

Banks Bulletin

11

year 5 • december 2005



CROATIAN NATIONAL BANK

CROATIAN NATIONAL BANK

Banks Bulletin

PUBLISHER Croatian National Bank
Publishing Department
Trg hrvatskih velikana 3
10002 Zagreb
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PRINTED BY Kratis d.o.o., Zagreb

Those using data from this publication
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Printed in 550 copies

ISSN 1333-1043

CROATIAN NATIONAL BANK

BANKS BULLETIN

Zagreb, 2005

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1 Current Issues in the Application of the International Financial Reporting Standards in Banks

1.1 Introduction

As a part of the Improvements Project, which encompassed the revisions to and improvement of the existing IASs and adopting of the new International Financial Reporting Standards (IFRS), in 2001 the International Accounting Standards Board (IASB¹) began to standardize the accounting principles and rules.

The project encompassed:

- ❑ adoption of five new IFRSs²
- ❑ revisions to fifteen IASs
- ❑ amendments to other IASs as a result of revisions, and
- ❑ withdrawal of individual IASs

Accordingly, thirty-two IASs and five IFRSs, issued until 31 March 2004, are effective in 2005, under the joint name of the International Financial Reporting Standards. In Croatia, the translation of this version of the IFRSs was published by the Croatian Association of Accountants and Financial Experts.

The main purpose of the project was a reduction of the number of alternative procedures, elimination of redundancies and certain contradictions among standards, integration of the pronouncements and, in particular, a broader application of the concept of fairness in the process of assets and liabilities valuation, in order to achieve greater compliance of financial statements and convergence of the accounting procedures. Compared to the previous version, these IFRSs have provided for more comprehensible and detailed rules for classification, recognition, valuation and derecognition of individual accounting categories. The scope of information to be disclosed in financial statements has also been significantly extended. The IASs and IFRSs have also been amended as regards their structure and comprehensiveness, so that each standard (in addition to the text of the standard itself) consists of a short introduction, while certain standards contain appendices – application guidances. Under the “Basis for Conclusion”, which does not constitute an integral part of the standards, the IASB discloses the reasons for adopting certain provisions of individual standards. In addition to the previously issued pronouncements (SIC interpretations³), five IFRIC⁴ interpretations have also been

1 As of 1 April 2001, the International Accounting Standards Committee (IASC) has changed its name into the International Accounting Standards Board (IASB).

2 IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 2 Share-based Payment, IFRS 3 Business Combinations, IFRS 4 Insurance Contracts and IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

3 Standing Interpretation Committee.

4 In March 2002, a new body was established – International Financial Reporting Interpretations Committee (IFRIC) which is competent for IFRSs interpreting.

issued. These changes are a step towards achieving compliance and convergence of IFRSs and the US standards (US GAAP⁵).

The 1992 Accounting Act stipulates, in the Republic of Croatia, the application of the IASs published in the official gazette *Narodne novine*. The Croatian Accounting Standards Board (CASB) which, in compliance with the Accounting Act, is authorised to monitor, adjust and interpret the application of the standards, has not performed its function since 2000. For that reason, the revisions to IASs have not been published in the official gazette *Narodne novine* since 2000, which caused a legal non-compliance and an ambiguity as to whether to apply in the Republic of Croatia the accounting standards issued by the IASB or those published in the official journal. It is reasonable to expect that following the adoption of the new accounting act, the drafting of which is underway, the technical solution to a formal and legal incorporation of the complete IFRSs into the Croatian legislation will be found, and that the CASB will afterwards be more active in implementing, publishing and interpreting the IFRSs in Croatia.

The 1998 Banking Act, as well as the 2002 Banking Act, prescribe the banks' obligation to prepare and publish financial statements in compliance with the Accounting Act and International Accounting Standards. The IASs have been systematically incorporated into the prudential regulation of the Croatian National Bank since 1998 (along with the BIS standards which are the basis of the prudential regulation). This particularly refers to IAS 32 Financial Instruments: Disclosure and Presentation, IAS 39 Financial Instruments: Recognition and Measurement, IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions, IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures, as well as the new IFRS 3 Business Combinations. The previously specified IASs are discussed in more details below.

1.2 Financial Instruments

Financial instruments are regulated by two IASs: IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement. The issues covered by these two standards are mutually compliant and regulated in a comprehensive manner⁶.

The revised IAS 32, among other things, introduces the clarified and more extensive requirements as regards the disclosure of financial instruments in the financial statements, explains the conditions to be met for the issuer to be able to classify a financial instrument as an equity instrument and sets out a classification of contracts on equity instruments or which are settled in own equity instruments.

The revised IAS 39 regulates, among other things, a complex matter of derivatives, embedded derivatives and hedging. The revised IAS 39 introduces significant changes in the part relating to the

5 Generally Accepted Accounting Principles in the United States.

6 For instance, IAS 39 consists of the following sections: Introduction, IAS 39 (texts of the standard), Appendix A Application Guidance, Appendix B Amendments to Other Pronouncements, Basis for Conclusions, Summary of Changes from the Exposure Draft, Illustrative Example, Implementation Guidance, and, finally, Table of Concordance (relative to the previous version).

application of fair value measurement option, as well as the provisions allowing for macro hedging for interest rate risk. It was issued in March 2004. In view of the significance of the IAS 39 application for banks, the most important revisions relative to the previous versions of IAS 39 are given below⁷.

In the revised IAS 39, a division into four categories of financial instruments is retained, but with certain modifications. They are shown in the following table:

Table 1.1 Categories of Financial Instruments	
Revised IAS 39	Previous version of IAS 39
Financial asset or financial liability at fair value through profit or loss a) Financial asset or financial liability held for trading b) Asset or liability upon initial recognition designated by the entity as at fair value through profit or loss (the so-called "fair value option")	Financial asset or liability held for trading
Held-to maturity investments	Held-to-maturity investments
Loans and receivables	Loans and receivables originated by the enterprise
Available-for-sale financial assets	Available-for-sale financial assets

The first of the four categories of financial instruments is entitled Financial asset or financial liability at fair value through profit or loss and is subdivided into two subcategories a) and b).

The first subcategory of financial instruments is classified as financial asset or liability held for trading and it corresponds to the category of asset or liability held for trading, in the previous version of IAS 39. This subcategory includes financial instruments held by a bank in the trading book.

The revised IAS 39 introduces a new, second subcategory, in which any financial asset or financial liability within the scope of IAS 39 may be classified, when initially recognised as a financial asset or financial liability at fair value through profit or loss (except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured). To impose discipline on this categorisation, these financial instruments cannot be reclassified into or out of this category. Since the financial instruments which are traded on active markets are classified in the first subcategory, the second subcategory is not held in the trading book.

According to some opinions, the option of measuring financial instruments at their fair value through profit or loss represents a threat of an unrealistic assessment of financial liabilities and an unrealistic financial result⁸.

Following the introduction of the fair value option, the option to recognize in profit or loss gains and losses on available-for-sale financial assets has been eliminated (it is no longer necessary). The revised IAS 39 explains in detail measurement, impairment and recognition of the effects of this asset category, and in fair value adjustment only an option of recognition in equity has been retained. The revised IAS 39 also requires that impairment losses on available-for-sale equity instruments, classified

7 An article on IAS 39 was published in the Banks Bulletin No. 4 in 2002.

8 This was the main reason for a recent adoption of the amendments to IAS 39 (in June 2005), where the criteria for the application of the fair value option are set out. These amendments will apply in a period starting as of 1 January 2006.

through profit or loss, cannot be reversed through profit or loss, i.e. any subsequent increase in fair value is recognised in equity.

The category of financial instruments loans and receivables originated by the enterprise has changed into loans and receivables. If a bank holds purchased receivables that do not have a quoted market price in an active market, it may classify them under loans and receivables.

The revised IAS 39 provides additional guidance about how to determine fair value. When there is no active market for a financial instrument, fair value may be determined by applying valuation techniques. These techniques include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models.

Additional guidance has also been introduced for the impairment of financial assets. IAS 39 specifies that losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. The standard provides a survey of the information on the basis of which it may be concluded that there is objective evidence of a financial assets impairment. In IAS 39, objective evidence of impairment of investments in equity instruments is also additionally explained.

The new, more detailed guidance are provided for a collective assessment of impairment of financial assets carried at amortised cost, for which no losses are established on individual basis. Such assets are included in the group of financial assets with similar credit risk characteristics and are collectively assessed for impairment.

IAS 39 introduces a broader application of the fair value hedge accounting. Portfolio fair value hedge accounting is permitted, but only for a portfolio hedge of interest rate risk and only if the prescribed procedures are complied with. In this manner, designation of the currency amount as a hedged item is permitted for the first time (previously, only individual assets or liabilities could be designated as hedged items), so that certain amounts of assets or liabilities (but not the net amount) within the identified portfolio, which is equal to the amount to be hedged, may be designated as hedged items.

In the new version of IAS 39, the rules for derecognition of financial assets are also explained. A partial derecognition is permitted where it is possible to specifically identify cash flows or a share of cash flows from financial assets (previously, the principles of full and partial derecognition were identical). IAS 39 also introduces the provisions concerning the derecognition of financial assets in the case of their transfer and explains the cases in which the transfer satisfies the criteria for derecognition.

Banks and other companies in the Republic of Croatia directly apply the IASs or IFRSs to their annual financial statements. Accordingly, banks were obliged to apply the new provisions of IASs to their operation as of 1 January 2005. The issues covered by individual IASs (IAS 39 in particular) are incorporated into the subordinate legislation of the Croatian National Bank. Pursuant to this legislation, banks prepare the prescribed reports which are regularly submitted to the Croatian National Bank. Preliminary reports, submitted by banks to the CNB, as of 30 June 2005, were prepared by banks taking into account the IAS 39 revisions, and on the basis of the special instructions

issued by the Croatian National Bank⁹. Harmonisation of individual provisions of subordinate legislation with the revised IASs is also underway.

1.3 Accounting for Investments and Business Combinations

As a part of revisions to IASs and issuing of the new IFRSs, the standards relating to accounting for investments and business combinations were revised. Before the adoption of these revisions, accounting for investments and business combinations issues were regulated by the provisions of IAS 22, IAS 27, IAS 28 and IAS 31. By issuing IFRS 3 *Business Combinations* IAS 22 was abolished, while IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures were revised¹⁰.

The revisions of IAS 27, IAS 28 and IAS 31 reduced the possibilities of valuation of investments in subsidiaries, associates and jointly controlled entities in separate financial statements, in a manner that valuation of investments at cost or in accordance with IAS 39 is permitted, and the equity method is abolished. This is based on the conclusion that the previously mentioned two methods will provide more relevant information on the investment, or that they provide adequate information on the economic value of investments.

The following revision relates to the category of minority interest. Minority interest is defined as that part of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. Until now, minority interests were recognised in the balance sheet separately from liabilities and equity. However, the *Framework for the Preparation and Presentation of Financial Statements* defines an essential characteristic of a liability. According to this definition, liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits. Since the existence of a minority interest in the net assets of a subsidiary does not give rise to a present obligation of the group, the settlement of which is expected to result in an outflow of economic benefits from the group, it therefore meets the definition of equity and is presented within equity, but separately from the parent shareholders' equity.

The revised standards require that, in preparing the consolidated financial statements, identical accounting policies are used for identical transactions and other business events in the similar circumstances, as opposed to the previous provisions, according to which it was possible to depart from the requirement if identical accounting policies could not be implemented in practice.

9 For the purpose of harmonisation of the existing prudential regulation with the revised Standards, in May 2005, the Croatian National Bank delivered the Recommendations to banks related to the application of the revised IASs 32 and 39, in which it instructed banks on the method of application of the revised IASs or new IFRSs in the transition period, i.e. until prudential regulation is adjusted to the version of the revised IFRSs, effective in 2005.

10 In IFRS 2004, in the edition of the Croatian Association of Accountants and Finance Experts, individual terms are translated inconsistently, for instance, the term "subsidiary" is translated in IAS 27 as "povezano društvo" (meaning: connected company) and "ovisno društvo" (meaning: dependent company), and in IAS 28 and IFRS 3 as "podružnica" (meaning: subsidiary).

It should be noted that certain revisions to IAS 36 Impairment of Assets and IAS 38 Intangible Assets affect certain items that appear in valuation of investments and business combinations. This refers to the procedure of testing the goodwill for impairment and recognition of intangible assets of the acquiree.

Similarly, IFRS 5 *Non-Current Assets Held for Sale and Discontinued Operations* contains requirements for classification of assets as held for sale, which is the reason for the exemption of this asset category from the scope of IAS 27, IAS 28 and IAS 31.

IFRS 3 Business Combinations applies to business combinations in which separate entities are brought together into one reporting entity. If a business combination results in a parent-subsidary relationship, individual provisions of IFRS 3 are applied in consolidated financial statements of the parent company. The purchase method remains the only method of accounting for a business combination, which involves the identification of the acquirer and measurement of costs of the business combination.

One of the very significant modifications in the acquirer's accounting is the recognition of difference between the cost of acquisition and net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. These are the accounting categories known as goodwill or negative goodwill.

Goodwill is positive difference between the cost of acquisition and net fair value of acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is initially recognised at cost, which is the fair value at the acquisition date. The fair value determined at that time actually reflects the market expectations of a probability that future economic benefits attributable to the asset would flow to the entity from the asset that could not be individually identified and separately recognised. For the acquirer that amount is the remaining cost of business combination, which is incurred after the recognition of the acquired identifiable assets, liabilities and contingent liabilities. In subsequent valuations, the acquirer will, in accordance with the general trend of broader application of the fair value principle, account for goodwill according to IFRS 3 which requires the goodwill to be tested for impairment.

Accordingly, the previous practice of amortisation of goodwill (most frequently, linear method, according to the company's by-laws) is discontinued and replaced by the testing for impairments under the IAS 36 Impairment of Assets, which provides for analytical procedures. Therefore, after the initial recognition of goodwill at cost, the acquirer is obliged to test that value for impairment at least once a year.

Instead of a negative difference between the cost of acquisition and net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities (previously known as the negative goodwill), the IFRSs use the term excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost. It is evident that, under the prescribed accounting method, the stated category represents the acquirer's overassessment, i.e. an excessive interest in net fair value. More specifically, the excess item must be reassessed by the acquirer and if the acquirer's interest in the net fair value of assets, liabilities and contingent liabilities exceeds the cost of the combination, it must be recognised by the acquirer immediately in profit or loss. Accordingly, the previously recognised negative goodwill will be, in its entirety, derecognised by the acquirer with a corresponding adjustment to the opening balance of retained earnings. Therefore, the amount of

excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost will no longer exist as a separate balance-sheet item.

In the banking operations, the above described revisions to IASs also reflect on the accounting for valuation of investments when a bank enters into business combinations.

This primarily refers to the requirement for using the identical accounting policies within a group, the scope of entities for the purpose of consolidation at the entire group level, methods of accounting for investments in separate financial statements, method of accounting for minority interest in the balance sheet, assessment of goodwill and derecognition of negative goodwill in the balance sheet.

Certain modifications will influence the banks' profit and loss account. For instance, according to the new method of goodwill valuation, banks are obliged to test the existing goodwill for impairment at least once a year and a possible negative goodwill, which was previously recognised, should immediately be recognised by a bank in profit or loss, on a one-off basis.

It should be noted here that, according to the existing regulations governing the calculation of regulatory capital of a banking group, a minority interest is included in consolidated reserves, i.e. it is recognised as a category which has a characteristic of equity, and is for that reason included in core capital under the item negative consolidated reserves.

Consolidated supervision, which is carried out by the Croatian National Bank, is primarily of prudential nature, as defined by the Banking Act, and the accounting methods of consolidation, provided for in the IASs, represent only one of the elements on which supervision is based.

1.4 The International Financial Reporting Standards Development Trends

Following the issuance of the IFRSs, published by 31 March 2004 (the provisions of which are effective as of 1 January 2005), the IASB has continued with the publishing activities. Two new IFRSs have thus been published so far and the existing IFRSs and IASs have been amended on several occasions. Among other things, the provisions of IAS 39 have been amended (the criteria for the application of the fair value option have been introduced), which will begin to apply as of 1 January 2006.

For banks and other financial institutions, the adoption of the new IFRS 7 Financial Instruments: Disclosures is of a particular importance. The new IFRS 7, effective as of 1 January 2007, will supersede IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and certain provisions of IAS 32. IFRS 7 introduces new disclosure requirements concerning financial instruments in the entities' financial statements, such as information on exposure and management of risk arising from financial instruments.

Accordingly, further translation of IFRSs into the Croatian language is to be expected, as well as their incorporation into the Croatian National Bank's prudential regulation.

The EU has prescribed the application of IFRSs, with effect from 1 January 2005, for consolidated financial statements of publicly traded companies. For that purpose, the EU has continuously been adopting the International Financial Reporting Standards. The adopted IASs, i.e. IFRSs, differ from the IASB publications in the adoption dynamics and in certain cases, in their scope (e.g. individual provisions of IAS 39 have been left out).

Table 1.2 Significant Activities of IASB in 2005			
Adoption date	IAS/IFRS	Description	Effective date
until 31 March 2004	all	The IAS/IFRS version, published until 31 March 2004, was issued (this issue was translated into the Croatian language)	1 January 2005
until 1 January 2005	IAS 19 IAS 39	Amendments were adopted Amendments were adopted (less significant)	1 January 2006 1 January 2005
until 1 January 2005	IFRS 6	IFRS 6 Exploration for and Evaluation of Mineral Assets was adopted	1 January 2006
16 June 2005	IAS 39	The IASB adopted the amendment which permits classification of a financial instrument under "measured at fair value through profit or loss" only for those financial instruments that meet certain conditions	1 January 2006
30 June 2005	IFRS 6 IFRS 1	The amendments were adopted relating to the entities which decided to apply IFRS 6 at an earlier date	1 January 2005
18 August 2005	IAS 39 IFRS 4	Amendments to IAS 39 and IFRS 4 were adopted, relating to a financial guarantee contract	1 January 2006
18 August 2005	IFRS 7	The IASB adopted IFRS 7 Financial Instruments: Disclosures and complementary amendment to IAS 1. IFRS 7 will supersede IAS 30 and certain provisions of IAS 32	1 January 2007

2 Indicators of Banking Institution Operations

Data on banks and housing savings banks operations in the first six months of 2005, as shown below, are based on unconsolidated unaudited financial reports submitted by banks and housing savings banks to the Croatian National Bank.

At the end of the first half of 2005, the banking sector of the Republic of Croatia comprised 34 banks and 4 housing savings banks, with total banking assets standing at HRK 241.1bn. The assets of banks made up 97.8% of total banking sector assets, while the assets of housing savings banks accounted for the remaining 2.2%.

2.1 Banks

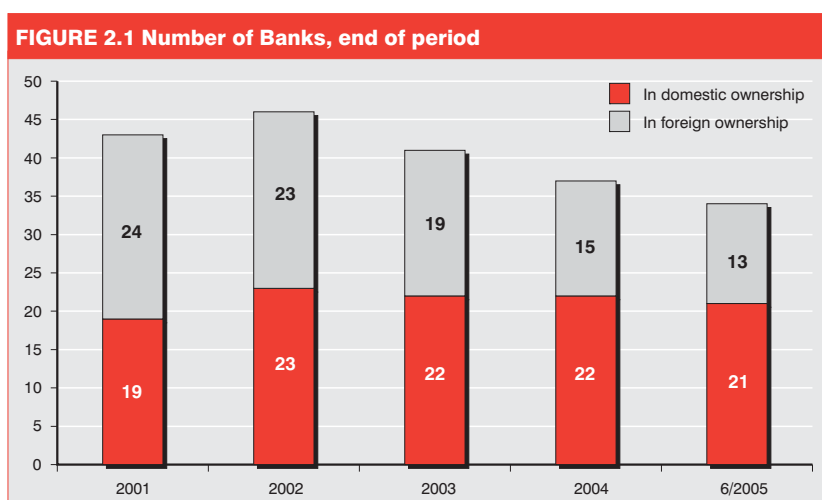
2.1.1 Structure of the Banking Sector in the Republic of Croatia

Compared to the end of 2004, the number of banks was reduced by three: two banks merged with other banks and one bank initiated voluntary winding up proceedings.¹ As two banks that participated in the merger were in foreign ownership and the bank that initiated voluntary winding-up proceedings in domestic ownership, the number of banks in (majority) foreign ownership fell to 13, and the number of banks in (majority) domestic ownership to 21.

Six banking groups operate in the banking sector of the Republic of Croatia and report to the CNB on their operations in accordance with the provisions of the Decision on Consolidated Financial Reports of a Banking Group.² Two new banking groups, also obligated to submit their consolidated financial reports, were formed in the first half of 2005. The first banking group was created due to increased material importance of the former branch. For that reason, this banking group became obligated to prepare the consolidated financial reports. The creation of the second banking group was due to changes in the ownership of banks operating in the domestic banking market. During the same period, one banking group ceased to exist because the change in the majority owner resulted in the new structure that no longer had the characteristics of a banking group. Superordinate banks

1 Privredna banka Zagreb d.d. merged with Privredna banka – Laguna banka d.d. on 1 January 2005, Zagrebačka banka d.d. merged with Dresdner Bank Croatia d.d. on 30 June 2005, and Križevačka banka d.d. initiated voluntary winding-up proceedings on 3 January 2005.

2 See Attachment II.



dominate in the structure of operations of all banking groups. In addition, the number of subordinate banks is on a downward trend which can be attributed to integration processes in the banking segment of banking groups. According to the composition of banking groups at the end of the first half of 2005, two banking groups comprised subordinated banks that operated in the territory of the Republic of Croatia, while the companies involved in non-banking activities predominated in other banking groups.

The share of assets of banks in (majority) foreign ownership in total banking assets fell to 91.2% or by a slight 0.10 percentage points at end-June 2005 compared with end-2004. The share of the number of banks in (majority) foreign ownership also fell, accounting for 38.2% of total number of banks.

