABILITIES	23,410,884
Capital	3,459,284
TOTAL LIABILITIES AND CAPITAL	26,870,168

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	826,469
Total interest income	1,416,532
Total interest expenses	590,064
Net income from fees and commissions	245,579
Total income from fees and commissions	302,324
Total expenses on fees and commissions	56,744
Net other non-interest income	72,071
Other non-interest income	127,570
Other non-interest expenses	55,499
Net non-interest income	317,651
General administrative expenses and depreciation	636,098
Net operating income before loss provisions	508,021
Total expenses on loss provisions	326,247
Expenses on value adjustments and provisions for identified losses	329,280
Expenses on collectively assessed impairment provisions	–3,033
Income (loss) before taxes	181,774
Income tax	43,555
Current year profit (loss)	138,219

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	2,026,124
Uncovered letters of credit	140,085
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	1,290,750
Margin credit lines	0
Other credit lines and commitments	2,373,524
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	5,830,484

Derivative financial instruments	
Options	11,489
Swaps	1,723,166
Forwards	235,549
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	1,970,204

Capital adequacy ratio, in %
as at 31 December 2011

15.99

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Management board

Ante Babić – chairperson, Krešimir Starčević, Christian Panjol-Tuflija

Supervisory board

Ivo Andrijanić – chairperson, Đuro Benček, Petar Ćurković

	Shareholders	Share in share capital (%)
1.	Šted-Nova d.o.o.	80.74
2.	Željko Udovičić	9.87
3.	Paveko 2000 d.o.o.	6.35
4.	Redip d.o.o.	3.04

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	94,466
Money assets	3,996
Deposits with the CNB	90,470
Deposits with banking institutions	113,010
MoF treasury bills and CNB bills	4,962
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	41,316
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	2,126
Loans to financial institutions	71,160
Loans to other clients	952,652
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	14,739
Tangible assets (net of depreciation)	7,037
Interest, fees and other assets	13,340
Net of: Collectively assessed impairment provisions	10,798
TOTAL ASSETS	1,304,010

Liabilities and capital	
Loans from financial institutions	71,688
Short-term loans	4,500
Long-term loans	67,188
Deposits	841,115
Giro account and current account deposits	67,756
Savings deposits	60,644
Time deposits	712,715
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	1,630
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	50,133
Interest, fees and other liabilities	28,053
TOTAL LIABILITIES	992,619
Capital	311,392
TOTAL LIABILITIES AND CAPITAL	1,304,010

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	48,817
Total interest income	90,130
Total interest expenses	41,314
Net income from fees and commissions	6,401
Total income from fees and commissions	8,199
Total expenses on fees and commissions	1,798
Net other non-interest income	12,656
Other non-interest income	15,916
Other non-interest expenses	3,260
Net non-interest income	19,057
General administrative expenses and depreciation	16,727
Net operating income before loss provisions	51,146
Total expenses on loss provisions	20,771
Expenses on value adjustments and provisions for identified losses	19,590
Expenses on collectively assessed impairment provisions	1,181
Income (loss) before taxes	30,375
Income tax	6,687
Current year profit (loss)	23,688

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	129,172
Uncovered letters of credit	8,031
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	6,583
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	143,786

Derivative financial instruments	
Options	229,949
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	41
Total notional amount of derivative financial instruments	229,990

Capital adequacy ratio, in %
as at 31 December 2011

29.85

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Management board

Zvonko Agičić – chairperson, Dubravka Filipčić

Supervisory board

Milorad Pupovac – chairperson, Slobodan Vračar, Goran Crnčević

	Shareholders	Share in share capital (%)
1.	Fond za razvoj Republike Srbije	33.02
2.	Fond za razvoj Autonomne Pokrajine Vojvodine	29.44
3.	Zvijezda d.d.	12.22
4.	Končar-elektroindustrija d.d.	10.69
5.	Sladorana d.d.	6.11