To facilitate comparison, banks have been classified into four groups based on their asset size. Group I consists of banks with assets exceeding 5 billion kuna, Group II of banks with assets between 1 billion and 5 billion kuna, Group III of banks with assets between 500 million and 1 billion kuna, and Group IV of banks with assets below 500 million kuna (Table 2.1). Peer groups of banks are shown in Attachment I.

During the first half of 2005, the number of banks in Group III and Group IV decreased by one and two respectively.³

TABLE 2.1 Bank Groups by Asset Size, end of period, in thousand kuna

Group	Bank assets (A)	Number of banks			
		Dec. 2002	Dec. 2003	Dec. 2004	Jun. 2005
I	Assets (A) > 5,000,000	9	8	9	9
II	1,000,000 < A < 5,000,000	12	11	7	7
III	500,000 < A < 1,000,000	7	8	10	9
IV	A < 500,000	18	14	11	9
	Total	46	41	37	34

³ See Footnote 1.

The share of Group I banks' assets in total banking assets rose by 0.60 percentage points or from 90.0% at end-2004 to 90.6% at end-June 2005. The shares of assets of other bank groups trended downwards, while the largest decrease was recorded by Group III banks (from 3.2% to 2.9%).

The difference between the asset size of the largest bank and the smallest bank in Group I, which is also the least homogenous group, continued to widen. At end-June, the assets of the largest bank in Group I were 10.9 times larger than the assets of the smallest bank in the group. In addition, the assets of the largest banks in other bank groups exceeded by 1.7 to 3.9 times the assets of the smallest banks. The balance sheet total of the largest bank in the system exceeds by more than 611 times the balance sheet total of the smallest bank.

2.1.2 Territorial Distribution of Banks' Operating Network and Concentration of the Banking System

1047 branches and sub-branches operated in the country at the end of the first half 2005, which was an increase of 10 compared with end-2004 (Table 2.2). This was primarily due to the opening of 43 new operating units and closing of 33 operating units. Two banks from Group I opened the largest number of branches and sub-branches (17), while 15 banks together opened the remaining 26 branches and sub-branches. During the first six months of 2005, 14 banks did not open any branch or sub-branch. The closure of branches and sub-branches was mainly due the merger between Privredna banka Zagreb and Privredna banka – Laguna banka which had 11 branches and sub-branches at end-2004 and the voluntary winding-up of Križevačka banka which had 17 branches and sub-branches at end-2004.

TABLE 2.2 Territorial Distribution of Branches and Sub-Branches, end of period

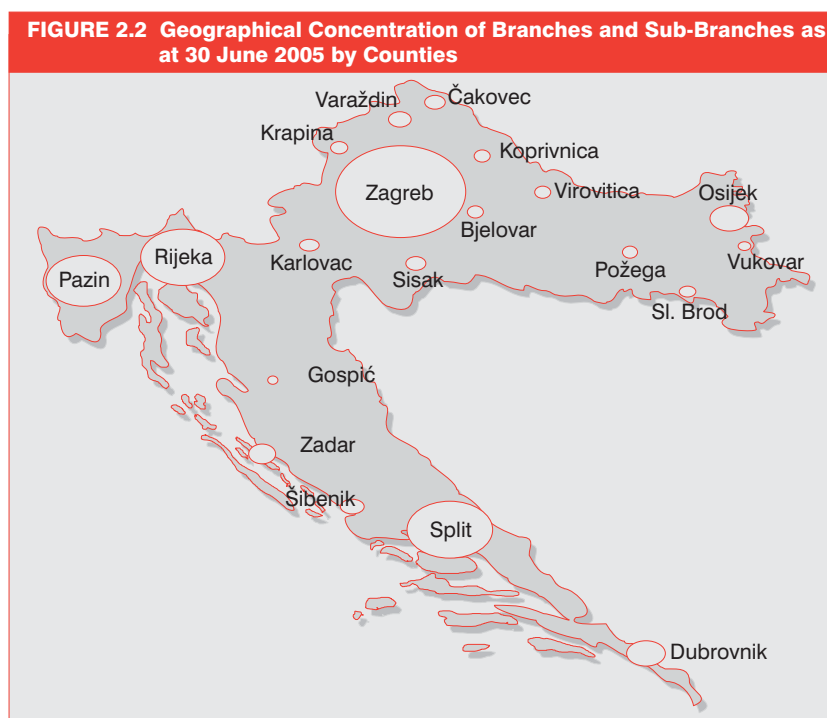
Counties	Number of branches and sub-branches			
	Dec. 2002	Dec. 2003	Dec. 2004	Jun. 2005
County of Zagreb and City of Zagreb	188	190	201	198
County of Krapina-Zagorje	23	23	24	24
County of Sisak-Moslavina	25	29	29	29
County of Karlovac	23	24	27	26
County of Varaždin	29	33	38	40
County of Koprivnica-Križevci	26	28	31	28
County of Bjelovar-Bilogora	25	27	27	26
County of Primorje-Gorski Kotar	108	124	114	112
County of Lika-Senj	14	14	14	14
County of Virovitica-Podravina	16	23	26	26
County of Požega-Slavonia	20	23	24	26
County of Slavonski Brod-Posavina	20	21	23	26
County of Zadar	38	39	44	45
County of Osijek-Baranya	50	55	56	61
County of Šibenik-Knin	30	33	33	33
County of Vukovar-Srijem	15	18	22	21
County of Split-Dalmatia	123	124	121	126
County of Istria	103	110	103	102
County of Dubrovnik-Neretva	56	56	54	56
County of Međimurje	24	28	26	28
Total	956	1022	1037	1047

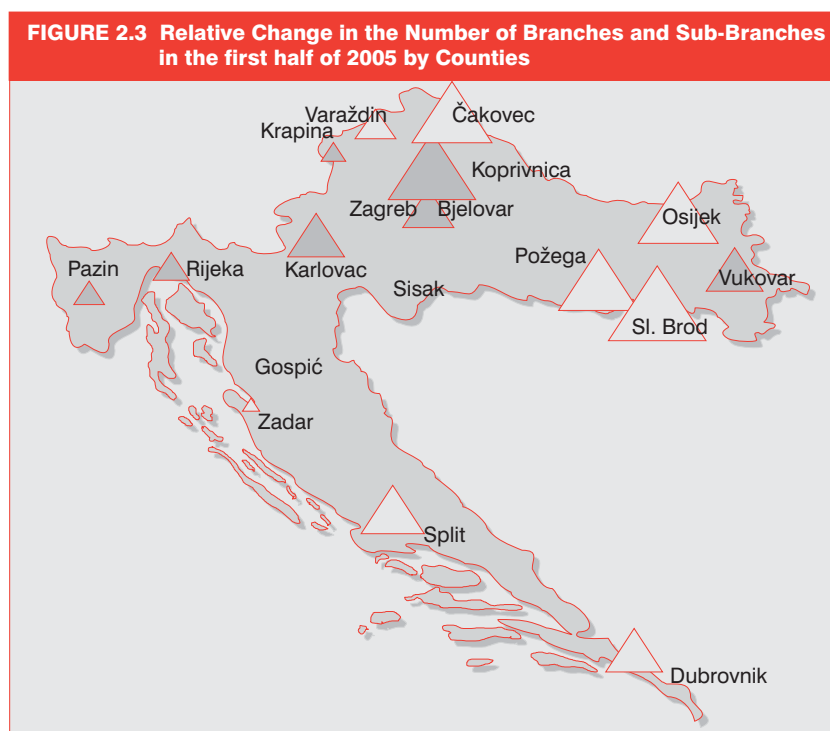
At end-June 2005, the concentration of operating units was the largest in the County of Zagreb and the City of Zagreb (18.9%) (Figure 2.2). The next largest concentrations were in the County of Split-Dalmatia (12.0%), the County of Primorje-Gorski Kotar (10.7%) and the County of Istria (9.7%). More than a half, or 51.4%, of the total number of branches and sub-branches operated in these counties (52.0% at end-2004). The smallest number of branches and sub-branches operated in the County of Lika-Senj (1.3%) and in the County of Vukovar-Srijem (2.0%). Compared to end-2004, the concentration of branches and sub-branches rose at end-June 2005 in eight counties, fell in seven counties and remained unchanged in five counties.

The largest increase in the number of branches and sub-branches in relative terms was recorded in the County of Bjelovar-Bilogora (13.0%). The County of Osijek-Baranya, the County of Požega-Slavonia and the County of Međimurje followed with increases of 8.9%, 8.3% and 7.7% respectively. The largest absolute increase in the number of branches and sub-branches during the same period was recorded in the County of Osijek-Baranya (5) and in the County of Split-Dalmatia (5). The largest decrease in the number of operating units was recorded in the County of Koprivnica-Križevci (3) and the County of Zagreb and the City of Zagreb (3). The largest relative decrease in the number of operating units was recorded in the County of Koprivnica-Križevci (9.7%).

At end-June 2005, each bank had on average branches and sub-branches in seven counties, which was the same as at end-2004. Sixteen banks operated in less than five counties (of which five banks operated only in one county), twelve banks operated in five to fourteen counties and six banks operated in fifteen or more counties.

Group I had the largest number of branches and sub-branches (Figure 2.4) at end-June 2005 (730 operating units). Groups II, III and IV followed, with 151, 117 and 49 operating units, respectively. The number of branches and sub-branches increased in Groups I, III and II during the observed





period (3.7%, 0.9% and 0.7%, respectively). By contrast, it fell in Group IV (by 26.9%) due to the initiation of winding-up proceedings by Križevačka banka.

The ratio of branches and sub-branches to the number of citizens as at 30 June 2005 shows that there were on average 4,243 citizens per one operating unit in Croatia.

During the first half of 2005, the number of ATMs in the banking sector increased by 130 units (6.8%), reaching 2043 units at end-June (Table 2.3).

Group I had the largest number of ATMs (1772 units), while its share in the total number of ATM units remained the same as at end-2004 (86.7%). Groups II, III and IV followed with 186, 82 and 3 units, respectively.

During the observed period, the number of ATMs grew in all bank groups. Moreover, the largest absolute increase in the number of ATMs was recorded in Group I (113 units or 6.8%). This percentage growth corresponded to the rise in the number of ATMs registered in the system as a whole. The largest increase in the number of ATMs in relative terms (17.1%) was recorded in Group III, where the number of ATMs grew by 12 units.

At end-June 2005, there were eleven banks that did not have any ATMs. The number of ATMs remained unchanged in 3 banks, while 18 banks with ATMs increased their number by 1 to 31 units during the observed period. In addition, one bank introduced ATM service and one bank reduced the number of ATMs by one.

The number of installed ATMs at end-June 2005 increased in 18 counties, compared with end-2004,

except in the County Krapina-Zagorje and the County Sisak-Moslavina where the number of ATMs remained the same. The strongest nominal and relative increase in the number of ATMs in the observed period was recorded in the County of Zagreb and the City of Zagreb (26 units or 20.0%), the County of Split-Dalmatia (19 units or 14.6%) and the County of Dubrovnik-Neretva (14 units or 10.8%).

The first six months of 2005 saw a new increase in the concentration of two major banks' share of assets in total assets (from 43.0% to 43.3%). Concurrently, their share of deposits in total deposit fell

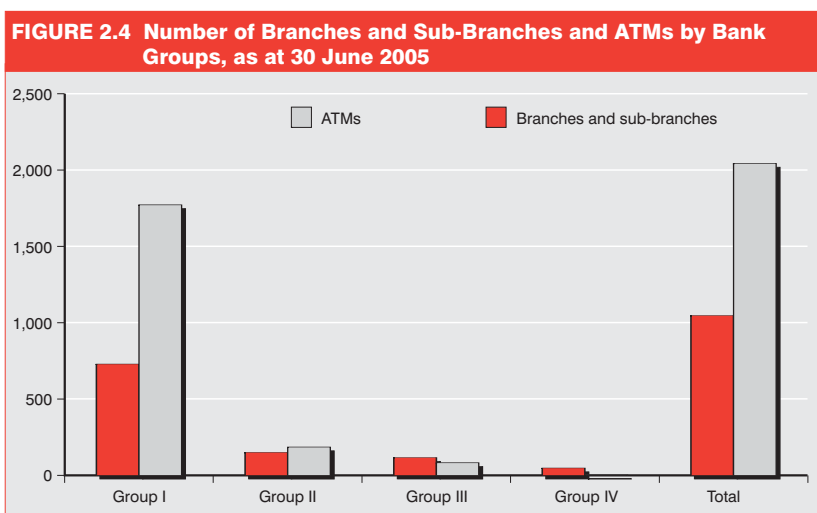
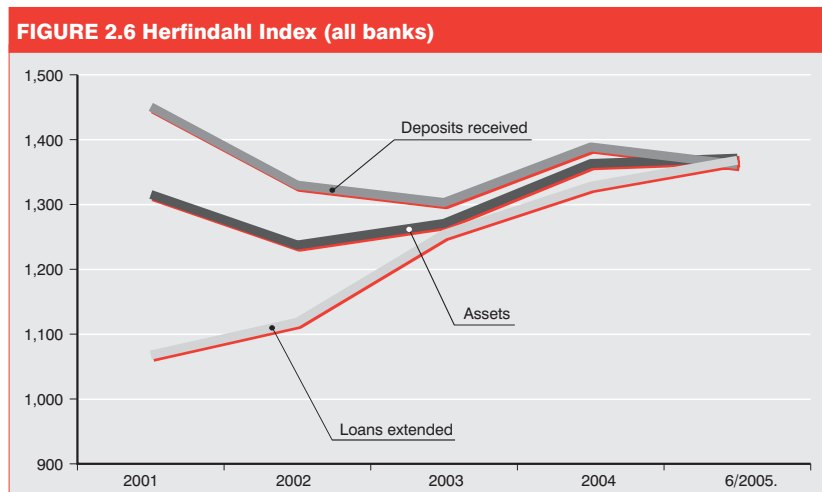
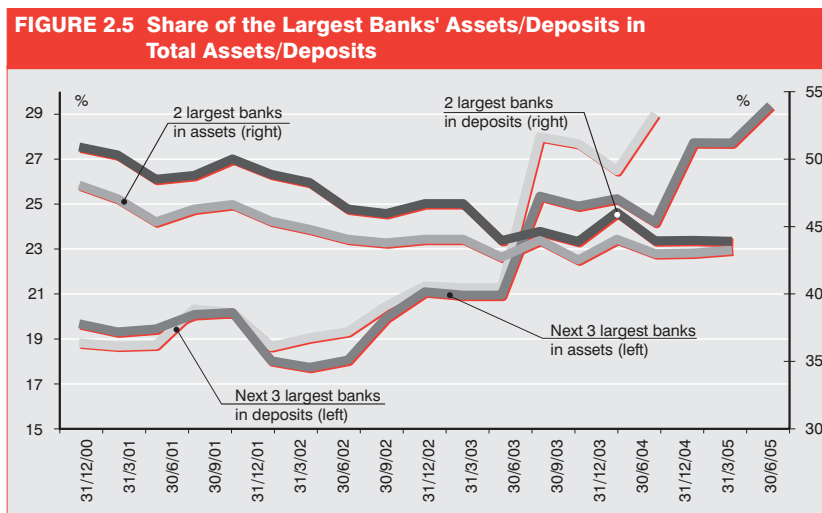


TABLE 2.3 Territorial Distribution of ATMs, end of period

Counties	Number of ATMs			
	Dec. 2002	Dec. 2003	Dec. 2004	Jun. 2005
County of Zagreb and City of Zagreb	394	464	552	578
County of Krapina-Zagorje	23	27	32	32
County of Sisak-Moslavina	27	36	47	47
County of Karlovac	26	30	42	43
County of Varaždin	62	54	67	72
County of Koprivnica-Križevci	21	31	35	38
County of Bjelovar-Bilogora	28	39	45	47
County of Primorje-Gorski Kotar	149	177	199	206
County of Lika-Senj	17	22	24	30
County of Virovitica-Podravina	11	15	19	20
County of Požega-Slavonia	9	17	22	24
County of Slavonski Brod-Posavina	18	24	31	37
County of Zadar	53	67	92	103
County of Osijek-Baranya	58	74	87	95
County of Šibenik-Knin	35	61	65	68
County of Vukovar-Srijem	19	29	38	42
County of Split-Dalmatia	148	188	214	233
County of Istria	129	141	170	179
County of Dubrovnik-Neretva	59	64	74	88
County of Međimurje	44	51	58	61
Total	1330	1611	1913	2043

negligibly (Figure 2.5). The next three largest banks registered opposite trends; their share of assets in total assets fell from 31.3% to 31.0%, while their share of deposits in total deposit grew from 27.7% to 29.4%. The upward trend in the share of assets of two major banks in total assets was the result of the merger between two banks (one bank from Group III and one bank from Group IV) and the largest banks.⁴

The concentration of assets and loans grew slightly in the first half of 2005, while the concentration of deposits decreased (Figure 2.6). The value of the Herfindahl index for the concentration of loans grew by a strong 40 points, reaching 1368 points at end-June. The concentration of assets grew by less impressive 8 points and stood at 1371 points. The concentration of received deposits trended downwards, falling to 1361 points or by 28 points.



4 See Footnote 1.

2.1.3 Banks' Balance Sheet

As stated earlier in this publication, the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) are applied in the Republic of Croatia. Banks' financial reports as at 30 June 2005 were prepared in accordance with opinions and recommendations of the CNB on recently revised IAS 32 and IAS 39. As a result, banks' financial assets were reported in somewhat different manner as opposed to the previous reporting method. This relates especially to securities: 1) securities and other financial instruments bought on issue directly from the issue are no longer reported and their existing balances are re-entered into other categories of financial assets and 2) a new portfolio, including securities and other financial assets which are not traded on active markets and which are measured at fair value through profit or loss, has been formed.

For comparability purpose, the value of items reported in figures and tables in the previous period has been presented, to the extent possible, in accordance with the new reporting form.

In the course of 2005, the banking regulation was changes several times, which resulted in the change in the structure and developments in the balance sheet items. In February 2005, the central bank lowered the minimum foreign exchange liquidity ratio from 35% to 32%.⁵ The marginal reserve requirement rate was increased from 24% to 30% in February⁶ and to 40% in May due to the sustained growth in net foreign liabilities.⁷ The Decision on Reserve Requirement was amended twice in the first half of 2005: the kuna reserve requirement rate was increased from 60% to 70% in March⁸ and the portion of foreign currency reserve requirement allocated in kuna was increased from 42% to 50% in May.⁹

Total bank assets amounted to HRK 235.8bn on 30 June 2005, up HRK 6.4bn or 2.8% compared with end-2004 (Table 2.4).

In the first half of 2005, loans to other clients grew at a two-digit rate of 10.7% due to the nominal growth of HRK 13.0bn. As a result, their share in total asset went up by 4.1 percentage points or to 57.2%.

Total financial assets, primarily involving securities, were 1.5% lower at end-June 2005 compared with end-2004, whereas their share in total asset fell by 0.5 percentage points or to 10.0%. T-bills recorded the highest relative increase among asset items, 92.4% (or HRK 3.3bn in nominal terms). Concurrently, their share in total assets grew by 1.4 percentage points, while no issuance of CNB bills was registered in the observed period. Securities and other financial instruments held for trading went up by HRK 1.1bn (16.3%). Although it was the only portfolio that registered a growth rate in the said period, its share in total assets grew by a negligible 0.4 percentage points. Securities and other financial instruments available for sale fell by 10.9%, and securities and other financial instrument held to maturity by 4.3%. The portfolio of securities and other financial instruments which are not traded on active markets and which are measured at fair value through profit or loss amounted to HRK 928.4m, accounting for 0.4% of total assets.

5 Official gazette *Narodne novine*, No. 22/2005.

6 Official gazette *Narodne novine*, No. 22/2005.

7 Official gazette *Narodne novine*, No. 64/2005.

8 Official gazette *Narodne novine*, No. 34/2005.

9 Official gazette *Narodne novine*, No. 64/2005.

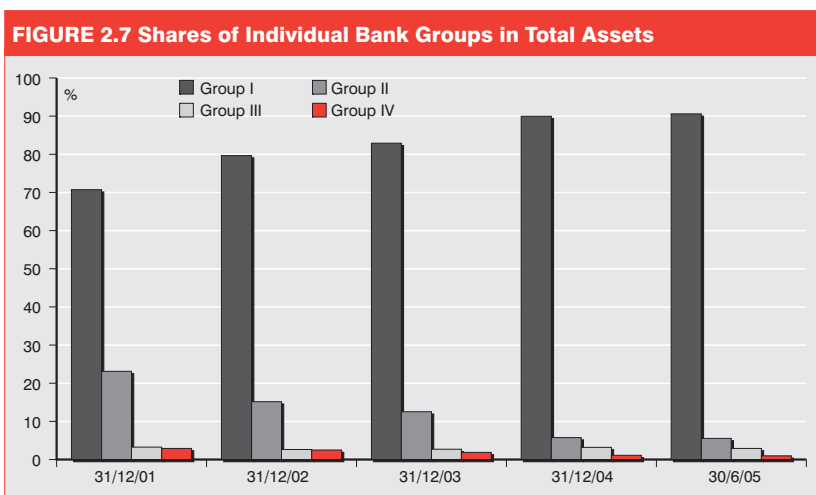
Due to a steady growth in allocated reserve requirement and marginal reserve requirement, deposits with the CNB rose by HRK 2.4bn (7.6%) at end-June 2005 compared with end 2004, accounting for 14.5% of total assets. Despite the growth in the previous three years, deposits with banking institutions fell the most in nominal terms (by HRK 11.1bn) and in relative terms (by 33.4%) at end June 2005 compared with end-2004. As a result, their share in total assets went down by 5.1 percentage point. The same trend was observed with respect to loans to financial institutions. At end-2005, loans to financial institutions went down by 31.2%, compared with end-2004, while their share in total assets fell by 0.5 percentage points.