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	1,348
Money assets	17
Deposits with the CNB	1,331
Deposits with banking institutions	98
MoF treasury bills and CNB bills	4,995
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	14,385
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	4,500
Loans to other clients	8,116
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	811
Interest, fees and other assets	855
Net of: Collectively assessed impairment provisions	286
TOTAL ASSETS	34,823

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	5,940
Giro account and current account deposits	4,271
Savings deposits	19
Time deposits	1,650
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	4,214
Interest, fees and other liabilities	951
TOTAL LIABILITIES	11,105
Capital	23,718
TOTAL LIABILITIES AND CAPITAL	34,823

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	716
Total interest income	817
Total interest expenses	101
Net income from fees and commissions	–57
Total income from fees and commissions	43
Total expenses on fees and commissions	101
Net other non-interest income	–150
Other non-interest income	39
Other non-interest expenses	189
Net non-interest income	–207
General administrative expenses and depreciation	7,389
Net operating income before loss provisions	–6,880
Total expenses on loss provisions	1,513
Expenses on value adjustments and provisions for identified losses	1,305
Expenses on collectively assessed impairment provisions	208
Income (loss) before taxes	–8,394
Income tax	0
Current year profit (loss)	–8,394

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	31,395
Uncovered letters of credit	354
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	4,517
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	36,267

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

Capital adequacy ratio, in %
as at 31 December 2011

211.13

VABA d.d. banka Varaždin

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www.vaba.hr

Management board

Stanko Kežman – chairperson, Natalija Jambrečić

Supervisory board

Vladimir Košćec – chairperson, Ivana Jagačić, Marinko Benić, Anisur Rehman Khan, Zdenko Franić, Zlatan Kuljiš

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	131,491
Money assets	19,273
Deposits with the CNB	112,218
Deposits with banking institutions	13,050
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	217,568
Securities and other financial instruments held to maturity	13,549
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	6,941
Loans to other clients	784,252
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	10,297
Tangible assets (net of depreciation)	25,486
Interest, fees and other assets	41,099
Net of: Collectively assessed impairment provisions	7,477
TOTAL ASSETS	1,236,257

Liabilities and capital	
Loans from financial institutions	126,699
Short-term loans	112,621
Long-term loans	14,078
Deposits	849,916
Giro account and current account deposits	61,759
Savings deposits	12,275
Time deposits	775,882
Other loans	102,616
Short-term loans	83,790
Long-term loans	18,826
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	3,012
Interest, fees and other liabilities	24,683
TOTAL LIABILITIES	1,106,926
Capital	129,331
TOTAL LIABILITIES AND CAPITAL	1,236,257

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	46,357
Total interest income	97,833
Total interest expenses	51,477
Net income from fees and commissions	4,493
Total income from fees and commissions	6,675
Total expenses on fees and commissions	2,182
Net other non-interest income	7,135
Other non-interest income	9,805
Other non-interest expenses	2,670
Net non-interest income	11,628
General administrative expenses and depreciation	48,305
Net operating income before loss provisions	9,680
Total expenses on loss provisions	23,136
Expenses on value adjustments and provisions for identified losses	24,341
Expenses on collectively assessed impairment provisions	–1,205
Income (loss) before taxes	–13,456
Income tax	0
Current year profit (loss)	–13,456

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	32,029
Uncovered letters of credit	252
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	3,936
Margin credit lines	0
Other credit lines and commitments	30,260
Other standard risky off-balance sheet items	1,803
Total standard off-balance sheet items	68,280

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

Capital adequacy ratio, in %
as at 31 December 2011

12.43

VENETO BANKA d.d.

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BAN 2381009
www.venetobanka.hr

Management board

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

Supervisory board

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

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	110,082
Money assets	11,366
Deposits with the CNB	98,715
Deposits with banking institutions	57,225
MoF treasury bills and CNB bills	59,960
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	289,030
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	312
Loans to financial institutions	2,940
Loans to other clients	565,750
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	1,746
Tangible assets (net of depreciation)	31,924
Interest, fees and other assets	34,546
Net of: Collectively assessed impairment provisions	6,325
TOTAL ASSETS	1,147,189

Liabilities and capital	
Loans from financial institutions	62,079
Short-term loans	40,412
Long-term loans	21,667
Deposits	620,471
Giro account and current account deposits	42,651
Savings deposits	29,642
Time deposits	548,177
Other loans	210,852
Short-term loans	0
Long-term loans	210,852
Derivative financial liabilities and other financial liabilities held for trading	77
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	91,073
TOTAL LIABILITIES	984,552
Capital	162,637
TOTAL LIABILITIES AND CAPITAL	1,147,189

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	23,492
Total interest income	55,160
Total interest expenses	31,668
Net income from fees and commissions	3,861
Total income from fees and commissions	5,049
Total expenses on fees and commissions	1,188
Net other non-interest income	–872
Other non-interest income	2,825
Other non-interest expenses	3,697
Net non-interest income	2,988
General administrative expenses and depreciation	48,327
Net operating income before loss provisions	–21,846
Total expenses on loss provisions	8,371
Expenses on value adjustments and provisions for identified losses	8,964
Expenses on collectively assessed impairment provisions	–592
Income (loss) before taxes	–30,218
Income tax	0
Current year profit (loss)	–30,218

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	70,052
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	15,335
Other standard risky off-balance sheet items	251
Total standard off-balance sheet items	85,638

Derivative financial instruments	
Options	18,448
Swaps	0
Forwards	0
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	18,448

Capital adequacy ratio, in %
as at 31 December 2011

18.13

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Management board

Andrea Kovacs-Wöhry – chairperson,
Dieter Hornbacher, Dubravka Lukić

Supervisory board

Christophe Marcel Descos – chairperson,
Gerhard Kriegler, David Krepelka, Dragutin Bohuš,
Gerhard Wöber, Natalia Revina

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	863,373
Money assets	55,131
Deposits with the CNB	808,242
Deposits with banking institutions	811,849
MoF treasury bills and CNB bills	181,324
Securities and other financial instruments held for trading	37,400
Securities and other financial instruments available for sale	106,711
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	3,041
Loans to financial institutions	280,550
Loans to other clients	5,132,559
Investments in subsidiaries and associates	1,950
Foreclosed and repossessed assets	10,881
Tangible assets (net of depreciation)	10,572
Interest, fees and other assets	129,132
Net of: Collectively assessed impairment provisions	55,572
TOTAL ASSETS	7,513,770

Liabilities and capital	
Loans from financial institutions	386,081
Short-term loans	290,900
Long-term loans	95,181
Deposits	5,198,079
Giro account and current account deposits	397,014
Savings deposits	562,407
Time deposits	4,238,657
Other loans	126,135
Short-term loans	0
Long-term loans	126,135
Derivative financial liabilities and other financial liabilities held for trading	1,058
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	233,624
TOTAL LIABILITIES	5,944,976
Capital	1,568,794
TOTAL LIABILITIES AND CAPITAL	7,513,770

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	212,282
Total interest income	383,603
Total interest expenses	171,321
Net income from fees and commissions	31,844
Total income from fees and commissions	41,303
Total expenses on fees and commissions	9,459
Net other non-interest income	17,641
Other non-interest income	31,406
Other non-interest expenses	13,764
Net non-interest income	49,485
General administrative expenses and depreciation	161,175
Net operating income before loss provisions	100,592
Total expenses on loss provisions	98,187
Expenses on value adjustments and provisions for identified losses	101,814
Expenses on collectively assessed impairment provisions	–3,627
Income (loss) before taxes	2,405
Income tax	1,536
Current year profit (loss)	869

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	103,802
Uncovered letters of credit	1,763
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	8,219
Margin credit lines	0
Other credit lines and commitments	223,252
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	337,035

Derivative financial instruments	
Options	9,476
Swaps	0
Forwards	1,867,724
Futures	0
Warrants	0
Other derivative financial instruments	0
Total notional amount of derivative financial instruments	1,877,200