The share of Group I assets in total banking assets continued to trend upward (Figure 2.7). The share of Group I assets grew by 0.6 percentage points during the observed period, standing at 90.6% at end-June 2005. All other bank groups recorded a decrease in their shares, ranging from 0.1 to 0.3 percentage points. At the end of the first half of 2005, the shares of Group II, III and IV stood to 5.5%, 2.9% and 1.0%.

Deposits continued to grow in the first half of 2005, amounting to HRK 156.0bn at the end of the observed period. Despite the semi-annual growth of 0.4%, the share of total received deposits in total bank liabilities fell from 67.7% at end-2004 to 66.1% at end-June 2005 (Table 2.5). The increase in the level of total deposits was for the most part the result of the increase in giro account and current account deposits – by HRK 669.0m or 4.1%. In the same period, time deposits grew by a modest

TABLE 2.4 Structure of Bank Assets, end of period, in million kuna and %

	Dec. 2002		Dec. 2003			Dec. 2004			Jun. 2005		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	21,387.9	12.3	28,002.6	13.7	30.9	34,891.3	15.2	24.6	37,312.1	15.8	6.9
1.1. Money assets	2,236.9	1.3	2,955.6	1.4	32.1	3,062.1	1.3	3.6	3,059.4	1.3	-0.1
1.2. Deposits with the CNB	19,151.0	11.0	25,047.0	12.3	30.8	31,829.2	13.9	27.1	34,252.8	14.5	7.6
2. Deposits with banking institutions	20,146.2	11.6	31,186.6	15.3	54.8	33,351.2	14.5	6.9	22,212.0	9.4	-33.4
3. MoF treasury bills and CNB bills	10,116.7	5.8	7,820.7	3.8	-22.7	3,580.6	1.6	-54.2	6,887.4	2.9	92.4
4. Securities and other financial instruments held for trading and available for sale	9,023.2	5.2	7,784.9	3.8	-13.7	16,484.7	7.2	111.8	16,480.1	7.0	0.0
4.1. Securities and other financial instruments held for trading	0.0	0.0	0.0	0.0	0.0	6,566.1	2.9	-	7,639.2	3.2	16.3
4.2. Securities and other financial instruments available for sale	0.0	0.0	0.0	0.0	0.0	9,918.6	4.3	-	8,840.9	3.8	-10.9
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	12,531.7	7.2	10,773.3	5.3	-14.0	7,551.6	3.3	-29.9	6,276.6	2.7	-16.9
5.1. Securities and other financial instruments held to maturity	0.0	0.0	0.0	0.0	0.0	6,557.3	2.9	-	6,276.6	2.7	-4.3
5.2. Securities and other financial instruments bought on issue directly from the issuer	0.0	0.0	0.0	0.0	0.0	994.3	0.4	-	-	-	-
6. Securities and other financial instruments not traded in active markets but carried at fair value	-	-	-	-	-	-	-	-	928.4	0.4	-
7. Derivative financial assets	0.0	0.0	0.0	0.0	0.0	152.0	0.1	-	155.2	0.1	2.1
8. Loans to financial institutions	2,157.8	1.2	3,057.0	1.5	41.7	3,289.5	1.4	7.6	2,263.7	1.0	-31.2
9. Loans to other clients	89,673.9	51.5	106,730.6	52.3	19.0	121,912.6	53.2	14.2	134,929.8	57.2	10.7
10. Investments in subsidiaries and associates	2,448.2	1.4	2,456.0	1.2	0.3	1,687.5	0.7	-31.3	1,641.3	0.7	-2.7
11. Foreclosed and repossessed assets	375.4	0.2	355.4	0.2	-5.3	358.1	0.2	0.7	345.5	0.1	-3.5
12. Tangible assets (net of depreciation)	3,755.4	2.2	4,094.6	2.0	9.0	3,786.9	1.7	-7.5	3,888.0	1.6	2.7
13. Interest, fees and other assets	4,042.3	2.3	3,603.6	1.8	-10.9	4,255.4	1.9	18.1	4,553.3	1.9	7.0
14. Net of: Specific reserves for unidentified losses	1,519.4	0.9	1,750.2	0.9	15.2	1,996.1	0.9	14.0	2,125.4	0.9	6.5
TOTAL ASSETS	174,139.2	100.0	204,115.0	100.0	17.2	229,305.2	100.0	12.3	235,748.1	100.0	2.8

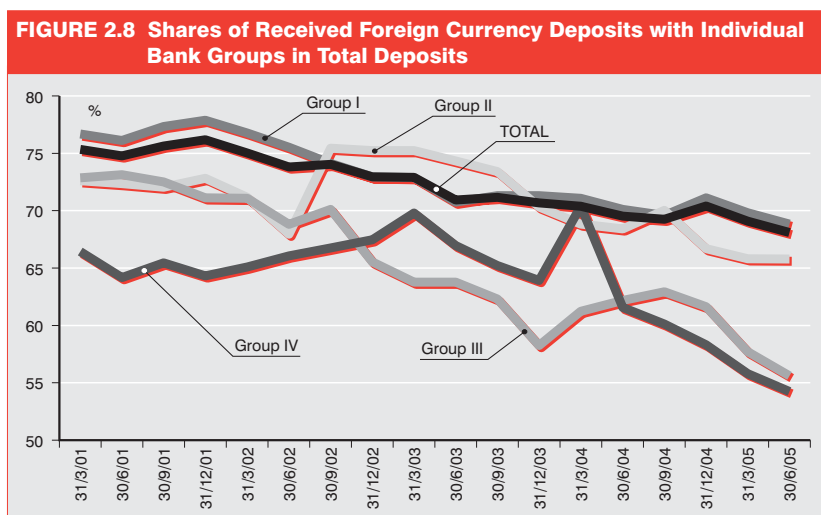


0.2%, while savings deposits fell by 2.3%. Foreign currency deposits fell by 3.1 percentage points, accounting for 64.1% of total deposits at end-2005. At end-2004, they accounted for 67.2% (Figure 2.8). The share of foreign currency time deposits in total deposits fell to 73.3% or by 3.6 percentage points, while the share of foreign currency savings deposits in total savings deposits went down by 0.6 percentage points, to 90.5%. With a view to trends in different types of deposits, it should be noted that a somewhat slower growth in foreign currency deposits was a consequence of the strengthening of the domestic currency against the euro. The kuna/euro exchange rate strengthened by 0.36 percentage points at end-June 2005 compared with end-2004. In the same period, the kuna/US dollar exchange rate weakened by 0.43 percentage points.

TABLE 2.5 Structure of Bank Liabilities, end of period, in million kuna and %

	Dec. 2002		Dec. 2003			Dec. 2004			Jun. 2005		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	4,084.6	2.3	7,112.9	3.5	74.1	8,462.0	3.7	19.0	9,439.3	4.0	11.6
1.1. Short-term loans	1,184.4	0.7	3,689.1	1.8	211.5	3,592.1	1.6	-2.6	4,214.2	1.8	17.3
1.2. Long-term loans	2,900.2	1.7	3,423.8	1.7	18.1	4,869.9	2.1	42.2	5,225.1	2.2	7.3
2. Deposits	124,471.8	71.5	143,692.8	70.4	15.4	155,277.9	67.7	8.1	155,946.9	66.1	0.4
2.1. Giro account and current account deposits	23,272.3	13.4	25,285.1	12.4	8.6	25,561.2	11.1	1.1	26,600.1	11.3	4.1
2.2. Savings deposits	23,980.0	13.8	24,770.7	12.1	3.3	25,223.3	11.0	1.8	24,646.2	10.5	-2.3
2.3. Time deposits	77,219.6	44.3	93,637.0	45.9	21.3	104,493.4	45.6	11.6	104,700.6	44.4	0.2
3. Other loans	19,492.6	11.2	25,080.3	12.3	28.7	31,368.3	13.7	25.1	34,791.5	14.8	10.9
3.1. Short-term loans	4,451.2	2.6	3,429.0	1.7	-23.0	5,265.3	2.3	53.6	8,012.0	3.4	52.2
3.2. Long-term loans	15,041.4	8.6	21,651.3	10.6	43.9	26,103.0	11.4	20.6	26,779.5	11.4	2.6
4. Derivative financial liabilities and other financial liabilities held for trading	0.0	0.0	0.0	0.0	0.0	238.8	0.1	-	287.9	0.1	20.6
5. Debt securities issued	24.7	0.0	97.0	0.0	292.1	3,535.1	1.5	3,543.9	3,380.6	1.4	-4.4
5.1. Short-term debt securities issued	5.2	0.0	0.0	0.0	-100.0	0.0	0.0	0.0	0.0	0.0	0.0
5.2. Long-term debt securities issued	19.6	0.0	97.0	0.0	395.3	3,535.1	1.5	3,543.9	3,380.6	1.4	-4.4
6. Subordinated instruments issued	641.3	0.4	813.6	0.4	26.9	818.3	0.4	0.6	784.4	0.3	-4.1
7. Hybrid instruments issued	2,268.9	1.3	2,261.6	1.1	-0.3	1,642.8	0.7	-27.4	1,184.9	0.5	-27.9
8. Interest, fees and other liabilities	6,646.4	3.8	6,899.4	3.4	3.8	8,280.3	3.6	20.0	9,179.3	3.9	10.9
TOTAL LIABILITIES	157,630.4	90.5	185,957.6	91.1	18.0	209,623.4	91.4	12.7	214,994.8	91.2	2.6
TOTAL CAPITAL	16,508.8	9.5	18,157.3	8.9	10.0	19,681.8	8.6	8.4	20,753.4	8.8	5.4
TOTAL LIABILITIES AND CAPITAL	174,139.2	100.0	204,115.0	100.0	17.2	229,305.2	100.0	12.3	235,748.1	100.0	2.8

Total received loans continued to trend upward in the first half of 2005 (by 11.1%). The major contributors to this were the increase in loans from financial institutions (11.6%) and other loans (10.9%). Both loan categories also increased their shares in total bank liabilities. The overall increase in loans, shown on the liabilities side, was for the most part the result of the growth in other short-term loans of HRK 2.8bn or 52.2%. Issued long-term debt securities amounted to HRK 3.4bn at end-June, down by 4.4% compared with end-2004. In contrast, their share in total bank liabilities registered a modest decrease.



At end-June 2005, all bank groups recorded a decrease in their shares of foreign currency deposits in total received deposits. The said decrease was the largest in Group III banks, by 8.1 percentage points, and in Group IV banks, by 5.4 percentage points. Group IV continued to be the bank group with the lowest share of foreign currency deposits in total deposits (45.7%), while Group I had the largest share (65.1%). The share of foreign currency deposits in total deposits of Group II amounted to 61.0%, while that of Group III stood at 47.5%.

2.1.4 Banks' Capital

On 30 June 2005, total bank capital stood at HRK 20.8bn, which is an increase of HRK 1.1bn, compared with 31 December 2004 (Table 2.6). This was due to the increase in the current year profit by HRK 1,460.8 thousand, accounting for 7.4% of total bank capital on 31 December 2004, and the increase in the share capital and capital reserves by 2.3%. Dividends paid out in the first half of the year totalled HRK 836.8 thousand and accounted for 4.3% of total bank capital on 31 December 2004. As a result, total bank capital increased by 5.4% during the observed period.

During the first half of 2005, eleven banks recorded a fall while all other banks recorded an increase in their total capital. Five banks from Group IV recorded the increase in their total capital. Group III followed with four banks and Groups II and I with one bank each.

TABLE 2.6 Structure of Bank Capital, end of period, in million kuna and %

	Dec. 2002		Dec. 2003			Dec. 2004			Jun. 2005		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	9,772.1	59.2	9,945.6	54.8	1.8	10,113.1	51.4	1.7	10,571.1	50.9	4.5
2. Current year profit/loss	1,925.5	11.7	2,351.6	13.0	22.1	3,036.8	15.4	29.1	1,460.8	7.0	-51.9
3. Retained earnings (loss)	860.3	5.2	1,415.0	7.8	64.5	1,899.0	9.6	34.2	2,470.2	11.9	30.1
4. Legal reserves	583.5	3.5	711.2	3.9	21.9	718.1	3.6	1.0	796.9	3.8	11.0
5. Total reserves provided for by the articles of association and other capital reserves	3,367.4	20.4	3,824.0	21.1	13.6	3,915.5	19.9	2.4	5,480.1	26.4	40.0
5.1. Reserves provided for by the articles of association and other capital reserves	0.0	0.0	0.0	0.0	0.0	3,918.2	19.9	-	5,422.7	26.1	38.4
5.2. Unrealised gains/losses on value adjustment of financial assets available for sale	0.0	0.0	0.0	0.0	0.0	3,918.2	19.9	-	5,422.7	26.1	38.4
5.3. 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
6. Previous year profit/loss	0.0	0.0	-90.1	-0.5	0.0	-0.7	0.0	-99.2	-25.8	-0.1	3,538.1
TOTAL CAPITAL	16,508.8	100.0	18,157.3	100.0	10.0	19,681.8	100.0	8.4	20,753.4	100.0	5.4

Although the share of total share capital in total capital was higher at end-June 2005 than at end-2004, it continued to trend downward, accounting for 50.9% of total capital at the end of the observed period. Total share capital grew due to the increase in share capital in nine banks. The analysis of banks by peer groups shows that share capital increased in all bank groups in the observed period.

The capital of Group I banks accounted for the largest share in total bank capital at end-June 2005 – 87.0%. The shares of Group II, III and IV banks stood at 5.6%, 4.8% and 2.6%, respectively.

At end-2004, seven banks allocated HRK 124.6m to reserves for general banking risks in accordance with item V of the Decision on the Classification of Placements and Contingent Liabilities of Banks.¹⁰ The reserves for general bank risks are used to limit sudden increases in the balance sheet and off-balance sheet activities and thus the exposure to various types of risk. They have been formed from the profit for 2004 and are to be kept for the period of three years provided that the continuous exposure growth during this period does not exceed 20% at the annual level. The reserves for general bank risks are reported as other capital reserves under item Reserves provided for by the articles of association and other capital reserves. In addition, two banks from Group I allocated 86.6% of total reserves for general bank risks. They were followed by one bank from Group II, three banks from Group III and one bank from Group IV whose shares in total reserves for general bank risks stood at 7.8%, 5.0% and 0.6% respectively.

Total regulatory capital at end-June 2005 stood at HRK 21.7bn, which is an increase of 2.6%, compared with end-2004 (Table 2.7). The main contributor to this was the increase in core capital by HRK 934m, brought about by the increase in retained earnings of 22.0% and paid in common shares of 4.3%.

At end-June 2005, Group I accounted for 86.7%, or the largest share of total bank regulatory capital, which is an increase of 3.4%. During the observed period, regulatory capital of Group II banks grew by 6.8%, while regulatory capital of Group III and IV banks decreased by 6.5% and 14.9% respectively. These increases/decreases in the level of regulatory capital of individual bank groups resulted in increases/decreases in their shares in total regulatory capital. As a result, the shares of Group I and II banks grew by 0.7 percentage points and 0.2 percentage points respectively, while the

¹⁰ Official gazette *Narodne novine*, No. 17/2003.

TABLE 2.7 Changes in Regulatory Capital, end of period, in million kuna and %

	Dec. 2002		Dec. 2003			Dec. 2004			Jun. 2005		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
Group I	11,776.2	70.0	14,423.4	74.8	22.5	18,157.6	86.0	25.9	18,777.0	86.7	3.4
Group II	3,276.0	19.5	3,150.0	16.3	-3.8	1,239.4	5.9	-60.7	1,323.8	6.1	6.8
Group III	793.2	4.7	987.7	5.1	24.5	1,107.3	5.2	12.1	1,035.4	4.8	-6.5
Group IV	965.8	5.7	710.9	3.7	-26.4	611.7	2.9	-14.0	520.5	2.4	-14.9
Total	16,811.2	100.0	19,272.0	100.0	14.6	21,115.9	100.0	9.6	21,656.7	100.0	2.6

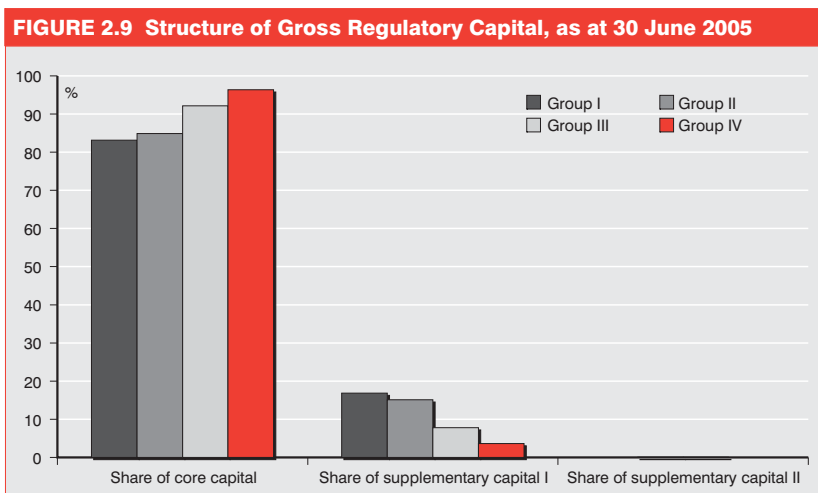
shares of Group III and IV banks fell by 0.4 percentage points and 0.5 percentage points respectively.

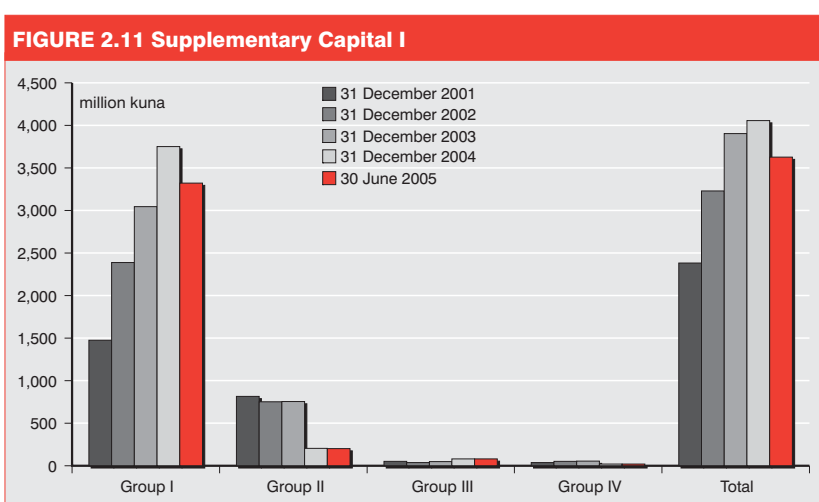
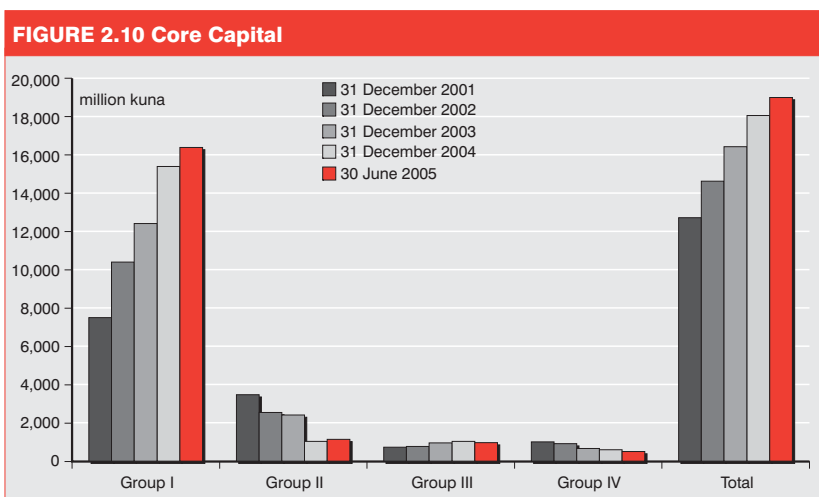
Core capital (reduced by the items deducted from gross regulatory capital) continued to build on its upward trend from the previous year, increasing from 81.7% at end-2004 to 84.0% at end-June 2005. Supplementary capital I fell by HRK 430m during the observed period. As a result, its share in gross regulatory capital went down from 18.3% at end-2004 to 16.0% at end-June 2005. Moreover, supplementary capital II accounted for HRK 1.0m of gross regulatory capital, which is estimated negligible.

At end-June 2005, Group IV accounted for 96.36%, or the largest share of core capital in gross regulatory capital (Figure 2.9). Group III followed, accounting for 92.15% of gross regulatory capital, while Groups II and I accounted for smaller shares, 84.86% and 83.14%, respectively. Gross regulatory capital amounted to HRK 22.6bn at end-June 2005, up 2.3% compared with end-2004.

Total bank core capital (reduced by the deduction items) stood at HRK 19.0bn at end-June 2005, which is an increase of 5.2% compared with end-2004. Core capital grew in Group I and Group II banks, by 6.5% and 10.1% respectively, while it fell in Group III and in Group IV banks, by 7.4% and 15.0%, respectively (Figure 2.10).

Total supplementary capital I (before deductions made for the purpose of regulatory capital calculation) stood at HRK 4.3bn at end-June 2005. A total of HRK 3.6bn of supplementary capital I was included in the calculation of regulatory capital at end-June 2005 (Figure 2.11). Supplementary capital I of Group I





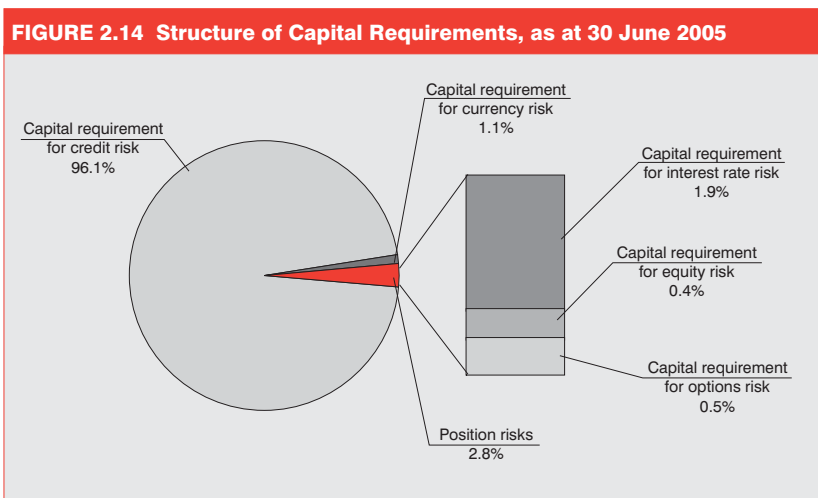
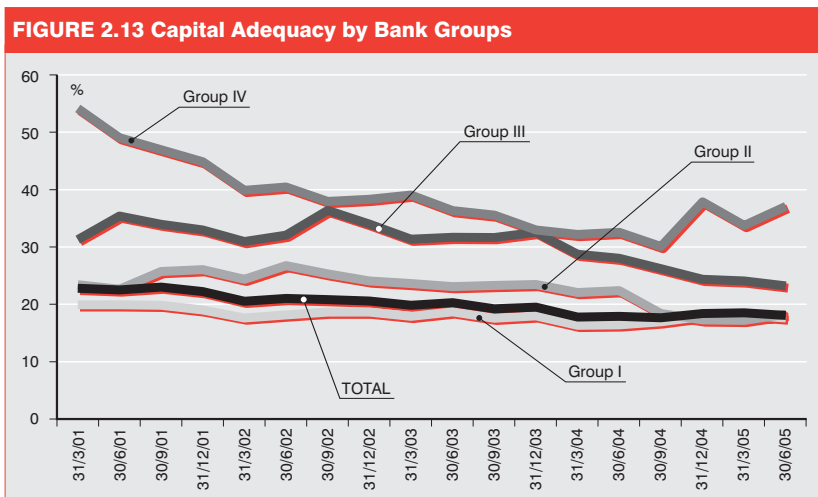
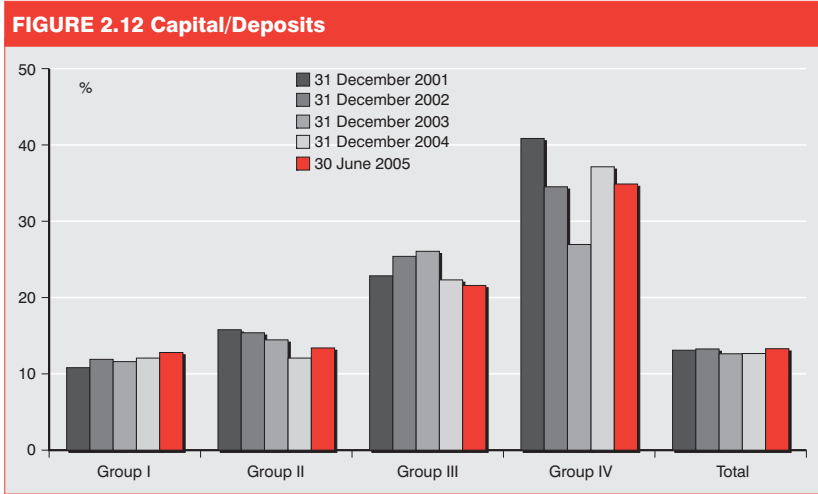
banks accounted for 91.6% or the largest share of total bank supplementary capital I at end-June 2005. Compared with end-2004, supplementary capital I of Group I banks fell by 10.6%.

Measured at the banking sector level, supplementary capital II stood at a negligible HRK 9.8m at end-June 2005, while only HRK 1.0m were included in the calculation of regulatory capital in accordance with the relevant regulation.

Total capital to deposit ratio rose from 12.7% at end-2004 to 13.3% at end-June 2005, as a result of faster growth in total capital (5.4%) than deposits (0.4%) (Figure 2.12). Moreover, the ratio grew in Groups I and II, and fell in Groups III and IV.

At end-June 2005, total bank capital adequacy ratio was 15.06%, declining by 0.27 percentage points, compared with end-2004. Despite the growth in regulatory capital, the capital adequacy ratio diminished in the observed period because risk weighted assets and capital requirements grew faster than regulatory capital. Capital adequacy ratios of Groups I, III, and IV were lower at the end of the first half of 2005, compared with end-2004, while the capital adequacy ratio of Group II increased to

15.21% or by 0.81 percentage points. Specifically, the capital adequacy ratio of Group I banks fell to 14.66% or by 0.25 percentage points. In Groups III and IV, the ratio diminished by 0.95 percentage points and 0.27 percentage points and stood at 19.34% and 30.90%.



At end-June 2005, total capital requirements amounted to HRK 14.4bn, which is an increase of 4.4% compared with end-2004. The capital requirement for credit risk accounted for 96.2% or the largest share of total capital requirements (Figure 2.14). The capital requirement for position risks accounted for 2.8% of total capital requirements at end-June 2005, while the capital requirement for currency risk accounted for 1.1%. At end-June 2005, the capital requirement for counterparty risk stood at a modest HRK 2.4m and was reported by four banks from Group I. As at end-2004, no bank reported the exposure to commodity risk, settlement risk and risk of exceeding the permissible exposure limits.

2.1.5 Income Statement

At end-June 2005, income before taxes stood at HRK 1,775.1m (Table 2.8), which is a decrease of only HRK 157 thousand, compared with end-2004. The main contributors to this were the income of HRK 1,781.1m, generated by 32 banks, and loss of HRK 6.0m, incurred by two banks. Total net interest income rose by HRK 254.9m (8.0%), while total interest income and total interest expenses grew by HRK 475.5m and HRK 220.6m respectively. Total income from commissions and fees grew by HRK 38.8m or 2.5% and total expenses on commissions and fees fell by HRK 35.0m or 5%, contributing to the increase in total net income from commissions and fees. However, the increase in total net interest income and total net income from commissions and fees did not bring about the increase of total income before taxes due to a considerable fall in total other non-interest income (by HRK 512.5m or 51.9%), an increase in general administrative expenses and depreciation (by HRK 114.2m or 4.6%) and a rise in total expenses on loss provisions (by HRK 24.3m or 12%). The increase in total expenses on loss provisions can be attributed to considerably higher expenses on provisions for unidentified losses (by HRK 166.3m) and significantly lower expenses on provisions for identified

TABLE 2.8 Income Statement, in million kuna

	Group I		Group II		Group III		Group IV		Total	
	Jan.–Jun. 2004	Jan.–Jun. 2005	Jan.–Jun. 2004	Jan.–Jun. 2005	Jan.–Jun. 2004	Jan.–Jun. 2005	Jan.–Jun. 2004	Jan.–Jun. 2005	Jan.–Jun. 2004	Jan.–Jun. 2005
1. Net interest income	2,550.7	3,034.3	422.4	214.5	132.2	150.6	86.7	47.6	3,192.0	3,446.9
1.1. Total interest income	4,663.0	5,506.8	720.5	385.5	226.5	265.0	151.9	80.0	5,761.8	6,237.3
1.2. Total interest expenses	2,112.2	2,472.5	298.1	171.1	94.2	114.4	65.2	32.4	2,569.8	2,790.4
2. Net income from commissions and fees	716.1	814.8	79.1	49.8	31.1	35.4	9.4	9.6	835.8	909.6
2.1. Total income from commissions and fees	1,328.2	1,424.6	137.4	78.1	51.4	55.4	18.9	16.7	1,536.0	1,574.8
2.2. Total expenses on commissions and fees	612.1	609.8	58.3	28.3	20.3	20.0	9.5	7.1	700.2	665.2
3. Net other non-interest income	371.5	172.4	5.5	31.6	32.8	20.0	8.1	3.6	417.8	227.5
3.1. Other non-interest income	886.0	377.2	40.7	48.0	41.8	36.7	19.0	13.1	987.5	475.1
3.2. Other non-interest expenses	514.6	204.8	35.2	16.4	9.0	16.8	10.9	9.5	569.7	247.5
4. Net non-interest income	1,087.6	987.2	84.6	81.4	63.9	55.4	17.5	13.2	1,253.7	1,137.1
5. General administrative expenses and depreciation	1,903.5	2,185.5	368.5	218.8	114.3	126.7	82.7	52.2	2,468.9	2,583.1
6. Net operating income before loss provisions	1,734.8	1,836.0	138.5	77.1	81.9	79.3	21.6	8.6	1,976.8	2,000.9
7. Total expenses on loss provisions	148.3	208.2	-4.1	5.8	21.4	13.2	38.6	-1.4	201.5	225.8
7.1. Expenses on value adjustment and provisions for identified losses	29.8	33.0	79.2	4.9	36.3	8.8	44.5	-1.4	187.4	45.4
7.2. Expenses on provisions for unidentified losses	118.5	175.1	-83.4	0.9	-14.9	4.4	-6.0	0.0	14.2	180.4
8. Income/loss before taxes	1,586.5	1,627.8	142.7	71.2	60.5	66.0	-17.0	10.0	1,775.2	1,775.1
9. Income tax	121.0	293.0	14.7	10.4	1.5	9.0	1.7	2.0	139.0	314.3
10. Current year profit/loss	1,465.5	1,334.8	128.0	60.9	59.0	57.1	-18.7	8.0	1,636.3	1,460.8

losses (HRK 142.0m).

Two banks from Group IV reported HRK 6.0m in loss before taxes at end-June 2005 (HRK 5.3m and HRK 0.7m respectively), while their total assets accounted for 0.2% of total bank assets. Despite the fact that two banks from Group IV have reported the loss before taxes at end-June 2005, total income before taxes of the group stood at HRK 10.0m.

At end-June 2005, income before taxes in Group I grew to HRK 1,627.8m, up 2.6% over the same period last year. During the observed period, net interest income of Group I rose by 19.0% and net income from commissions and fees by 13.8%. However, net other non-interest income fell by 53.6% and, together with increased general administrative expenses and depreciation (14.8%) and increased total expenses on loss provisions (40.4%), resulted in a somewhat higher income before taxes in the observed period. Trends that have marked Group I throughout the observed period were largely influenced by mergers of banks from lower groups (two banks from Group II and two banks from Group III merged with Group I banks, and one bank moved to Group I on account of a growth in its assets).

Movements of all income statement items of Group II banks were largely negative (total net interest income fell by 49.2% and total net income from commissions and fees by 37.1%). In contrast, total net other non-interest income trended upwards during the reference period, by HRK 26.1m (or 477.1%). In addition, expenses on loss provisions amounted to HRK 5.8m at the end of the second half of 2005. Notwithstanding the negative movements, that were for the most part the result of the change in the composition of bank groups in the observed one-year period, Group II reported HRK 71.2m in total income before taxes.

Income before taxes of Group III banks was 9.1% higher at the end of the second half of 2005 than in the same period last year. Income before taxes generated by this group was the result of the increase in total interest income (by 13.9%) and total net income from commissions and fees (by 13.6%) and the decrease in expenses on loss provisions (by 38.2%) and total net other non-interest income (by 39.1%) and the increase in general administrative expenses and depreciation (by 12.4%). The composition of Group III changed during the observed one-year period due to the merger between two banks from Group III with banks from Group I, while two banks from Group IV moved to Group III on account of an increase in their assets.

In contrast to the end of 2004, when it reported loss before taxes in the amount of HRK 17.0m, Group IV reported HRK 10.0m in income before taxes at the end of the first half of 2005. Although the amounts recorded under the majority of income statement items were reduced (total net interest income fell by 39.2% and total net other non-interest income by 4.5%), total net income from commissions and fees grew by 2.2%. In addition, the reported income before taxes was for the most part the result of the reduction in expenses on provisions for unidentified losses. During the observed one-year period, two banks from this group moved to Group III due to an increase in their assets, while two banks from this group are undergoing winding-up proceedings.

The structure of total bank income at end-June 2005 shows a 5.7 percentage points increase in the share of interest income, which was chiefly due to the increase in interest income from granted loans (5.2 percentage points) (Table 2.9). The share of income from commissions and fees also grew (by 0.5 percentage points), while the share of other non-interest income fell by 6.2 percentage points in

	Group I		Group II		Group III		Group IV		Total	
	Jan.-Jun. 2004	Jan.-Jun. 2005	Jan.-Jun. 2004	Jan.-Jun. 2005	Jan.-Jun. 2004	Jan.-Jun. 2005	Jan.-Jun. 2004	Jan.-Jun. 2005	Jan.-Jun. 2004	Jan.-Jun. 2005
1. INTEREST INCOME	67.8	75.3	80.2	75.4	70.8	74.2	80.0	72.8	69.5	75.3
1.1. Interest on loans and placements	54.1	61.0	66.3	62.9	61.4	66.0	73.0	61.6	56.1	61.4
1.2. Interest income from deposits	5.4	5.7	5.7	6.0	3.4	3.0	2.1	3.3	5.3	5.5
1.3. Interest income from debt securities	7.9	8.6	7.2	6.5	4.7	4.3	4.9	7.5	7.6	8.3
1.4. Net balances on exchange rate fluctuations related to interest income	-0.2	-0.4	-0.2	-0.3	0.0	-0.1	0.0	0.0	-0.2	-0.4
1.5. Interest income from previous years	0.1	0.3	1.1	0.3	1.4	0.9	0.0	0.4	0.3	0.3
2. NET INTEREST INCOME	37.1	41.5	47.0	41.9	41.4	42.2	45.7	43.3	38.5	41.6
3. INCOME FROM COMMISSIONS AND FEES	19.3	19.5	15.3	15.3	16.1	15.5	10.0	15.2	18.5	19.0
3.1. Income from fees for payment operation services	11.2	11.0	8.7	6.7	10.7	8.5	4.9	7.9	10.7	10.6
3.2. Income from fees for other banking services	8.2	8.5	6.6	8.5	5.4	7.0	5.1	7.3	7.8	8.4
3.3. Net balances on exchange rate fluctuations related to claims based on fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
4. NET INCOME FROM COMMISSIONS AND FEES	10.4	11.1	8.8	9.7	9.7	9.9	5.0	8.8	10.1	11.0
5. OTHER NON-INTEREST INCOME	12.9	5.2	4.5	9.4	13.1	10.3	10.0	11.9	11.9	5.7
5.1. Gains/losses from investment in subsidiaries, associates and joint ventures	0.1	0.0	0.0	0.0	-0.1	-0.4	-0.7	0.0	0.1	0.0
5.2. Gains/losses from trading activities	5.1	7.5	4.9	6.1	12.2	7.1	5.7	7.1	5.4	7.4
5.3. Gains/losses from activities related to assets available for sale	-0.5	0.1	0.2	0.7	1.0	0.2	-0.2	-1.5	-0.4	0.2
5.4. Gains/losses from activities related to assets held to maturity	0.0	0.0	0.0	0.0	0.3	-0.1	0.0	-0.3	0.0	0.0
5.5. Gains/losses from hedging transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5.6. Income from investments in subsidiaries and associates	4.2	0.4	0.0	0.0	0.0	0.0	0.0	0.0	3.5	0.4
5.7. Income from other equity investments	0.3	0.0	0.2	0.0	0.0	0.1	0.0	0.0	0.3	0.0
5.8. Gains/losses from calculated exchange rate differentials	-1.7	-4.6	-3.2	-1.2	-2.4	-1.3	0.9	1.3	-1.8	-4.1
5.9. Other income	5.2	1.1	2.0	1.2	1.0	1.9	1.4	4.4	4.6	1.2
5.10. Extraordinary income	0.1	0.0	0.3	0.6	1.1	2.8	2.8	0.9	0.2	0.2
6. NET NON-INTEREST INCOME	15.8	13.5	9.4	15.9	20.0	15.5	9.2	12.0	15.1	13.7
7. NET OPERATING INCOME BEFORE LOSS PROVISIONS	25.2	25.1	15.4	15.1	25.6	22.2	11.4	7.8	23.9	24.1
TOTAL INCOME	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

the observed period. As far as other non-interest income items are concerned, the largest decrease in the share (by more than 3.0 percentage points) was seen in other income, which fell by 3.4 percentage points, and income from investments in subsidiaries and associates, which fell by 3.1 percentage point.

The increase in the share of interest income in total income is to be attributed to the growth of this share in the structure of total income of Group I and Group III banks, and to its fall in Group II and Group IV banks (by 4.8 percentage points and 7.2 percentage points respectively). Income from commissions and fees grew the most in Group IV banks (by 5.3 percentage points) and in Group I banks (by 0.2 percentage points). In contrast, income from commissions and fees fell the most in Group III banks. In addition to a fall of 2.8 percentage points in Group III banks, the largest decrease in the share of other non-interest income in total income was recorded by Group I banks (7.7 percentage points). Other non-interest income of Group II and Group IV banks increased by 4.9 percentage points and 1.9 percentage points respectively.

The structure of total expenses at end June-2005 shows the increase in the shares of interest expenses (by 4.0 percentage points), general administrative expenses and depreciation (by 1.4 percentage

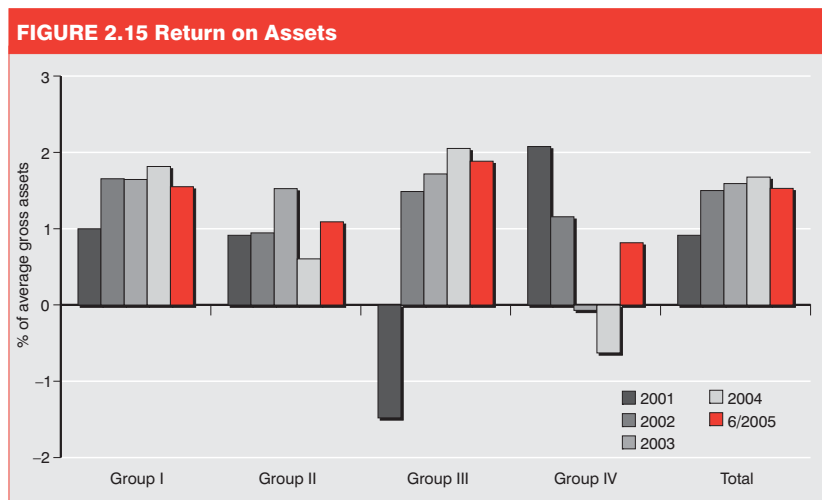
	Group I		Group II		Group III		Group IV		Total	
	Jan.-Jun. 2004	Jan.-Jun. 2005	Jan.-Jun. 2004	Jan.-Jun. 2005	Jan.-Jun. 2004	Jan.-Jun. 2005	Jan.-Jun. 2004	Jan.-Jun. 2005	Jan.-Jun. 2004	Jan.-Jun. 2005
1. INTEREST EXPENSES	39.2	43.5	39.4	38.8	36.4	39.3	31.5	32.5	38.9	42.8
1.1. Interest expenses on borrowings	8.9	9.6	5.7	6.8	3.8	3.1	2.5	4.6	8.1	9.1
1.2. Interest expenses on deposits	27.0	29.6	29.0	29.7	31.1	34.9	26.3	26.4	27.4	29.8
1.3. Interest expenses on debt securities	0.9	2.0	1.2	0.4	0.0	0.4	0.5	0.1	0.9	1.8
1.4. Premiums for the insurance of savings deposits	2.8	2.2	3.6	2.4	1.4	1.2	2.1	1.5	2.8	2.1
1.5. Net balances on exchange rate fluctuations related to interest expenses	-0.5	-0.6	-0.3	-0.5	-0.3	-0.4	0.0	0.0	-0.4	-0.6
1.6. Interest expenses from previous years	0.0	0.1	0.3	0.1	0.3	0.1	0.1	0.0	0.1	0.1
2. EXPENSES ON COMMISSIONS AND FEES	11.7	10.7	7.7	6.4	7.8	6.9	4.6	7.1	10.9	10.2
2.1. Expenses on fees/commissions for banking services	11.7	10.7	7.7	6.4	7.8	6.9	4.6	7.1	10.9	10.2
2.2. Net balances on exchange rate fluctuations related to liabilities based on fees	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. OTHER NON-INTEREST EXPENSES	9.8	3.6	4.7	3.7	3.5	5.8	5.3	9.6	8.8	3.8
3.1. Other expenses	9.8	3.6	4.5	3.7	3.4	5.5	4.8	5.5	8.8	3.7
3.2. Extraordinary expenses	0.0	0.0	0.2	0.0	0.1	0.3	0.5	4.1	0.1	0.1
4. GENERAL ADMINISTRATIVE EXPENSES AND DEPRECIATION	36.4	38.5	48.7	49.7	44.1	43.5	40.0	52.3	38.3	39.7
4.1. Expenses for employees	18.6	19.4	24.0	24.7	21.7	21.3	21.4	31.0	19.5	20.1
4.2. Depreciation	5.8	5.9	4.9	5.8	5.4	7.2	6.3	5.6	5.7	5.9
4.3. Other administrative expenses	11.9	13.1	19.8	19.2	17.0	15.0	12.2	15.7	13.1	13.7
5. LOSS PROVISION EXPENSES	2.8	3.7	-0.5	1.3	8.2	4.5	18.7	-1.4	3.2	3.5
5.1. Expenses on value adjustment and provisions for identified losses	0.6	0.6	10.5	1.1	14.0	3.0	21.5	-1.5	2.9	0.7
5.2. Expenses on unidentified loss provisions	2.3	3.1	-11.0	0.2	-5.8	1.5	-2.9	0.0	0.2	2.8
TOTAL EXPENSES	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

points) and expenses on loss provisions (by 0.3 percentage points), and the fall in the shares of expenses on commissions and fees (by 0.6 percentage points) and other non-interest expenses (by 5.0 percentage points) (Table 2.10). The share of interest expenses on deposits in total expenses grew the most (by 2.4 percentage points). In contrast, the share of other expenses in total expenses fell the most (by 5.1 percentage point).