Capital adequacy ratio, in %
as at 31 December 2011

28.38

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Management board

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

Supervisory board

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

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	13,995,618
Money assets	1,630,444
Deposits with the CNB	12,365,174
Deposits with banking institutions	8,225,229
MoF treasury bills and CNB bills	2,786,531
Securities and other financial instruments held for trading	518,358
Securities and other financial instruments available for sale	2,518,562
Securities and other financial instruments held to maturity	589,260
Securities and other financial instruments not traded in active markets but carried at fair value	81,762
Derivative financial assets	528,440
Loans to financial institutions	1,094,432
Loans to other clients	70,320,391
Investments in subsidiaries and associates	917,890
Foreclosed and repossessed assets	32,396
Tangible assets (net of depreciation)	1,257,126
Interest, fees and other assets	1,911,719
Net of: Collectively assessed impairment provisions	770,826
TOTAL ASSETS	104,006,887

Liabilities and capital	
Loans from financial institutions	164,049
Short-term loans	103,900
Long-term loans	60,149
Deposits	5,817,530
Giro account and current account deposits	442,415
Savings deposits	491,875
Time deposits	4,883,240
Other loans	117,983
Short-term loans	0
Long-term loans	117,983
Derivative financial liabilities and other financial liabilities held for trading	21,327
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	181,751
TOTAL LIABILITIES	6,302,640
Capital	1,546,155
TOTAL LIABILITIES AND CAPITAL	7,848,795

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	2,872,323
Total interest income	5,438,996
Total interest expenses	2,566,673
Net income from fees and commissions	869,286
Total income from fees and commissions	1,018,241
Total expenses on fees and commissions	148,955
Net other non-interest income	382,894
Other non-interest income	470,918
Other non-interest expenses	88,024
Net non-interest income	1,252,180
General administrative expenses and depreciation	1,603,056
Net operating income before loss provisions	2,521,447
Total expenses on loss provisions	893,177
Expenses on value adjustments and provisions for identified losses	833,071
Expenses on collectively assessed impairment provisions	60,106
Income (loss) before taxes	1,628,270
Income tax	312,475
Current year profit (loss)	1,315,795

Off-balance sheet items
as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	5,251,630
Uncovered letters of credit	396,686
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	2,595,836
Margin credit lines	0
Other credit lines and commitments	10,195,107
Other standard risky off-balance sheet items	172,559
Total standard off-balance sheet items	18,611,819

Derivative financial instruments	
Options	212,955
Swaps	45,337,488
Forwards	7,143,611
Futures	0
Warrants	0
Other derivative financial instruments	122,154
Total notional amount of derivative financial instruments	52,816,209

Capital adequacy ratio, in %
as at 31 December 2011

21.72

HPB STAMBENA ŠTEDIONICA d.d.

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Management board

Damir Šprem – chairperson, Tanja Šantek

Supervisory board

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

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with banking institutions	12,370
MoF treasury bills and CNB bills	6,119
Securities and other financial instruments held for trading	63,158
Securities and other financial instruments available for sale	83,056
Securities and other financial instruments held to maturity	0
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	95,897
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	90
Interest, fees and other assets	25,140
Net of: Collectively assessed impairment provisions	1,066
TOTAL ASSETS	284,764

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	235,123
Giro account and current account deposits	0
Savings deposits	0
Time deposits	235,123
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	26,818
TOTAL LIABILITIES	261,941
Capital	22,823
TOTAL LIABILITIES AND CAPITAL	284,764

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	5,921
Total interest income	12,750
Total interest expenses	6,829
Net income from fees and commissions	3,752
Total income from fees and commissions	4,533
Total expenses on fees and commissions	781
Net other non-interest income	–4,206
Other non-interest income	–3,673
Other non-interest expenses	533
Net non-interest income	–454
General administrative expenses and depreciation	8,154
Net operating income before loss provisions	–2,687
Total expenses on loss provisions	–325
Expenses on value adjustments and provisions for identified losses	–41
Expenses on collectively assessed impairment provisions	–283
Income (loss) before taxes	–2,362
Income tax	0
Current year profit (loss)	–2,362

Off-balance sheet items
as at 31 December 2011, 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	2,603
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	2,603