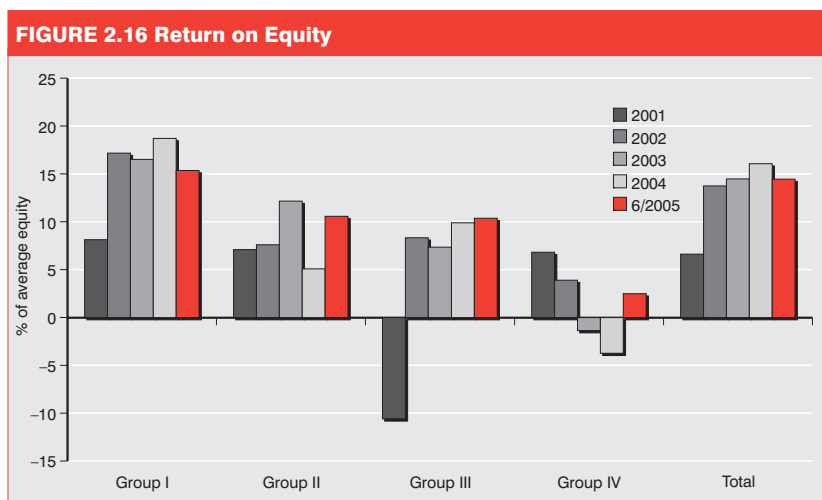
The share of interest expenses of Group I in total expenses grew by 4.3 percentage points at end-June compared with the same period last year. In addition, Group I also registered a 2.0 percentage points increase in its share of general administrative expenses and depreciation and a 0.8 percentage points increase in its share of expenses on loss provisions. In contrast, this group's share of expenses on commissions and fees and share of other non-interest expenses fell by 1.0 percentage points and by 6.2 percentage points respectively. The share of expenses on loss provisions and the share of general administrative expenses and depreciation grew the most in Group II banks, by 1.9 percentage points and by 0.9 percentage points respectively, while this group's share of interest expenses fell by 0.6 percentage points, mostly on account of the decrease in interest expenses on debt securities. In addition, the share of interest expenses and the share of other non-interest expenses were the largest in Group III banks (3.0 percentage points and 2.3 percentage points respectively). This group's share of general administrative expenses and depreciation and share of expenses on loss provisions fell by 0.6 percentage points and 3.7 percentage points respectively. During the observed period, Group IV banks registered the largest decrease in the share of expenses on loss provisions (20.1 percentage points) and the largest increase in the share of general administrative expenses and depreciation (12.3 percentage points), with the increase in the share of expenses on provisions and fees standing at 2.5 percentage points.

2.1.6 Return Indicators

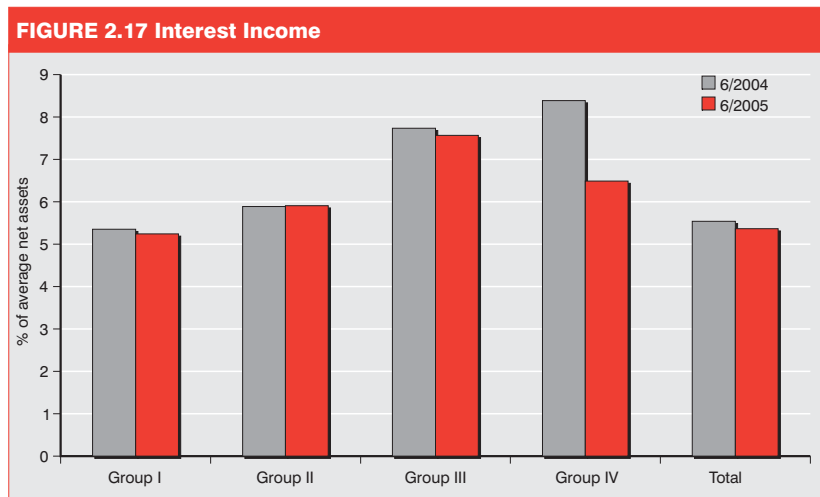
Return on average gross assets at end-June 2005 was 1.5%, which is a decrease of 0.2 percentage points, compared with end-2004 (Figure 2.15). This stopped its upward trend observed since 2002. The major contributors to the fall of return on average gross assets were reduced returns on gross assets in Group I and Group III banks (by 0.2 percentage points in each group). In contrast, returns on assets grew in Group II and Group IV banks. Groups III and I had the highest return on gross assets at the end of June 2005 (1.9% and 1.6%, respectively). Group II banks followed with 1.1%, while the return of Group IV banks was the lowest, 0.8%.



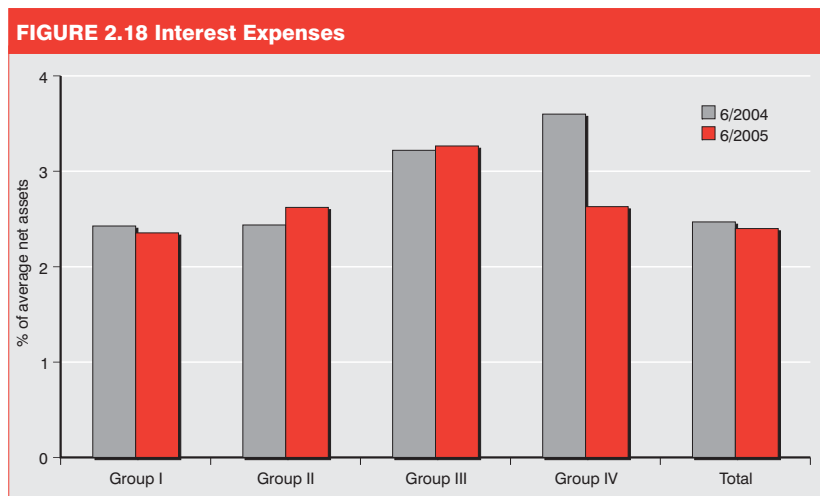
After growing for three consecutive years, the rate of return on average equity declined to 14.5% at end-June 2005 or by 1.6 percentage points compared with end-2004 (Figure 2.16). This rate was the highest in Group I banks (15.4%) at end-June 2005. Group II and III banks followed with 10.6% and 10.4% respectively, and finally, Group IV with 2.5%. The rate of return on average equity fell the most in Group I banks (by 3.3 percentage points), but it grew in other bank groups.



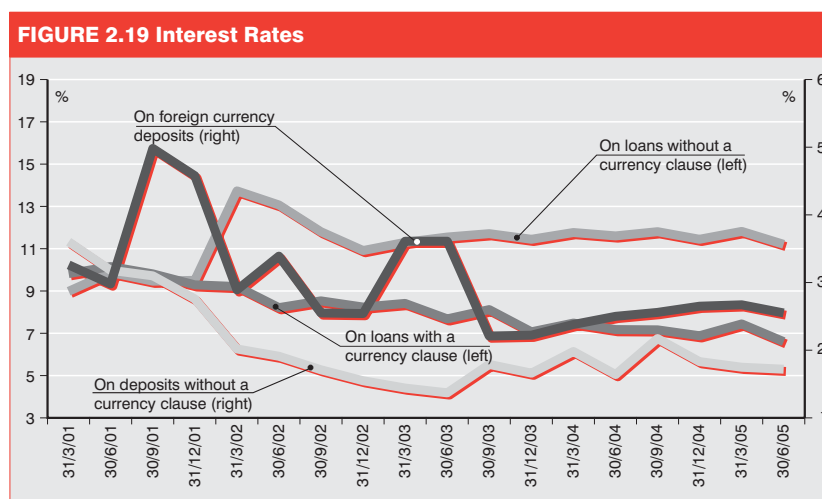
Average interest income to average net assets ratio fell by a modest 0.1 percentage point at end-June 2005 compared with the same period last year (Figure 2.17). The ratio of Group III banks was the largest, 7.6%. Group IV, II and I banks followed with 6.5%, 5.9% and 5.2% respectively. Compared with the same period last year, the ratio diminished in all bank groups (by 0.1 percentage points to 1.9 percentage points), while it remained the same in Group II banks.



Average interest expense to average net assets ratio was 2.4% at end-June 2005, which is almost the same as at end-June 2004 (Figure 2.18). The same ratio value was recorded by Group I banks, while Group II, III and IV banks recorded higher ratios of 2.6%, 3.3% and 2.6% respectively. During the observed period, the ratio of average interest expense to average net assets remained unchanged in Group I. By contrast, it grew by 0.1 percentage point and 0.2 percentage points in Group II and III banks respectively, and declined by 1.0 percentage point in Group IV banks.



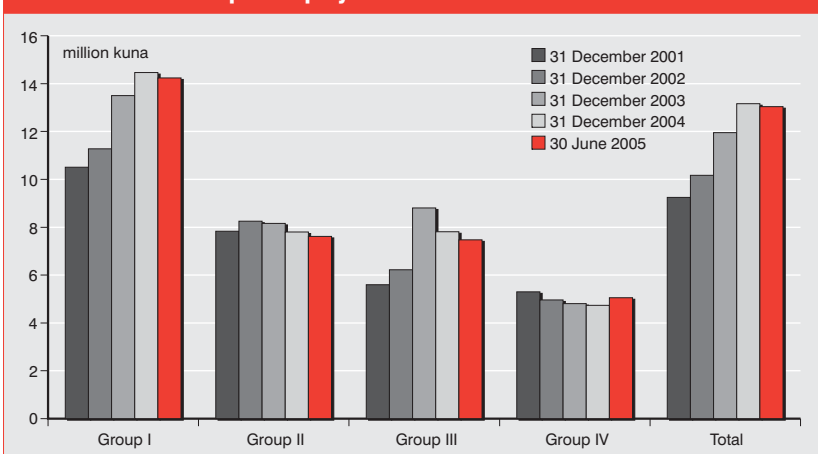
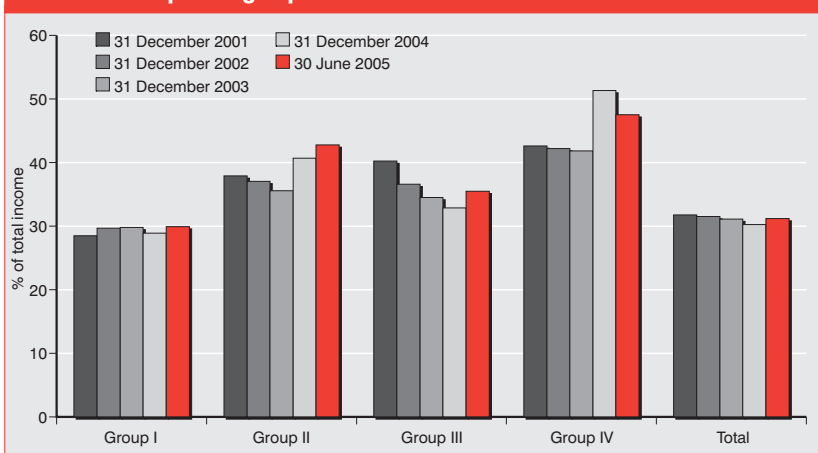
Net interest spread remained at its end-2004 level of 3.0%.¹¹ As regards individual bank groups, net interest spread grew by 1.16 percentage points in Group II and fell in other bank groups. At the end of the first half of 2005, Group III had the highest spread (4.3%). The spreads of Groups IV, II and I were 3.9%, 3.3% and 2.9%, respectively.



All bank interest rates declined further at end-June 2005. Interest rate on foreign currency deposits and interest rate on deposits without a currency clause went down to 2.6% and 1.7% respectively, or 0.1 percentage point each. However, if we exclude current account and giro account deposits (which account for a significant nominal amounts, and whose main feature, in fact, is not the generation of interest income) from deposits without a currency clause, we find that interest rate on deposits without a currency clause amounts to 3.5% on average. Interest rates on loans without a currency clause fell by 0.2 percentage points and stood at 11.2%, while those on loans with a currency clause decreased by 0.3 percentage points and stood at 6.6%.

The number of persons employed by the banking sector rose from 17,424 at end-2004 to 18,077 at end-June 2005, which is an increase of 3.7%. The number of employees rose in Groups I (by 736 or 5.2%) and II (by 30 or 1.8%), while it declined by 1.8% and 17.4% in Groups III and IV respectively. At the end of the first half of 2005, Group I accounted for 83.0% (15,003) of the total number of all persons working in the banking sector, while Groups II, III and IV accounted for 9.5% (1,709), 5.0% (908) and 2.0% (457), respectively, of the total number of persons employed.

Assets per employee fell to HRK 13.0m or by HRK 2m (0.9%) at the end of the second quarter 2005 compared with end-2004, after trending upwards since early 2000 (Figure 2.20). This indicator declined in Groups I, II and III by 1.6%, 2.4% and 4.4%, respectively, during the observed period, and rose in Group IV by 6.7%. The registered decrease in assets per employee can be attributed to faster employment growth (3.8%), compared with assets growth (2.8%), over the observed period. Group I

FIGURE 2.20 Assets per Employee**FIGURE 2.21 Operating Expenses**

was the most efficacious group in terms of assets per employee at the end of the first half of 2005 and the group's average assets per employee stood at HRK 14.2m. Groups II, III and IV followed with HRK 7.6m, HRK 7.5m and HRK 5.1m, respectively.

Operating expenses to total income ratio stood at 31.2% at the end of the first half of 2005, which is an increase of 1.0 percentage point, compared with end-2004 (Figure 2.21). Such developments can be attributed to the fall in total income (0.9%) and the increase in operating expenses (2.1%) during the observed period. In the first six months of 2005, operating expenses to total income ratio fell by 3.8 percentage points in Group IV, the most efficacious group in terms of operating expenses to total income ratio, and stood at 47.5% at the end of the second quarter 2005. By contrast, it rose in other bank groups. During the observed period, the ratio of operating expenses to total income grew the most

11 Net interest spread is calculated as the difference between interest income and interest expenses (on annual level) divided by the average assets.

in Groups III and IV (by 2.6 and 2.1 percentage points respectively) and stood at 35.5% and 42.8%. In Group I, this ratio grew by 1.0 percentage point or to 29.9%.

2.1.7 Credit Activity

Total placements and contingent liabilities were HRK 247.7bn on 30 June 2005, up HRK 5.3bn (2.2%) compared with end-2004 (Table 2.11). The major contributors to the growth in total placements and contingent liabilities in the observed period were the increase in extended loans (gross), up by HRK 11.8bn (9.0%), and the increase in off-balance sheet (contingent) liabilities, up by HRK 5.0bn (15.9%). Concurrently, extended deposits fell by HRK 8.6bn (13.3%).

Loans (gross) accounted for 57.8% of total placements and contingent liabilities, while deposits and contingent liabilities accounted for 22.7% and 14.7% respectively. Other placement items comprised the remaining 4.7%.

The growth in extended loans (gross) was due to the increase in loans extended to the Republic of Croatia (by HRK 3.8bn or 75.4%), other loans extended to households (by HRK 2.4bn or 8.5%) and loans extended to other companies (by HRK 2.0bn or 4.6%). Housing loans (gross) rose by HRK 1.8bn or 8.8% during the observed period. The growth in non-utilised overdraft facility loans (by HRK 2.3bn or 16.1%) and the growth in guarantees (by HRK 1.9bn or 17.6%) contributed the most to the increase in off-balance sheet (contingent) liabilities. Deposits fell on account of a HRK 10.8bn (34.0%) decrease in deposits with foreign financial institutions (to a large extent, this was due to the amendments to the Decision on the Minimum Required Amount of Foreign Currency Claims adopted in February 2005, i.e. due to the lowering of the minimum foreign exchange liquidity ratio from 35% to 32%).¹²

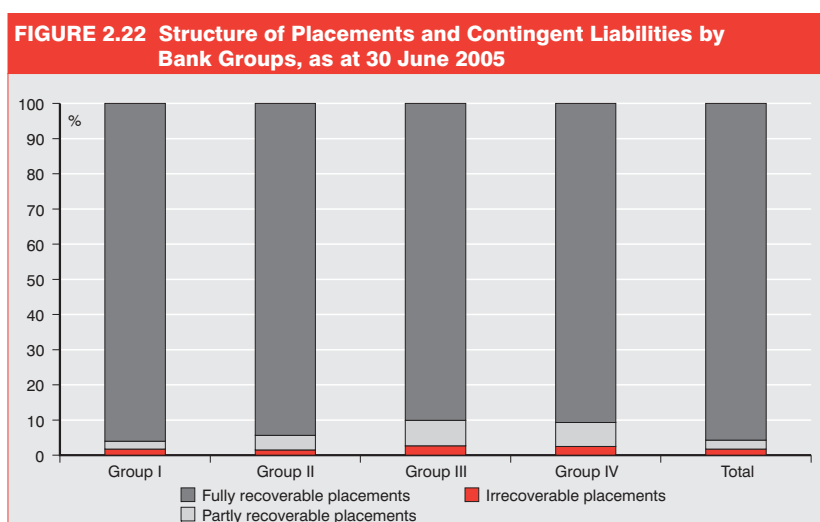
The share of fully recoverable placements and contingent liabilities in total placements and contingent liabilities went up by 2.5% or from 95.4% at end-2004 to 95.7% at end-June 2005. Partly recoverable placements and contingent liabilities dipped by 6.3% at end-June 2005 over the end of 2004, while their share in total placements and contingent liabilities stood at 2.5%. In addition, irrecoverable placements and contingent liabilities fell by 0.7%, while their share in total placements and contingent liabilities remained unchanged at the end of the observed period (1.8%).

TABLE 2.11 Classification of Placements and Contingent Liabilities by Risk Categories, end of period, in million kuna and %

Placements	Dec. 2002		Dec. 2003		Dec. 2004		Jun. 2005	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements (category A)	172,251.3	94.1	200,166.3	94.9	231,225.3	95.4	236,997.3	95.7
2. Partly recoverable placements (category B)	6,473.3	3.5	7,475.8	3.5	6,722.6	2.8	6,296.6	2.5
3. Irrecoverable placements (category C)	4,245.4	2.3	3,371.5	1.6	4,386.2	1.8	4,357.4	1.8
Total	182,970.0	100.0	211,013.6	100.0	242,334.1	100.0	247,651.4	100.0

¹² Official gazette *Narodne novine*, No. 22/2005.

Fully recoverable placements and contingent liabilities of Group I accounted for the largest share of total placements and contingent liabilities, growing from 95.7% at end-2004 to 96.0% at end-June 2005. The share of fully recoverable placements and contingent liabilities also grew in Group II (from 94.0% to 94.4%) and Group IV (from 90.2% to 90.7%). However, it fell in Group III banks (from 90.4% to 90.1%).



The relative ratio of total placement value adjustment and provisions for contingent liabilities to total placements and contingent liabilities fell from 3.7% at end-2004 to 3.6% at end-June 2005 (Table 2.12). During the observed period, total placement value adjustment and provisions for contingent liabilities grew by a small 0.2%, on account of a 2.4% fall in placement value adjustment and provisions for contingent liabilities and an 8.0% rise in provisions for unidentified losses. As a result, the share of placement value adjustment and provisions for identified losses arising from contingent liabilities, i.e. those that relate to identified losses, fell from 74.9% to 72.9%, while the share of provisions for unidentified losses grew from 25.1% to 27.1%.

All bank groups recorded a fall in the coverage of total placements and contingent liabilities by total value adjustment and provisions at end-June 2005 compared with end-2004. The coverage ratio declined the most in Group IV (2.3 percentage points). Groups I and II both recorded a decline of 0.1 percentage points, while the coverage ratio of Group IV fell by 0.2 percentage points. Placement value

TABLE 2.12 Total Value Adjustment and Provisions to Total Placements and Contingent Liabilities Ratio, end of period, in million kuna and %

Placements	Dec. 2002	Dec. 2003	Dec. 2004	Jun. 2005
1. Total value adjustment against placements and provisions for contingent liabilities	9,121.2	8,611.5	8,909.9	8,929.3
1.1. Value adjustment against placements and provisions for contingent liabilities	7,303.4	6,573.8	6,672.5	6,513.7
1.2. Provisions for unidentified losses	1,817.9	2,037.7	2,237.3	2,415.6
2. Total placements and contingent liabilities	182,970.0	211,013.6	242,334.1	247,651.4
3. Relative ratio of total value adjustment and provisions to total placements and contingent liabilities	5.0	4.1	3.7	3.6

adjustment and provisions for identified losses fell by 27.4% and 41.3% respectively in Group IV banks. This group also recorded the decrease in provisions for unidentified losses (by 13.4%) and in total placements and contingent liabilities (by 12.6%). Provisions for unidentified losses of Group I banks rose by 9.0% during the observed period, while its total placement value adjustment decreased by 1.3% (or to HRK 70.2m) and provisions for contingent liabilities by 21.9% (or to HRK 23.9m). Moreover, total placement value adjustment fell in Groups II and III by 3.6% and 0.9% respectively, while their provisions for contingent liabilities rose by 4.9% and 9.2% respectively. Provisions for unidentified losses went up by 0.8% in Group II and fell by 3.0% in Group III.

Total extended loans (net) amounted to HRK 137.2bn at end-June 2005, which is an increase of HRK 12.0bn or 9.6% compared with end-2004 (Table 2.13). To a large extent, this was due to the increase in loans to government units (by HRK 5.6bn or 61.8%) and loans to households (by HRK 4.4bn or 7.0%). The share of loans to government units in total extended loans (net) grew to 10.7% or by 3.4 percentage points. On the other hand, despite the increase in loans to household, the share of household loans in total extended loans (net) fell from 50.0% at end-2004 to 48.8% at end-June 2005. In addition, household loans accounted for the largest shares in the loan portfolios of Group I and II banks (48.7% and 57.2%), while loans to other companies of Group III and IV banks predominated in the sectoral distribution of net loans, accounting for 57.0% and 50.8% respectively.