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

Capital adequacy ratio, in %
as at 31 December 2011

20.98

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Management board

Mirko Brozović – chairperson, Branimir Čosić

Supervisory board

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

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

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

Balance sheet as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with banking institutions	312,404
MoF treasury bills and CNB bills	96,535
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	0
Securities and other financial instruments held to maturity	265,829
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	1,104,914
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	135
Interest, fees and other assets	38,427
Net of: Collectively assessed impairment provisions	14,577
TOTAL ASSETS	1,803,667

Liabilities and capital	
Loans from financial institutions	458,866
Short-term loans	172,710
Long-term loans	286,156
Deposits	1,185,745
Giro account and current account deposits	0
Savings deposits	154,136
Time deposits	1,031,608
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	10,000
Interest, fees and other liabilities	19,069
TOTAL LIABILITIES	1,673,680
Capital	129,987
TOTAL LIABILITIES AND CAPITAL	1,803,667

Income statement as at 31 December 2011, in thousand HRK

Net interest income	20,178
Total interest income	75,630
Total interest expenses	55,452
Net income from fees and commissions	6,990
Total income from fees and commissions	8,385
Total expenses on fees and commissions	1,395
Net other non-interest income	–414
Other non-interest income	1,705
Other non-interest expenses	2,120
Net non-interest income	6,575
General administrative expenses and depreciation	12,185
Net operating income before loss provisions	14,569
Total expenses on loss provisions	2,847
Expenses on value adjustments and provisions for identified losses	0
Expenses on collectively assessed impairment provisions	2,847
Income (loss) before taxes	11,722
Income tax	2,212
Current year profit (loss)	9,510

Off-balance sheet items as at 31 December 2011, 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	894
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	894

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

Capital adequacy ratio, in % as at 31 December 2011

77.30

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

1. Zagrebačka banka d.d. 100.00

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

Management board

Katarina Šobat – chairperson, Marija Posavec

Supervisory board

Daniela Roguljić Novak – chairperson, Davor Pavlić, Danimir Gulin

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	0
Money assets	0
Deposits with the CNB	0
Deposits with banking institutions	237,240
MoF treasury bills and CNB bills	494,698
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	123,726
Securities and other financial instruments held to maturity	192,455
Securities and other financial instruments not traded in active markets but carried at fair value	0
Derivative financial assets	0
Loans to financial institutions	78,123
Loans to other clients	1,162,991
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	882
Interest, fees and other assets	152,506
Net of: Collectively assessed impairment provisions	15,944
TOTAL ASSETS	2,426,676

Liabilities and capital	
Loans from financial institutions	52
Short-term loans	0
Long-term loans	52
Deposits	2,079,734
Giro account and current account deposits	0
Savings deposits	6
Time deposits	2,079,728
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	0
Interest, fees and other liabilities	165,948
TOTAL LIABILITIES	2,245,734
Capital	180,942
TOTAL LIABILITIES AND CAPITAL	2,426,676

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	21,662
Total interest income	95,219
Total interest expenses	73,557
Net income from fees and commissions	15,685
Total income from fees and commissions	18,198
Total expenses on fees and commissions	2,513
Net other non-interest income	–1,221
Other non-interest income	1,808
Other non-interest expenses	3,029
Net non-interest income	14,464
General administrative expenses and depreciation	13,997
Net operating income before loss provisions	22,130
Total expenses on loss provisions	2,952
Expenses on value adjustments and provisions for identified losses	896
Expenses on collectively assessed impairment provisions	2,056
Income (loss) before taxes	19,178
Income tax	3,847
Current year profit (loss)	15,331

Off-balance sheet items
as at 31 December 2011, 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	16,050
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	16,050