During the observed period, loans to financial institutions fell by HRK 1.0bn or 31.2%. Moreover, loans to non-profit institutions fell by a modest 0.7%. Despite a 5.1% increase in loans to other companies, their share in the sectoral distribution of net loans fell to 34.1% at end-June 2005 or by 1.5 percentage points.

Other loans (cash loans, overdraft facility loans and the like) accounted for 45.5%, or the largest share, in the structure of extended loans (net) at end-June 2005. Following their growth of 8.8% in the first six months of 2005, the share of housing loans in total loans extended to households rose from 33.7% at end-2004 to 34.2% at end-June 2005. Car loans and credit card loans accounted for 12.1% and 4.5% respectively of total loans (net) extended to households, while mortgage loans accounted for the lowest share of 3.7%.

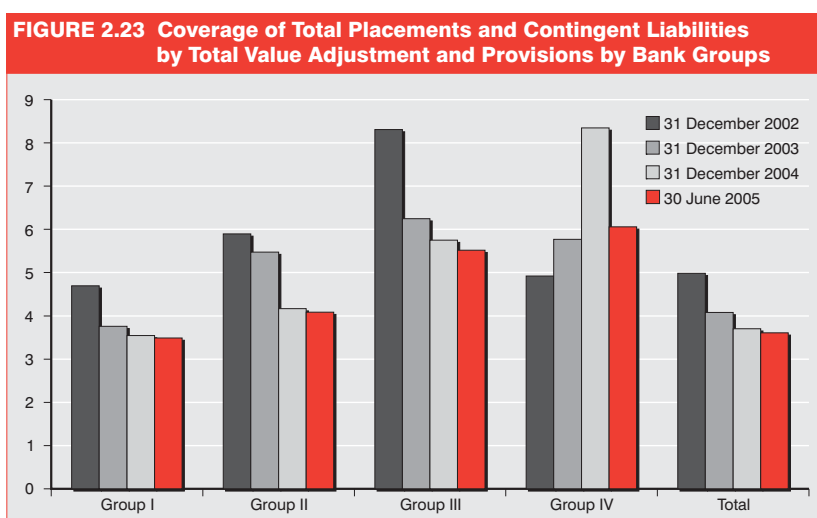


TABLE 2.13 Structure of Net Loans by Institutional Sectors, end of period, in million kuna

	Group I		Group II		Group III		Group IV		Total	
	Dec. 2004	Jun. 2005	Dec. 2004	Jun. 2005	Dec. 2004	Jun. 2005	Dec. 2004	Jun. 2005	Dec. 2004	Jun. 2005
1. Government units	8,935.9	14,488.7	86.1	114.4	7.3	5.6	1.9	3.9	9,031.1	14,612.5
2. Financial institutions	2,841.1	2,002.7	320.7	122.8	109.9	127.8	17.7	10.2	3,289.5	2,263.7
3. Public enterprises	4,847.8	5,593.9	56.0	50.5	48.6	52.4	0.0	0.0	4,952.4	5,696.9
4. Other enterprises	38,915.9	40,996.1	2,614.3	2,738.6	2,415.1	2,509.8	638.5	606.4	44,583.7	46,850.9
5. Non-profit institutions	364.1	364.6	19.7	17.5	8.2	7.0	2.2	2.4	394.3	391.5
6. Households	56,012.4	60,675.4	3,975.2	4,070.8	1,933.6	1,698.2	721.6	570.7	62,642.8	67,015.1
7. Non-residents	305.3	353.7	1.9	7.8	1.0	1.2	0.0	0.0	308.2	362.8
Total	112,222.4	124,475.2	7,074.0	7,122.4	4,523.6	4,402.1	1,382.0	1,193.6	125,202.1	137,193.4

2.1.8 Liquidity Ratios

Total CNB bills and central government bills subscribed stood at HRK 16.8bn at the end of the first half of 2005, which is an increase of 24.0%, compared with end-2004.

There were no subscriptions of kuna and foreign currency CNB bills since they were not issued during the observed period. 59.1% (or almost three-fifths) of the subscribed CNB and central government bills were accounted for by money market instruments of the central government, while 40.9% were accounted for by T-bills.

Loan facilities extended by the CNB grew considerably at end-June 2005 compared with end-2004 (HRK 214.1m vs. HRK 50.4m) due to the changes in monetary policy instruments (see 2.1.3 Banks' Balance Sheet). Over the first half of 2005, banks only used repo CNB bills (Table 2.15).

Average free reserves to average reserve requirements ratio stood at 76.6% at the end of the second quarter of 2005, which is a decline of 18.0 percentage points, compared with the last quarter of 2004 (Figure 2.24). Group II had the highest average free reserves to average reserve requirements ratio

TABLE 2.14 Purchased CNB and Central Government Bills, in million kuna and %, stock on 30 June 2005

	Group I		Group II		Group III		Group IV		Total	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. CNB bills denominated in kuna	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2. CNB bills denominated in foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. MoF treasury bills	6,494.3	40.9	297.9	36.0	72.6	84.6	22.7	47.8	6,887.4	40.9
4. Other money market instruments of the central government*	9,371.0	59.1	530.4	64.0	13.2	15.4	24.8	52.2	9,939.3	59.1
Total	15,865.2	100.0	828.3	100.0	85.8	100.0	47.4	100.0	16,826.7	100.0

* Includes the instruments whose price is market determined.

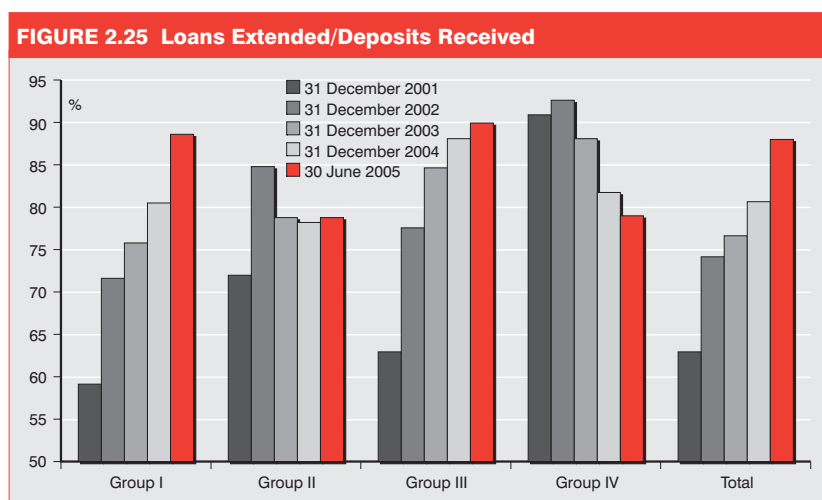
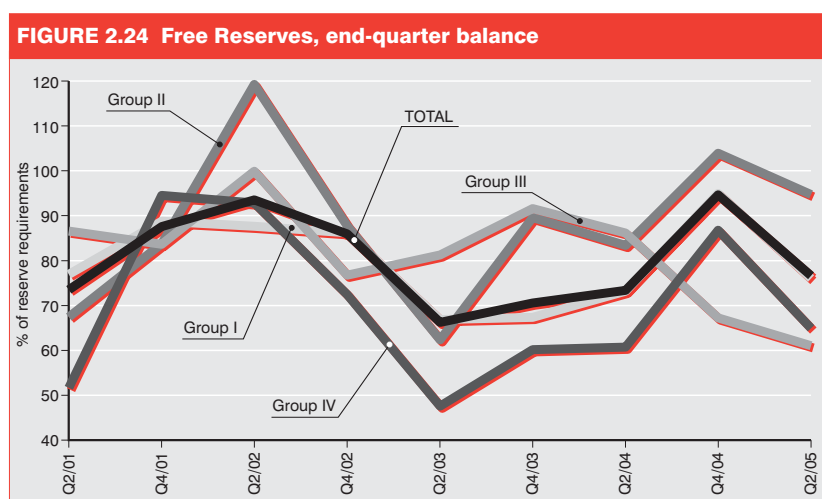
TABLE 2.15 CNB Loans, in million kuna, annual/semi-annual average

	Group I		Group II		Group III		Group IV		Total	
	2004	Jan.-Jun. 2005	2004	Jan.-Jun. 2005	2004	Jan.-Jun. 2005	2004	Jan.-Jun. 2005	2004	Jan.-Jun. 2005
1. Lombard loans	49.3	0.0	0.7	0.0	0.0	0.0	0.4	0.0	50.4	0.0
2. Liquidity loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
3. Repo CNB bills	0.0	214.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0	214.1

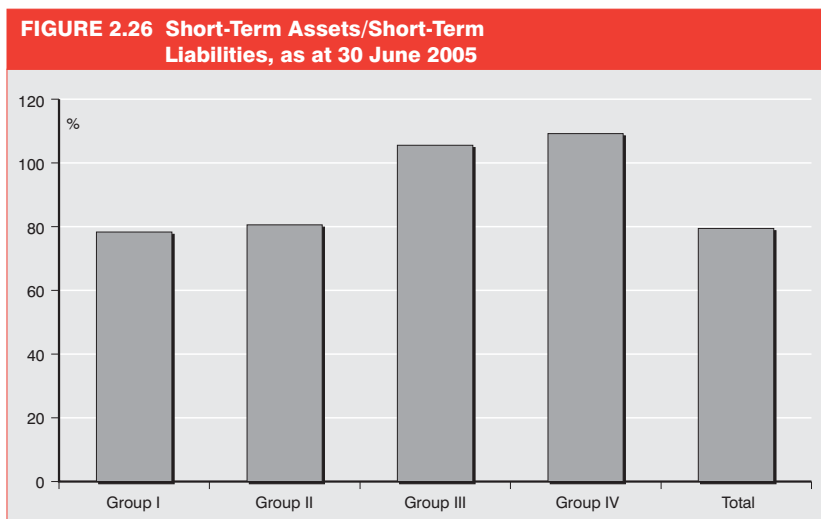
(94.7%) at the end of the second quarter of 2005. Groups I and IV followed with 76.0% and 64.9%, respectively, while Group III had the smallest ratio (61.0%). By contrast, this ratio decreased in all bank groups, albeit to different extents (ranging from 6.2 percentage points in Group III banks to 21.9 percentage points in Group IV banks).

Extended loans to received deposits ratio stood at 88.0% at the end-June 2005, which is an increase of 7.4 percentage points, compared with end-2004 (Figure 2.25). Extended loans grew faster (9.6%) than received deposits (4.0%) during the observed period, causing the ratio's increase. As regards individual bank groups, the ratio of extended loans to received deposits grew in Group I and III banks by 8.1 percentage points and 1.8 percentage points, respectively. However, the ratio fell in Group IV and II banks by 2.7 percentage points and 0.6 percentage points, respectively. Group III had the largest extended loans to received deposits ratio (89.9%), while Group II had the smallest ratio (78.8%).

The ratio between short-term assets and short-term liabilities (based on remaining maturity) stood at 79.4% at the end-June 2005 (Figure 2.26).

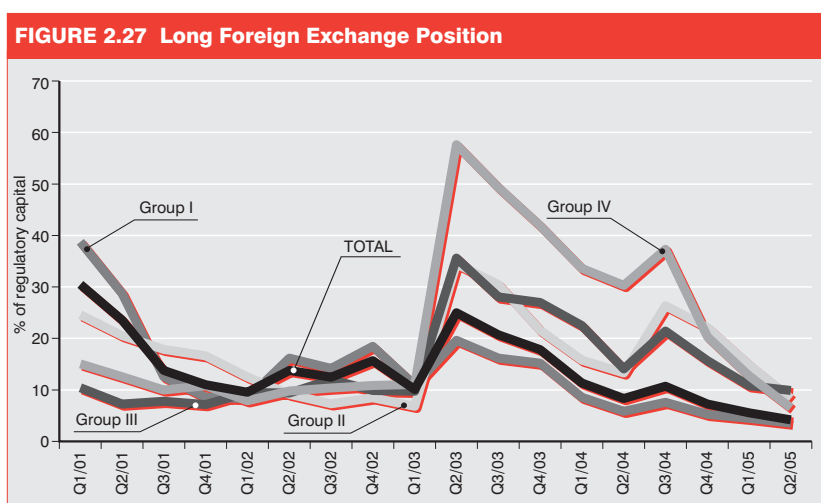


At end-June 2005, Groups III and IV had the largest ratios of short-term assets to short-term liabilities (105.6% and 109.2%, respectively) and Groups I and II followed with 78.3% and 80.6%, respectively.

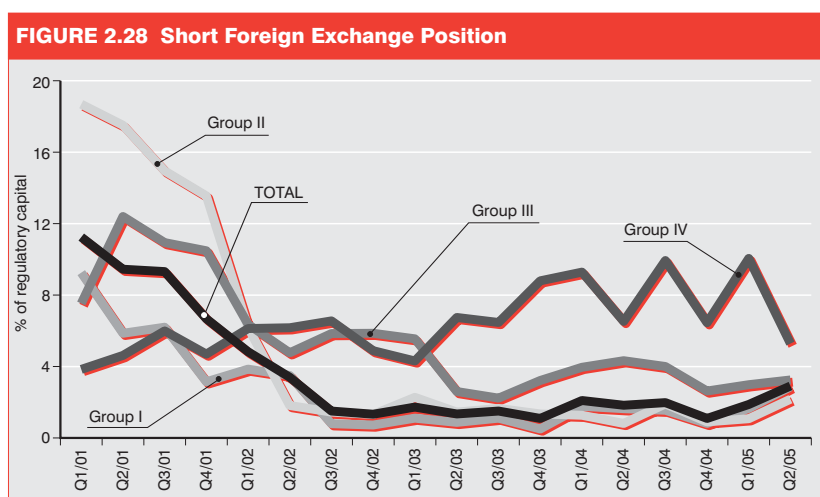


2.1.9 Currency Adjustment of Assets and Liabilities

The ratio between average long foreign exchange position and regulatory capital stood at 4.2% in the second quarter of 2005, which is a considerable decrease compared with 7.3% in 2004 (Figure 2.27). Group III had the largest average long foreign exchange position to regulatory capital ratio (9.9%). Groups II, IV and I followed with 8.3%, 6.5% and 3.5%, respectively.



The ratio between average short foreign exchange position and regulatory capital was 2.9% in the first half of 2005, up 1.8 percentage points (Figure 2.28). The ratio of total short foreign exchange position to regulatory capital was the largest in Group IV (5.3%). Far behind were Groups III (3.3%) and I (2.9%) and Group II, as the group with the lowest ratio (2.2%).



2.2 Housing Savings Banks

At end-June 2005, there were four housing savings banks operating in Croatia.

2.2.1 Housing Savings Banks' Balance Sheet

At the end of the first half of 2005, total housing savings bank assets stood at HRK 5.3bn, which is a decrease of 0.64%, compared with end-2004. Total housing savings bank assets accounted for 2.25% of total banking assets on 30 June 2005.

Securities and other financial instruments available for sale accounted for 22.79% or the largest share of total housing savings bank assets at end-June 2005. Securities and other financial instruments which are not traded on active markets and which are measured at fair value through profit or loss accounted for 22.13%, T-bills for 12.22% and securities and other financial instruments held to maturity for 11.08% (Table 2.16). Investments in bonds and other long-term instruments of the Republic of Croatia (77.89%) and T-bills (17.94%) made up the largest share of total investments in securities. The remaining share was accounted for by investments in bonds and other long-term instruments of central government funds (3.54%) and banks (0.63%). Deposits with banking institutions increased the most in nominal terms in the observed period, by HRK 108.9m or 32.76%.

TABLE 2.16 Structure of Housing Savings Bank Assets, end of period, in million kuna and %

	Dec. 2002		Dec. 2003			Dec. 2004			Jun. 2005		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Money assets and deposits with the CNB	19.15	0.88	0.01	0.00	-99.96	0.01	0.00	100.00	0.01	0.00	-21.43
1.1. Money assets	0.02	0.00	0.01	0.00	-56.25	0.01	0.00	100.00	0.01	0.00	-21.43
1.2. Deposits with the CNB	19.13	0.88	0.00	0.00	-100.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Deposits with banking institutions	27.19	1.24	25.86	0.73	-4.92	332.36	6.21	1,185.48	441.24	8.30	32.76
3. MoF treasury bills and CNB bills	561.52	25.68	748.89	21.27	33.37	780.79	14.59	4.26	649.81	12.22	-16.78
4. Securities and other financial instruments held for trading and available for sale	1,149.60	52.58	766.81	21.78	-33.30	2,398.14	44.81	212.74	1,412.93	26.57	-41.08
4.1. Securities and other financial instruments held for trading	-	-	-	-	-	250.18	4.68	-	201.46	3.79	-19.48
4.2. Securities and other financial instruments available for sale	-	-	-	-	-	2,147.96	40.14	-	1,211.47	22.79	-43.60
5. Securities and other financial instruments held to maturity and bought on issue directly from the issuer	277.77	12.71	1,527.89	43.40	450.05	623.14	11.64	-59.22	588.95	11.08	-5.49
5.1. Securities and other financial instruments held to maturity	-	-	-	-	-	548.19	10.24	-	588.95	11.08	7.44
5.2. Securities and other financial instruments bought on issue directly from the issuer	-	-	-	-	-	74.96	1.40	-	-	-	-
6. Securities and other financial instruments not traded in active markets but carried at fair value	-	-	-	-	-	-	-	-	1,176.60	22.13	-
7. Derivative financial assets	-	-	-	-	-	0.00	0.00	-	0.00	0.00	0.00
8. Loans to financial institutions	10.05	0.46	211.39	6.00	2,002.72	468.95	8.76	121.85	241.66	4.55	-48.47
9. Loans to other clients	91.32	4.18	187.78	5.33	105.62	372.94	6.97	98.61	458.32	8.62	22.89
10. 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
11. 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
12. Tangible assets (net of depreciation)	20.51	0.94	18.98	0.54	-7.44	8.72	0.16	-4.04	8.48	0.16	-2.83
13. Interest, fees and other assets	30.76	1.41	39.10	1.11	27.13	389.35	7.28	895.68	361.56	6.80	-7.14
14 Net of: Specific reserves for unidentified losses	1.58	0.07	6.27	0.18	297.84	23.13	0.43	269.10	22.74	0.43	-1.67
TOTAL ASSETS	2,186.31	100.00	3,520.43	100.00	61.02	5,351.29	100.00	52.01	5,316.81	100.00	-0.64

Housing savings bank liabilities at end-June 2005 consisted mostly of time deposits (88.00%). Interest, fees and other liabilities accounted for 7.62% and capital for 4.03% (Table 2.17). Housing savings banks' time deposit fell by HRK 49.31m in the first half of 2005, or by 1.04% over end-December 2004. Only derivative financial liabilities and other financial liabilities held for trading trended upwards during the observed period, to HRK 7.91m, accounting for 0.15% of total housing saving bank liabilities.

Total capital of housing savings banks amounted to HRK 214.41m at end-June 2005, which is an increase of 38.50% over end-December 2004. Among capital items, only current year profit trended upwards, while retained earnings and legal reserve declined by 20.41% and 44.21% respectively. Compared to end-December 2004, when no housing savings bank reported reserves provided for by the articles of association and other capital reserves, housing savings banks reported HRK 26.19m in reserves provided for by the articles of association and other capital reserves at end-June 2005. This was due to the recording of unrealised gains on value adjustment of financial assets available for sale. The reported reserves provided for by the articles of association and other capital reserves contributed the most to the growth of total housing savings bank capital.

Housing savings banks' capital adequacy ratio was 29.68% at end-June 2005, which is a slight decrease compared with 27.74% at end-December 2004. Regulatory capital of housing savings banks amounted to HRK 173.00m.