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

Capital adequacy ratio, in %
as at 31 December 2011

16.37

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Management board

Hans Christian Vallant – chairperson, Franjo Franjić

Supervisory board

Johann Ertl – chairperson, Neven Vranković, Christian Ratz

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

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

Balance sheet as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	1
Money assets	1
Deposits with the CNB	0
Deposits with banking institutions	87,814
MoF treasury bills and CNB bills	0
Securities and other financial instruments held for trading	0
Securities and other financial instruments available for sale	0
Securities and other financial instruments held to maturity	260,641
Securities and other financial instruments not traded in active markets but carried at fair value	93,612
Derivative financial assets	0
Loans to financial institutions	0
Loans to other clients	1,134,469
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	2,444
Interest, fees and other assets	155,654
Net of: Collectively assessed impairment provisions	12,624
TOTAL ASSETS	1,722,012

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	1,446,094
Giro account and current account deposits	0
Savings deposits	0
Time deposits	1,446,094
Other loans	0
Short-term loans	0
Long-term loans	0
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	51,324
Interest, fees and other liabilities	140,689
TOTAL LIABILITIES	1,638,107
Capital	83,905
TOTAL LIABILITIES AND CAPITAL	1,722,012

Income statement as at 31 December 2011, in thousand HRK

Net interest income	31,232
Total interest income	81,726
Total interest expenses	50,495
Net income from fees and commissions	16,021
Total income from fees and commissions	19,703
Total expenses on fees and commissions	3,682
Net other non-interest income	–6,405
Other non-interest income	–2,441
Other non-interest expenses	3,964
Net non-interest income	9,616
General administrative expenses and depreciation	48,610
Net operating income before loss provisions	–7,762
Total expenses on loss provisions	292
Expenses on value adjustments and provisions for identified losses	229
Expenses on collectively assessed impairment provisions	63
Income (loss) before taxes	–8,055
Income tax	–157
Current year profit (loss)	–7,898

Off-balance sheet items as at 31 December 2011, in thousand HRK

Standard off-balance sheet items	
Guarantees	0
Uncovered letters of credit	0
Guaranteed bills of exchange	0
Accepted bills of exchange	0
Revolving loans	0
Margin credit lines	0
Other credit lines and commitments	13,145
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	13,145

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

Capital adequacy ratio, in % as at 31 December 2011

18.74

WÜSTENROT STAMBENA ŠTEDIONICA d.d.

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Management board

Zdravko Anđel – chairperson, Ivan Ostojić

Supervisory board

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

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

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

Balance sheet
as at 31 December 2011, in thousand HRK

Assets	
Money assets and deposits with the CNB	23
Money assets	23
Deposits with the CNB	0
Deposits with banking institutions	19,876
MoF treasury bills and CNB bills	70,790
Securities and other financial instruments held for trading	130,836
Securities and other financial instruments available for sale	3,614
Securities and other financial instruments held to maturity	101,465
Securities and other financial instruments not traded in active markets but carried at fair value	6,328
Derivative financial assets	0
Loans to financial institutions	12,765
Loans to other clients	1,257,796
Investments in subsidiaries and associates	0
Foreclosed and repossessed assets	0
Tangible assets (net of depreciation)	2,644
Interest, fees and other assets	15,152
Net of: Collectively assessed impairment provisions	11,897
TOTAL ASSETS	1,609,391

Liabilities and capital	
Loans from financial institutions	0
Short-term loans	0
Long-term loans	0
Deposits	1,398,472
Giro account and current account deposits	0
Savings deposits	0
Time deposits	1,398,472
Other loans	94,130
Short-term loans	0
Long-term loans	94,130
Derivative financial liabilities and other financial liabilities held for trading	0
Debt securities issued	0
Short-term debt securities issued	0
Long-term debt securities issued	0
Subordinated instruments issued	0
Hybrid instruments issued	36,334
Interest, fees and other liabilities	15,740
TOTAL LIABILITIES	1,544,676
Capital	64,715
TOTAL LIABILITIES AND CAPITAL	1,609,391

Income statement
as at 31 December 2011, in thousand HRK

Net interest income	38,408
Total interest income	78,146
Total interest expenses	39,738
Net income from fees and commissions	19,337
Total income from fees and commissions	19,629
Total expenses on fees and commissions	292
Net other non-interest income	–9,347
Other non-interest income	–2,750
Other non-interest expenses	6,598
Net non-interest income	9,990
General administrative expenses and depreciation	51,478
Net operating income before loss provisions	–3,080
Total expenses on loss provisions	1,530
Expenses on value adjustments and provisions for identified losses	806
Expenses on collectively assessed impairment provisions	723
Income (loss) before taxes	–4,609
Income tax	–600
Current year profit (loss)	–4,009