TABLE 2.17 Structure of Housing Savings Bank Liabilities, end of period, in million kuna and %

	Dec. 2002		Dec. 2003			Dec. 2004			Jun. 2005		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Loans from financial institutions	0.00	0.00	0.39	0.01	0.00	0.00	0.00	-100.00	0.00	0.00	0.00
1.1. Short-term loans	0.00	0.00	0.39	0.01	0.00	0.00	0.00	-100.00	0.00	0.00	0.00
1.2. Long-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2. Deposits	2,012.87	92.07	3,265.14	92.75	62.21	4,728.25	88.36	44.81	4,678.86	88.00	-1.04
2.1. Giro account and current account deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2.2. Savings deposits	0.00	0.00	0.13	0.00	13,000.00	0.09	0.00	-32.82	0.01	0.00	-87.50
2.3. Time deposits	2,012.87	92.07	3,265.01	92.74	62.21	4,728.16	88.36	44.81	4,678.85	88.00	-1.04
3. Other loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.1. Short-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
3.2. Long-term loans	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
4. Derivative financial liabilities and other financial liabilities held for trading	-	-	-	-	-	4.87	0.09	-	7.91	0.15	62.65
5. Debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.1. Short-term debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
5.2. Long-term debt securities issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
6. Subordinated instruments issued	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7. Hybrid instruments issued	0.00	0.00	10.71	0.30	0.00	10.74	0.20	0.32	10.24	0.19	-4.70
8. Interest, fees and other liabilities	36.30	1.66	89.39	2.54	146.24	452.63	8.46	406.34	405.39	7.62	-10.44
TOTAL LIABILITIES	2,049.17	93.73	3,365.63	95.60	64.24	5,196.48	97.11	54.40	5,102.40	95.97	-1.81
TOTAL CAPITAL	137.14	6.27	154.81	4.40	12.88	154.81	2.89	0.00	214.41	4.03	38.50
TOTAL LIABILITIES AND CAPITAL	2,186.31	100.00	3,520.43	100.00	61.02	5,351.29	100.00	52.01	5,316.81	100.00	-0.64

TABLE 2.18 Structure of Housing Savings Bank Capital, end of period, in million kuna and %

	Dec. 2002		Dec. 2003			Dec. 2004			Jun. 2005		
	Amount	Share	Amount	Share	Change	Amount	Share	Change	Amount	Share	Change
1. Share capital	163.36	119.12	193.36	124.91	18.36	203.36	131.36	5.17	203.36	94.85	0.00
2. Current year profit/loss	33.81	24.65	-9.33	-6.03	-127.60	11.40	7.37	-222.22	33.40	15.58	192.91
3. Retained earnings (loss)	-73.20	-53.38	-51.46	-33.24	-29.71	-63.44	-40.98	23.28	-50.49	-23.55	-20.41
4. Legal reserves	0.30	0.22	1.50	0.97	400.00	3.48	2.25	132.07	1.94	0.91	-44.21
5. Total reserves provided for by the articles of association and other capital reserves	12.87	9.38	20.73	13.39	61.08	0.00	0.00	-100.00	26.19	12.22	-
5.1. Reserves provided for by the articles of association and other capital reserves	-	-	-	-	-	0.00	0.00	-	0.00	0.00	0.00
5.2. Unrealised gains/losses on value adjustment of financial assets available for sale	-	-	-	-	-	0.00	0.00	-	26.19	12.22	-
5.3. Reserves arising from hedging transactions	-	-	-	-	-	0.00	0.00	-	0.00	0.00	0.00
6. 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	137.14	100.00	154.81	100.00	12.88	154.81	100.00	0.00	214.41	100.00	38.50

2.2.2 Housing Savings Banks' Income Statement

Housing savings banks reported HRK 33.40m in income before taxes at end-June 2005 (Table 2.19), in contrast with HRK 32.82m in loss before taxes reported in the same period last year. All four housing savings banks reported income before taxes at end-June 2005, with one housing savings bank accounting for as much as 60.39% of total income before taxes. 88.56% of its investments in securities and other financial instruments (or 57.33% of its assets) are held in the portfolio which is measured at fair value through profit or loss. Due to the methodology for estimating the value of investment in securities and other financial instruments held in this portfolio, a significant fluctuation in gains/losses may arise as a result of such investments, and thus directly influence the final operating results in one accounting period.

Interest income accounted for 63.51% or the largest share of total housing savings bank income at end-June 2005. Income from commissions and fees and other non-interest income accounted for 19.75% and 16.74% respectively or the remaining shares. During the observed period, interest expenses accounted for 53.86% or the largest share of total expenses. General administrative expenses and depreciation and other and other non-interest expenses accounted for 37.41% and 6.19%, respectively.

TABLE 2.19 Housing Savings Bank Income Statement, in million kuna

	Jan.-Jun. 2004	Jan.-Jun. 2005
1. Net interest income	37.07	35.58
1.1. Total interest income	98.03	114.79
1.2. Total interest expenses	60.96	79.21
2. Net income from commissions and fees	29.07	32.16
2.1. Total income from commissions and fees	34.31	35.69
2.2. Total expenses on commissions and fees	5.24	3.53
3. Net other non-interest income	-37.44	21.13
3.1. Other non-interest income	-26.32	30.25
3.2. Other non-interest expenses	11.12	9.11
4. Net non-interest income	-8.37	53.30
5. General administrative expenses and depreciation	53.09	55.02
6. Net operating income before loss provisions	-24.38	33.85
7. Total expenses on loss provisions	7.74	0.21
7.1. Expenses on value adjustment and provisions for identified losses	0.03	0.34
7.2. Expenses on provisions for unidentified losses	7.71	-0.13
8. Income/loss before taxes	-32.12	33.64
9. Income tax	0.70	0.24
10. Current year profit/loss	-32.82	33.40

2.2.3 Credit Activity of Housing Savings Banks

Total placement and contingent liabilities fell by HRK 17.69m (or 0.67%) at end-June 2005 compared with end-2004 (Table 2.21). Loans to other clients continued to trend upward, reaching HRK 85.38m (or 22.89%) at end-June 2005 compared with 2004. Owing to this increase, their share in the balance sheet structure of housing savings banks rose from 6.97% to 8.62%.

At end-June 2005, fully recoverable placements and contingent liabilities made up 99.93% of total placements and contingent liabilities of housing savings banks. Partly recoverable placements and contingent liabilities accounted for the remaining 0.06%.

TABLE 2.20 Classification of Housing Savings Bank Placements and Contingent Liabilities by Risk Categories, end of period, in million kuna and %

Placements	Dec. 2002		Dec. 2003		Dec. 2004		Jun. 2005	
	Amount	Share	Amount	Share	Amount	Share	Amount	Share
1. Fully recoverable placements (category A)	889.35	100.00	2,717.31	99.99	2,648.84	99.97	2,630.12	99.93
2. Partly recoverable placements (category B)	0.00	0.00	0.24	0.01	0.68	0.03	1.64	0.06
3. Irrecoverable placements (category C)	0.00	0.00	0.00	0.00	0.05	0.00	0.12	0.00
Total	889.35	100.00	2,717.54	100.00	2,649.57	100.00	2,631.88	100.00

The relative ratio of total placement value adjustment and provisions for contingent liabilities to total placements and contingent liabilities of housing savings banks stood at 0.90% at end-June 2005, which is a modest increase over the ratio recorded at end-2004 (Table 2.21).

Provisions for unidentified losses were HRK 23.13m on 30 June 2005, accounting for 97.72% of total placement value adjustment and provisions for contingent liabilities of housing savings banks.

TABLE 2.21 Total Value Adjustment and Provisions to Total Placements and Contingent Liabilities Ratio of Housing Savings Banks, end of period, in million kuna and %

	Dec. 2002	Dec. 2003	Dec. 2004	Jun. 2005
1. Total value adjustment against placements and provisions for contingent liabilities	0.00	6.50	23.48	23.67
1.1. Value adjustment against placements and provisions for contingent liabilities	0.00	0.13	0.22	0.54
1.2. Provisions for unidentified losses	0.00	6.37	23.26	23.13
2. Total placements and contingent liabilities	889.35	2,717.54	2,649.57	2,631.88
3. Relative ratio of total value adjustment and provisions to total placements and contingent liabilities	0.00	0.24	0.89	0.90

3 Notes on Methodology

Figure 2.1 Number of Banks

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

Table 2.1 Bank Groups by Asset Size

In accordance with the selected criterion – the size of assets – Table 2.1 shows the parameters for the classification of banks into individual groups. Schedule BS is the source of data on the size (amount) of assets (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

Table 2.2 Territorial Distribution of Branches and Sub-Branches

The total number of branches and sub-branches of all banks in the Republic of Croatia is classified by counties. The County of Zagreb includes the data on the City of Zagreb. Banks are the source of data.

Figure 2.2 Geographical Concentration of Branches and Sub-Branches by Counties

The concentration of branches and sub-branches by counties is represented by cycles, which are positioned along the capitals of individual counties. The largest cycle shows the largest concentration of branches and sub-branches in relation to other counties. The size of other cycles is in the proportion to the largest cycle. For example, the largest number of branches and sub-branches is located in the County of Zagreb and the City of Zagreb and therefore represented by the largest cycle (100%). In comparison with this county, the number of branches and sub-branches located in the County of Istria is twice lower and therefore represented by the cycle which is almost half the size of the largest cycle (53%), etc.

Banks are the source of data.

Figure 2.3 Relative Change in the Number of Branches and Sub-Branches by Counties

The relative change in the number of branches and sub-branches in individual counties is represented by triangles, which are positioned along the capitals of individual counties. The largest triangle shows the largest relative change in the number of branches and sub-branches in relation to other counties. The size of other triangles is in the proportion to the largest triangle. For example, the relative change in the number of branches and sub-branches is the largest in the County of Varaždin and therefore represented by the largest triangle (100%). In comparison with this county, the relative change in the number of branches and sub-branches in the County of Slavonski Brod-Posavina is lower (31%) and therefore represented by the triangle which is 69% smaller than the largest triangle, etc. The underlined capitals of counties and shadowed triangles represent counties in which the relative number of branches and sub-branches has decreased in the observed period.

Banks are the source of data.

Figure 2.4 Number of Branches and Sub-Branches and ATMs by Bank Groups

This Figure shows the sum of all branches and sub-branches in an individual bank group. Banks are the source of data.

Table 2.3 Territorial Distribution of ATMs

The total number of installed ATMs of all banks in the Republic of Croatia is classified by counties. The County of Zagreb includes the data on the City of Zagreb. Banks are the source of data.

Figure 2.5 Share of the Largest Banks' Assets/Deposits in Total Assets/Deposits

The criterion for selecting the two largest and the next three largest banks in the banking system is the size of their assets. The share of the assets of the two largest banks (the next three banks) in the total assets is calculated as a ratio between the sum of the assets of the two largest banks (the next three banks) and the total assets of all banks, and is stated in percent. The share of their deposits in the total deposits of the banking system is calculated in the same manner.

Schedule BS is the source of data on the amount of assets (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004), while Schedule BS/DEP is the source of data on the total deposits (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

Figure 2.6 Herfindahl Index (all banks)

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

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

The Herfindahl index can vary from 0 (perfectly competitive industry) to 10,000 (monopoly). Extended loans/received deposits concentration indices are calculated by applying the same formula. Schedule BS is the source of data on the amount of assets (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

Table 2.4 Structure of Bank Assets

The share of each balance sheet item of assets in the total banking system assets is calculated on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004 – Schedule BS) and the derived aggregate report of the same type on the banking system at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period. For comparability purposes, the value of asset items reported in the previous period has been presented in accordance with the new reporting form.

Figure 2.7 Shares of Individual Bank Groups in Total Assets

The share of assets of each stated bank group in the total banking system assets is calculated in the following manner. First, the total assets of all banks in an individual bank group are added up. Second, the sum thus calculated is divided by the total banking system assets. The respective shares are stated in percent.

Schedule BS is the source of data on the amount of assets (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

Table 2.5 Structure of Bank Liabilities

Bank liabilities are calculated in the same manner as bank assets in Table 2.4, i.e. the share of each balance sheet item of liabilities in the total banking system liabilities is calculated on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004 – Schedule BS) and the derived aggregate report of the same type on the banking system at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period. For comparability purposes, the value of liability items reported in the previous period has been presented in accordance with the new reporting form.

Figure 2.8 Shares of Received Foreign Currency Deposits with Individual Bank Groups in Total Deposits

The share of received foreign currency deposits with an individual bank group in the total banking system deposits is calculated in the following manner. First, the received foreign currency deposits of all banks in an individual bank group, recorded in the relevant quarter, are added up. Second, the total deposits are added up. The sums thus calculated are mutually divided and multiplied by 100. Schedule BS/DEP is the source of data on the received foreign currency deposits and total deposits (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

Table 2.6 Structure of Bank Capital

This Table shows in detail the structure of the bank capital (see also Table 2.5). The share of each stated capital item in the total banking system capital is calculated as a ratio between each capital item and the total banking system capital, and multiplied by 100. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Table 2.7 Changes in Regulatory Capital

The regulatory capital is calculated in accordance with the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 17/2003 and 120/2003) and the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 195/2003 and 39/2004). Schedule JK2 is the source of data on the regulatory capital and an integral part of the stated regulation.

Figure 2.9 Structure of Gross Regulatory Capital

The share of the core capital is calculated as a ratio between the sum of the core capital and the sum of the gross regulatory capital of all banks in an individual bank group, and multiplied by 100. The shares of the supplementary capital I and supplementary capital II of an individual bank group in the gross regulatory capital are calculated in the same manner.

Schedule JK2 is the source of data on the core capital, supplementary capital I, supplementary capital II and gross regulatory capital. This Schedule is an integral part of the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 195/2003 and 39/2004).

Figure 2.10 Core Capital

The core capital, which is an integral part of the regulatory capital, is calculated in accordance with the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 17/2003 and 120/2003) and the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 195/2003 and 39/2004).

This Figure shows the changes in the core capital in the observed period. The core capital of an individual bank group is the sum of the core capital of all banks in an individual bank group. Schedule JK2 is the source of data and an integral part of the stated regulation.

Figure 2.11 Supplementary Capital I

The supplementary capital I is calculated in accordance with the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 17/2003 and 120/2003) and the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 195/2003 and 39/2004). This Figure shows the changes in the supplementary capital I in the observed period. The supplementary capital I of an individual bank group is the sum of the supplementary capital I of all banks in an individual bank group. Schedule JK2 is the source of data and an integral part of the stated regulation.

Figure 2.12 Capital/Deposits

Each bank group ratio between the capital and the deposits is calculated in the following manner. First, the capital of all banks in an individual bank group is added up. Second, the deposits of all banks in an individual bank group are added up. The sums thus calculated are mutually divided and multiplied by 100.

Schedule BS is the source of data on the amount of capital (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

The deposits used in this calculation are giro and current account deposits, savings deposits and time deposits. Schedule BS/DEP is the source of data (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

Figure 2.13 Capital Adequacy by Bank Groups

The capital adequacy ratio is calculated as a ratio between the regulatory capital and the sum of the credit risk-weighted assets and exposures to other risks. The capital adequacy ratio of an individual bank group is calculated in the following manner. First, the regulatory capital of all banks in an individual bank group is added up. Second, the total risk-weighted assets and exposures to other risks of all banks in an individual bank group are added up. The sums thus calculated are mutually divided and multiplied by 100.

The regulatory capital, credit risk-weighted assets and exposures to other risks are calculated in accordance with the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 17/2003 and 120/2003) and the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 195/2003 and 39/2004).

The data on the regulatory capital, credit risk-weighted assets and exposures to other risks are contained in Schedule A-SAK, and generated from Schedules JK2, PBA, PIRS, VR2, SK, OK1, VVP, RR, RPO, RN, RDS, and PDI, which form an integral part of the stated regulation.

Figure 2.14 Structure of Capital Requirements

The capital requirements required for the coverage of individual risk are calculated in accordance with the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 17/2003 and 120/2003) and the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 195/2003 and 39/2004). Schedule PKZ is the source of data and an integral part of the stated regulation.

Table 2.8 Income Statement

In the observed period, the income statement items are stated cumulatively for all banks and individual bank groups on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 166/2003 ,

53/2004 and 129/2004– Schedule IS). For comparability purposes, the value of income statement items reported in the previous period has been presented in accordance with the new reporting form.

Table 2.9 Structure of Income

The share of each income item in the total income of an individual bank group is calculated as a ratio between the sum of the same income items from the reports of the banks in the group (Bank Statistical Report – Schedule IS, *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004) and the total income earned by the group, and multiplied by 100. The same principle is applied to the calculation made at the level of all banks, i.e. the amounts of the same income items from the reports of all banks are added up and expressed as the ratio between the sums thus calculated and the total income earned by all banks in the observed period, and multiplied by 100. For comparability purposes, the value of income items reported in the previous period has been presented in accordance with the new reporting form. Schedule IS is the source of data on the income (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

Table 2.10 Structure of Expenses

The structure of expenses is calculated in the same manner as the structure of income in Table 2.9, i.e. the share of each expense item in the total expenses of an individual bank group is calculated as a ratio between the sum of the same expense items from the reports of the banks in the group (Schedule IS) and the total expenses incurred by the group, and multiplied by 100. The same principle is applied to the calculation made for the banking system as a whole, i.e. the amounts of the same expense items from the reports of all banks are added up and expressed as the ratio between the sums thus calculated and the total expenses incurred by the banking system in the observed period, and multiplied by 100. For comparability purposes, the value of expense items reported in the previous period has been presented in accordance with the new reporting form. Schedule IS is the source of data on the expenses (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

Figure 2.15 Return on Assets

Each bank group ratio between the income before taxes and the average gross assets is calculated in the following manner. First, the income before taxes generated in the relevant period by all banks in an individual bank group is added up. Second, the amounts of the average gross assets are added up. The sums thus calculated are mutually divided and multiplied by 100. The average gross assets are calculated as the arithmetic mean of the balance in the gross assets at the beginning and at the end of period for which the average is calculated. Schedule IS is the source of data on the income before taxes (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004), Schedule BS is the source of data on the gross assets (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004) and Schedule RC is the source of data on the provisions. Schedule RC forms an integral part of the Instruction for the Preparation of Supervisory Reports (see the Decision on Supervisory Reports of Banks, *Narodne novine*, No. 115/2003).

Figure 2.16 Return on Equity

Each bank group ratio between the income after taxes and the average equity is calculated in the following manner. First, the income after taxes generated in the relevant period by all banks in an individual bank group is added up. Second, the amounts of the average equity are added up. The sums thus calculated are mutually divided and multiplied by 100. The average equity is calculated as the arithmetic mean of the balance in the equity at the beginning and at the end of period for which the average is calculated. Schedule IS is the source of data on the income after taxes (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004), while Schedule BS is the source of data on the average equity (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

Figure 2.17 Interest Income

Each bank group ratio between the interest income and the average assets is calculated in the following manner. First, the interest income generated in the relevant period by all banks in an individual bank group is added up. Second, the amounts of the average assets are added up. The sums thus calculated are mutually divided and multiplied by 100.

The average assets are calculated as the arithmetic mean of the balance in the assets at the beginning and at the end of period for which the average is calculated.

Schedule IS is the source of data on the interest income, while Schedule BS is the source of data on the amount of assets (both Schedules form an integral part of the Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

Figure 2.18 Interest Expenses

Each bank group ratio between the interest expenses and the average assets is calculated in the following manner. First, the interest expenses incurred in the relevant period by all banks in an individual bank group are added up. Second, the amounts of the average assets are added up. The sums thus calculated are mutually divided and multiplied by 100.

The average assets are calculated as the arithmetic mean of the balance in the assets at the beginning and at the end of period for which the average is calculated.

Schedule IS is the source of data on the interest expenses, while Schedule BS is the source of data on the amount of assets (both Schedules form an integral part of the Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

Figure 2.19 Interest Rates

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

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

The CNB statistics is the source of data.

Figure 2.20 Assets per Employee

The amounts of assets of all banks in an individual bank group are added up and then divided by the total number of persons employed by the banks in the group. The same procedure is applied to the calculation of this indicator for all banks.

Schedule BS is the source of data on the amount of assets (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004), while banks are the source of data on the number of persons employed.

Figure 2.21 Operating Expenses

Each bank group ratio between the operating expenses and the total income is calculated in the following manner. First, the operating expenses incurred in the relevant period by all banks in an individual bank group are added up. Second, the amounts of the total income are added up. The sums thus calculated are mutually divided and multiplied by 100. The same procedure is applied to the calculation of

this indicator for all banks.

Schedule IS is the source of data on the operating expenses (general administrative expenses and depreciation) and the source of data on the total income (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

Table 2.11 Classification of Placements and Contingent Liabilities by Risk Categories

Table 2.11 shows the amounts of placements and contingent liabilities classified by risk categories, as well as their shares in the total placements that are classified.

Schedule RC forms an integral part of the Instruction for the Preparation of Supervisory Reports (see the Decision on Supervisory Reports of Banks, *Narodne novine*, No. 115/2003).

Figure 2.22 Structure of Placements and Contingent Liabilities by Bank Groups

The structure of placements and contingent liabilities is calculated as follows. First, the amounts of the placements and contingent liabilities classified into a certain risk category of all banks in an individual bank group are added up. Second, the total classified placements of the banks in the group are added up. The sums thus calculated are mutually divided. The same procedure is applied to the calculation of this indicator for all banks.

The sources of data are the same as in Table 2.11.

Table 2.12 Total Value Adjustment and Provisions to Total Placements and Contingent Liabilities Ratio

The ratio between the total value adjustment and provisions and the total placements and contingent liabilities that are classified into risk categories is calculated in the following manner. The placement value adjustment, provisions for contingent liabilities and provisions for unidentified losses are added up and the sum thus calculated is divided by the amount of the total placements and contingent liabilities, and multiplied by 100.

Schedules PVA and RC are the source of data on the amounts of placement value impairment, provisions for contingent liabilities and provisions for unidentified losses. Schedules PVA and RC are an integral part of the Instruction for the Preparation of Supervisory Reports (see the Decision on Supervisory Reports of Banks, *Narodne novine*, No. 115/2003).

Figure 2.23 Coverage of Total Placements and Contingent Liabilities by Total Value Adjustment and Provisions by Bank Groups

The ratio between the total value adjustment and provisions and the total placements and contingent liabilities that are classified into risk categories is calculated in the following manner. The value adjustment and provisions of all banks in an individual bank group are added up and divided by the total placements and contingent liabilities of the banks in the group, and multiplied by 100.

The sources of data on the amounts of provisions and total placements are the same as in Table 2.12.

Table 2.13 Structure of Net Loans by Institutional Sectors

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

Schedule BS/LOA is the source of data (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

Table 2.14 Purchased CNB and Central Government Bills

The stock of CNB bills which are denominated in domestic and foreign currency and purchased on a certain date, and the stock of central government bills held by banks are reported in accordance with the statistical sources of the CNB.

CNB bills are purchased on the basis of the Decision on the Croatian National Bank Bills (*Narodne novine*, No. 203/2003).

Table 2.15 CNB Loans

The annual averages (the reporting period ends on 31 December) or the semi-annual averages (the reporting period ends on 30 June) of the used secondary liquidity sources of the CNB are reported for each bank group and for all banks. These sources include Lombard loans, liquidity loans, intervention loans and funds borrowed at CNB repo auctions.

The utilisation of the stated secondary liquidity sources is regulated by the following decisions of the CNB: 1) Decision on the Terms and Conditions for Granting Short-Term Loans on the Basis of Pledged Securities (Lombard Loan) (*Narodne novine*, Nos. 160/98, 28/99, 32/99, 38/99, 131/2000, 53/2001 and 34/2005), 2) Decision on the Short-Term Liquidity Loan (*Narodne novine*, Nos. 132/99, 53/2001 and 135/2002) and 3) Decision on the Terms of Granting Short-Term Loans on the Basis of Pledged Securities (*Narodne novine*, No. 34/2005).