Off-balance sheet items
as at 31 December 2011, 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	4,909
Other standard risky off-balance sheet items	0
Total standard off-balance sheet items	4,909

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

Capital adequacy ratio, in %
as at 31 December 2011

13.81

Attachment I

List of credit institutions by peer groups, end of period

Ordinal no. as at 31 December 2011	Name of credit institution and its registered office	Peer group identifier				
		Dec. 2007	Dec. 2008	Dec. 2009	Dec. 2010	Dec. 2011
1.	Banco Popolare Croatia d.d., Zagreb[1)]	S	S	S	S	S
2.	Banka Brod d.d., Slavonski Brod	S	S	S	S	S
3.	Banka Kovanica d.d., Varaždin	S	S	S	S	S
4.	Banka Splitsko-dalmatinska d.d., Split	S	S	S	S	S
5.	BKS Bank d.d., Rijeka[2)]	S	S	S	S	S
6.	Centar banka d.d., Zagreb	S	S	S	S	S
	Credo banka d.d., Split[3)]	S	S	S	S	–
7.	Croatia banka d.d., Zagreb	S	S	S	S	S
8.	Erste & Steiermärkische Bank d.d., Rijeka	L	L	L	L	L
9.	Hrvatska poštanska banka d.d., Zagreb	MS	MS	MS	MS	MS
10.	Hypo Alpe-Adria-Bank d.d., Zagreb	L	L	L	L	L
11.	Imex banka d.d., Split	S	S	S	S	S
12.	Istarska kreditna banka Umag d.d., Umag	S	S	S	S	S
13.	Jadranska banka d.d., Šibenik	S	S	S	S	S
14.	Karlovačka banka d.d., Karlovac	S	S	S	S	S
15.	Kreditna banka Zagreb d.d., Zagreb	S	S	S	S	S
16.	Međimurska banka d.d., Čakovec	S	S	S	S	S
17.	Nava banka d.d., Zagreb	S	S	S	S	S
	Obrtnička štedna banka d.d., Zagreb[4)]	–	S	S	–	–
18.	OTP banka Hrvatska d.d., Zadar	MS	MS	MS	MS	MS
19.	Partner banka d.d., Zagreb	S	S	S	S	S
20.	Podravska banka d.d., Koprivnica	S	S	S	S	S
21.	Primorska banka d.d., Rijeka	S	S	S	S	S
22.	Privredna banka Zagreb d.d., Zagreb	L	L	L	L	L
23.	Raiffeisenbank Austria d.d., Zagreb	L	L	L	L	L
24.	Samoborska banka d.d., Samobor	S	S	S	S	S
25.	Slatinska banka d.d., Slatina	S	S	S	S	S
	Slavonska banka d.d., Osijek[5)]	MS	MS	–	–	–
26.	Société Générale-Splitska banka d.d., Split[6)]	L	L	L	L	L
27.	Štedbanka d.d., Zagreb	S	S	S	S	S
28.	Tesla štedna banka d.d., Zagreb[7)]	–	–	S	S	S
29.	Vaba d.d. banka Varaždin, Varaždin	S	S	S	S	S
30.	Veneto banka d.d., Zagreb[8)]	S	S	S	S	S
31.	Volksbank d.d., Zagreb	MS	MS	MS	MS	MS
32.	Zagrebačka banka d.d., Zagreb	L	L	L	L	L
1.	HPB stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB
2.	PBZ stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB
3.	Prva stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB
4.	Raiffeisen stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB
5.	Wüstenrot stambena štedionica d.d., Zagreb	HSB	HSB	HSB	HSB	HSB

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

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

Attachment II

Credit institution groups subject to reporting to the CNB on a consolidated basis, as at 31 December 2011

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

Abbreviations

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

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