Figure 2.24 Free Reserves

Each bank group ratio between the free reserves and the reserve requirements is calculated in the following manner. First, the free reserves allocated in a certain quarter by all banks in an individual bank group are added up. Second, the amounts of the reserve requirements of the banks in the group are added up. The sums thus calculated are mutually divided and multiplied by 100.

Free reserves are calculated on the basis of the following formula:

free reserves = (actual kuna reserves + actual foreign currency reserves + additional reserves) – (prescribed kuna reserves + prescribed foreign currency reserves) – borrowed reserves

actual kuna reserves = balance in giro accounts + balance in the vault + allocated reserves

actual foreign currency reserves = liquid foreign currency claims (including CNB bills in foreign currency) + allocated reserves

additional reserves = CNB bills in domestic currency + treasury bills of the MoF of the Republic of Croatia + promissory notes of the MoF of the Republic of Croatia + short-term placements in the money market

borrowed reserves = Lombard loan + repurchased CNB bills + intervention loan + special loans + pre-rehabilitation loan + overnight loan + other loans with maturity up to 7 days

The CNB statistics is the source of data.

Figure 2.25 Loans Extended/Deposits Received

Each bank group ratio between the total loans granted and the total deposits received is calculated in the following manner. First, the total loans granted by all banks in an individual bank group at a certain date are added up. Second, the amounts of the total deposits received by the banks in the group are also added up. The sums thus calculated are mutually divided and multiplied by 100. The same procedure is applied to the calculation of this indicator for all banks.

Loans include kuna and foreign currency loans in net amounts, i.e. decreased by the amount of formed specific reserves for identified losses. Deposits also include the frozen foreign currency savings deposits of individuals. Deposits received from the CNB, which are considered liabilities based on loans, are not included.

Schedule BS/LOA is the source of data on the loans (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004), while Schedule BS/DEP is the source of data on the deposits (Bank Statistical Report).

Figure 2.26 Short-Term Assets/Short-Term Liabilities

Each bank group ratio between the short-term assets (i.e. assets maturing in one year) and the short-term liabilities (i.e. liabilities maturing in one year) is calculated in the following manner. First, the short-term assets of all banks in an individual bank group in a certain quarter are added up. Second, the short-term liabilities of the banks in the group are added up. The sums thus calculated are mutually divided and multiplied by 100.

Schedule BS/ALM is the source of data on the short-term assets and the short-term liabilities (Bank Statistical Report – *Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004).

Figure 2.27 Long Foreign Exchange Position

Each bank group ratio between the long foreign exchange position (f/c claims exceeding f/c liabilities) and the regulatory capital is calculated in the following manner. First, the average long foreign exchange positions reported in a certain quarter by all banks in an individual bank group are added up. Second, the regulatory capital of the banks in the group is added up. The sums thus calculated are mutually divided and multiplied by 100.

The reports submitted by banks on the basis of the Decision on the Limitation of Banks' Exposure to Foreign Exchange Risk (*Narodne novine*, No. 17/2003) are the source of data on the long foreign exchange positions, while Schedule JK2 is the source of data on the regulatory capital. The regulatory capital is calculated in accordance with the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 17/2003 and 120/2003) and the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 195/2003 and 39/2004).

Figure 2.28 Short Foreign Exchange Position

Each bank group ratio between the short foreign exchange position (f/c liabilities exceeding f/c claims) and the regulatory capital is calculated in the following manner. First, the average short foreign exchange positions reported in a certain quarter by all banks in an individual bank group are added up. Second, the regulatory capital of the banks in the group is added up. The sums thus calculated are mutually divided and multiplied by 100.

The reports submitted by banks on the basis of the Decision on the Limitation of Banks' Exposure to Foreign Exchange Risk (*Narodne novine*, No. 17/2003) are the source of data on the short foreign exchange positions, while Schedule JK2 is the source of data on the regulatory capital. The regulatory capital is calculated in accordance with the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 17/2003 and 120/2003) and the Instruction for the Uniform Implementation of the Decision on the Capital Adequacy of Banks (*Narodne novine*, Nos. 195/2003 and 39/2004).

Table 2.16 Structure of Housing Savings Bank Assets

The share of each balance sheet item of assets in the total assets is calculated on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004 – Schedule BS) and the derived aggregate report of the same type on the banking system at the end of the observed period. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period. For comparability purposes, the value of asset items reported in the previous period has been presented in accordance with the new reporting form.

Table 2.17 Structure of Housing Savings Bank Liabilities

The liabilities of housing savings banks are calculated in the same manner as the assets of housing savings banks in Table 2.16, i.e. the share of each balance sheet item of liabilities in the total liabilities is calculated on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004 – Schedule BS) and the derived aggregate report of the same type on the banking system at the end of the observed period. The change in the balance is the percentage change in

comparison with the balance recorded at the end of the previous period. For comparability purposes, the value of liability items reported in the previous period has been presented in accordance with the new reporting form.

Table 2.18 Structure of Housing Savings Bank Capital

This Table shows in detail the structure of the housing savings bank capital (see also Table 2.17). The share of each stated capital item in the total capital of housing savings banks is calculated as a ratio between each capital item and the total capital of housing savings banks, and multiplied by 100. The change in the balance is the percentage change in comparison with the balance recorded at the end of the previous period.

Table 2.19 Housing Savings Bank Income Statement

In the observed period, the income statement items are stated cumulatively for all housing savings banks on the basis of data from the Bank Statistical Report (*Narodne novine*, Nos. 166/2003, 53/2004 and 129/2004 – Schedule IS). For comparability purposes, the value of income statement items reported in the previous period has been presented in accordance with the new reporting form.

Table 2.20 Classification of Housing Savings Bank Placements and Contingent Liabilities by Risk Categories

Table 2.20 shows the amounts of placements and contingent liabilities classified by risk categories, as well as their shares in the total placements that are classified.

Schedule RC forms an integral part of the Instruction for the Preparation of Supervisory Reports (see the Decision on Supervisory Reports of Banks, *Narodne novine*, No. 115/2003).

Table 2.21 Total Value Adjustment and Provisions to Total Placements and Contingent Liabilities Ratio of Housing Savings Banks

The ratio between the housing savings banks' total value adjustment and provisions and the total placements and contingent liabilities that are classified into risk categories is calculated in the following manner. The placement value adjustment, provisions for contingent liabilities and provisions for unidentified losses are added up and the sum thus calculated is divided by the amount of the total placements and contingent liabilities, and multiplied by 100.

Schedules PVA and RC are the source of data on the amounts of placement value impairment, provisions for contingent liabilities and provisions for unidentified losses. Schedules PVA and RC are an integral part of the Instruction for the Preparation of Supervisory Reports (see the Decision on Supervisory Reports of Banks, *Narodne novine*, No. 115/2003).

4 List of Banks

Data on individual banks' addresses, telephone numbers, fax numbers, members of management and supervisory boards, and on bank auditors are shown in the list of banks.

Data on members of management and supervisory boards, and on shareholders who hold 3% or more of share in the bank's share capital are as at 30 June 2005.

Data on auditors relate to bank auditors for 2004.

BANKA BROD d.d.

Zajčeva 21, 35000 Slavonski Brod
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 Fax: +385 35/445-755
 BAN¹ 4124003
 www.bank-a-brod.hr

Management Board

Zdenko Vidaković – chairman, Mićo Tomičić

Supervisory Board

Damir Kreso – chairman, Mara Tomičić,
 Maja Vidaković

Shareholders

	Share in share capital (%)
1. Damir Kreso	7.78
2. Razija Kreso	7.78
3. Slobodanka Kreso	7.78
4. Mara Tomičić	7.78
5. Mićo Tomičić	7.78
6. Karlo Tomičić	7.78
7. Maja Vidaković	7.78
8. Mirko Vidaković	7.78
9. Zdenko Vidaković	7.78
10. ŠKZ Brod na Savi	7.22
11. Neđo Jelčić	7.03
12. Ante Zdilar	7.03
13. Višnja Rački	3.94
14. Željko Rački	3.94

Audit firm for 2004:
 Alfa Revizija d.o.o., Slavonski Brod

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	4.631
1.1. Total interest income	8.818
1.2. Total interest expenses	4.187
2. Net income from commissions and fees	414
2.1. Total income from commissions and fees	817
2.2. Total expenses on commissions and fees	403
3. Net other non-interest income	416
3.1. Other non-interest income	584
3.2. Other non-interest expenses	168
4. Net non-interest income	830
5. General administrative expenses and depreciation	3.284
6. Net operating income before loss provisions	2.178
7. Total expenses on loss provisions	141
7.1. Expenses on value adjustment and provisions for identified losses	77
7.2. Expenses on provisions for unidentified losses	63
8. Income/loss before taxes	2.037
9. Income tax	407
10. Current year profit/loss	1.630

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	35.342
1.1. Money assets	13.636
1.2. Deposits with the CNB	21.706
2. Deposits with banking institutions	16.557
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	2.430
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	114.127
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	2.911
14. Interest, fees and other assets	2.726
15. Net of: Specific reserves for unidentified losses	1.329
TOTAL ASSETS	172.764

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	122.684
2.1. Giro account and current account deposits	1.821
2.2. Savings deposits	2.405
2.3. Time deposits	118.458
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	6.217
9. CAPITAL	43.864
TOTAL LIABILITIES AND CAPITAL	172.764

1 Bank Account Number.

BANKA KOVANICA d.d.

P. Preradovića 29, 42000 Varaždin
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 BAN 4133006
 www.kovanica.hr

Shareholders

1. Josip Samaržija
2. Gaj grupa d.o.o.
3. Banka Kovanica d.d.

Share in share capital (%)

- 76.25
 6.73
 5.57

Management Board

Lidija Hočurščak – chairwoman, Ratko Špirelja

Audit firm for 2004:

Revidicon d.o.o., Varaždin

Supervisory Board

Josip Samaržija – chairman, Dražen Dedi,
 Ivan Majdak, Božica Samaržija, Milan Štimac

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	18.523
1.1. Total interest income	36.545
1.2. Total interest expenses	18.022
2. Net income from commissions and fees	606
2.1. Total income from commissions and fees	874
2.2. Total expenses on commissions and fees	268
3. Net other non-interest income	-3.264
3.1. Other non-interest income	3.483
3.2. Other non-interest expenses	6.747
4. Net non-interest income	-2.658
5. General administrative expenses and depreciation	12.779
6. Net operating income before loss provisions	3.086
7. Total expenses on loss provisions	2.916
7.1. Expenses on value adjustment and provisions for identified losses	2.612
7.2. Expenses on provisions for unidentified losses	304
8. Income/loss before taxes	170
9. Income tax	38
10. Current year profit/loss	132

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	92.694
1.1. Money assets	23.797
1.2. Deposits with the CNB	68.897
2. Deposits with banking institutions	21.669
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	20.051
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	1
9. Loans to financial institutions	0
10. Loans to other clients	435.305
11. Investments in subsidiaries and associates	75
12. Foreclosed and repossessed assets	149
13. Tangible assets (net of depreciation)	19.962
14. Interest, fees and other assets	16.167
15. Net of: Specific reserves for unidentified losses	5.447
TOTAL ASSETS	600.627

Structure of Liabilities	
1. Loans from financial institutions	5.748
1.1. Short-term loans	4.997
1.2. Long-term loans	751
2. Deposits	496.741
2.1. Giro account and current account deposits	5.236
2.2. Savings deposits	14.234
2.3. Time deposits	477.271
3. Other loans	319
3.1. Short-term loans	319
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	22.143
8. Interest, fees and other liabilities	24.593
9. CAPITAL	51.083
TOTAL LIABILITIES AND CAPITAL	600.627

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Management Board

Anka Tomas – chairwoman, Goran Matanović

Supervisory Board

Branko Ostović – chairman, Tatjana Ostović,
 Robert Solomun

Shareholders

1. Branko Ostović	54.98
2. Ljiljana Ostović	6.83
3. Tatjana Ostović	6.71
4. Mirjana Ostović	6.06
5. Info-leasing d.o.o.	5.31

Share in share capital (%)

Audit firm for 2004:
 Concordia Audit d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	20.646
1.1. Total interest income	35.086
1.2. Total interest expenses	14.440
2. Net income from commissions and fees	5.442
2.1. Total income from commissions and fees	6.013
2.2. Total expenses on commissions and fees	570
3. Net other non-interest income	194
3.1. Other non-interest income	2.331
3.2. Other non-interest expenses	2.138
4. Net non-interest income	5.636
5. General administrative expenses and depreciation	16.798
6. Net operating income before loss provisions	9.484
7. Total expenses on loss provisions	1.211
7.1. Expenses on value adjustment and provisions for identified losses	1.205
7.2. Expenses on provisions for unidentified losses	6
8. Income/loss before taxes	8.273
9. Income tax	899
10. Current year profit/loss	7.374

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	80.382
1.1. Money assets	19.849
1.2. Deposits with the CNB	60.533
2. Deposits with banking institutions	124.206
3. MoF treasury bills and CNB bills	9.910
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	5.280
6. Securities and other financial instruments held to maturity	218
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	424.173
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	902
13. Tangible assets (net of depreciation)	17.302
14. Interest, fees and other assets	7.215
15. Net of: Specific reserves for unidentified losses	5.785
TOTAL ASSETS	663.803

Structure of Liabilities	
1. Loans from financial institutions	1.398
1.1. Short-term loans	0
1.2. Long-term loans	1.398
2. Deposits	557.318
2.1. Giro account and current account deposits	14.906
2.2. Savings deposits	21.757
2.3. Time deposits	520.655
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	157
7. Hybrid instruments issued	8
8. Interest, fees and other liabilities	31.815
9. CAPITAL	73.107
TOTAL LIABILITIES AND CAPITAL	663.803

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Management Board

Ivan Filipović – chairman, Ivo Krolo

Supervisory Board

Juroslav Buljubašić – chairman, Mirko Vukušić,
 Nataša Vuković

Shareholders

1. Juroslav Buljubašić
2. Mirko Vukušić
3. Jozo Vukušić
4. Jakiša Medić

Share in share capital (%)

- 61.62
- 9.19
- 7.22
- 5.53

Audit firm for 2004:
 SD Nika d.o.o., Split

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	5.322
1.1. Total interest income	7.932
1.2. Total interest expenses	2.610
2. Net income from commissions and fees	13
2.1. Total income from commissions and fees	239
2.2. Total expenses on commissions and fees	225
3. Net other non-interest income	-348
3.1. Other non-interest income	-18
3.2. Other non-interest expenses	330
4. Net non-interest income	-335
5. General administrative expenses and depreciation	3.179
6. Net operating income before loss provisions	1.808
7. Total expenses on loss provisions	580
7.1. Expenses on value adjustment and provisions for identified losses	609
7.2. Expenses on provisions for unidentified losses	-29
8. Income/loss before taxes	1.228
9. Income tax	147
10. Current year profit/loss	1.081

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	19.084
1.1. Money assets	3.189
1.2. Deposits with the CNB	15.895
2. Deposits with banking institutions	19.443
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	576
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	92.729
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	887
13. Tangible assets (net of depreciation)	4.477
14. Interest, fees and other assets	4.751
15. Net of: Specific reserves for unidentified losses	1.174
TOTAL ASSETS	140.773

Structure of Liabilities	
1. Loans from financial institutions	300
1.1. Short-term loans	0
1.2. Long-term loans	300
2. Deposits	102.543
2.1. Giro account and current account deposits	709
2.2. Savings deposits	2.360
2.3. Time deposits	99.473
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	374
8. Interest, fees and other liabilities	4.986
9. CAPITAL	32.570
TOTAL LIABILITIES AND CAPITAL	140.773

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Shareholders

1. Heruc d.d.
2. Heruc – izrada odjeće d.o.o.
3. Heruc Zug AG

Share in share capital (%)

- 64.46
 6.02
 4.22

Management Board

Gordana Zrinščak – chairwoman,
 Ljiljana Podhraški, Ružica Vadić,
 Darko Kosovec

Audit firm for 2004:

Deloitte & Touche d.o.o., Zagreb

Supervisory Board

Dragutin Biondić – chairman, Igor Knežević,
 Irena Kovačević, Žarko Kraljević

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	14.713
1.1. Total interest income	25.618
1.2. Total interest expenses	10.905
2. Net income from commissions and fees	6.198
2.1. Total income from commissions and fees	8.685
2.2. Total expenses on commissions and fees	2.488
3. Net other non-interest income	2.863
3.1. Other non-interest income	3.288
3.2. Other non-interest expenses	425
4. Net non-interest income	9.060
5. General administrative expenses and depreciation	16.285
6. Net operating income before loss provisions	7.488
7. Total expenses on loss provisions	3.421
7.1. Expenses on value adjustment and provisions for identified losses	2.362
7.2. Expenses on provisions for unidentified losses	1.059
8. Income/loss before taxes	4.068
9. Income tax	1.051
10. Current year profit/loss	3.016

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	85.647
1.1. Money assets	5.951
1.2. Deposits with the CNB	79.697
2. Deposits with banking institutions	76.650
3. MoF treasury bills and CNB bills	36.066
4. Securities and other financial instruments held for trading	3.338
5. Securities and other financial instruments available for sale	5.012
6. Securities and other financial instruments held to maturity	74.746
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	5
9. Loans to financial institutions	0
10. Loans to other clients	427.078
11. Investments in subsidiaries and associates	20
12. Foreclosed and repossessed assets	6.358
13. Tangible assets (net of depreciation)	7.866
14. Interest, fees and other assets	9.988
15. Net of: Specific reserves for unidentified losses	6.832
TOTAL ASSETS	725.943

Structure of Liabilities	
1. Loans from financial institutions	108.424
1.1. Short-term loans	32.598
1.2. Long-term loans	75.826
2. Deposits	458.284
2.1. Giro account and current account deposits	96.021
2.2. Savings deposits	21.343
2.3. Time deposits	340.921
3. Other loans	16.564
3.1. Short-term loans	16.564
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	55
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	7.777
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	24.460
9. CAPITAL	110.380
TOTAL LIABILITIES AND CAPITAL	725.943

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Management Board

Šime Luketin – chairman, Mato Mišić

Supervisory Board

Mirko Vuković – chairman, Boris Barač, Dražen Bilić

Shareholders

1. Boris Barač	24.97
2. Darko Gaurina	9.98
3. Bedem d.o.o.	9.50
4. Simag d.o.o.	8.96
5. Alkom Invest d.o.o.	8.01
6. Arca Merkatus d.o.o.	4.98
7. Plastal d.o.o.	3.52

Share in share capital (%)

Audit firm for 2004:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	14.411
1.1. Total interest income	29.061
1.2. Total interest expenses	14.650
2. Net income from commissions and fees	4.413
2.1. Total income from commissions and fees	5.695
2.2. Total expenses on commissions and fees	1.283
3. Net other non-interest income	1.432
3.1. Other non-interest income	2.632
3.2. Other non-interest expenses	1.200
4. Net non-interest income	5.845
5. General administrative expenses and depreciation	13.809
6. Net operating income before loss provisions	6.446
7. Total expenses on loss provisions	3.218
7.1. Expenses on value adjustment and provisions for identified losses	2.469
7.2. Expenses on provisions for unidentified losses	750
8. Income/loss before taxes	3.228
9. Income tax	654
10. Current year profit/loss	2.574

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	104.298
1.1. Money assets	16.424
1.2. Deposits with the CNB	87.873
2. Deposits with banking institutions	73.878
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	21.878
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	4
9. Loans to financial institutions	0
10. Loans to other clients	603.225
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	9.885
13. Tangible assets (net of depreciation)	18.760
14. Interest, fees and other assets	24.242
15. Net of: Specific reserves for unidentified losses	7.487
TOTAL ASSETS	848.682

Structure of Liabilities	
1. Loans from financial institutions	141.334
1.1. Short-term loans	18.830
1.2. Long-term loans	122.505
2. Deposits	589.681
2.1. Giro account and current account deposits	91.564
2.2. Savings deposits	37.588
2.3. Time deposits	460.528
3. Other loans	21.639
3.1. Short-term loans	0
3.2. Long-term loans	21.639
4. Derivative financial liabilities and other financial liabilities held for trading	194
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	21.546
9. CAPITAL	74.287
TOTAL LIABILITIES AND CAPITAL	848.682

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Management Board

Krunoslav Brkljačić – chairman, Željka Prga,
 Dalibor Jandl

Supervisory Board

Krešo Barbarić – chairman, Jure Šimović,
 Ivan Tomljenović, Branka Grabovac, Ivan Bukarica

Shareholders

1. State Agency for Bank Rehabilitation and Deposit Insurance

Share in share capital (%)

100.00

Audit firm for 2004:

Revizija Zagreb d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	17.897
1.1. Total interest income	38.828
1.2. Total interest expenses	20.931
2. Net income from commissions and fees	1.818
2.1. Total income from commissions and fees	6.604
2.2. Total expenses on commissions and fees	4.786
3. Net other non-interest income	3.973
3.1. Other non-interest income	6.822
3.2. Other non-interest expenses	2.850
4. Net non-interest income	5.790
5. General administrative expenses and depreciation	31.916
6. Net operating income before loss provisions	-8.229
7. Total expenses on loss provisions	-10.101
7.1. Expenses on value adjustment and provisions for identified losses	-9.945
7.2. Expenses on provisions for unidentified losses	-155
8. Income/loss before taxes	1.871
9. Income tax	0
10. Current year profit/loss	1.871

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	184.459
1.1. Money assets	26.158
1.2. Deposits with the CNB	158.301
2. Deposits with banking institutions	235.756
3. MoF treasury bills and CNB bills	34.108
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	161.375
6. Securities and other financial instruments held to maturity	4.104
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	262
9. Loans to financial institutions	9.184
10. Loans to other clients	668.482
11. Investments in subsidiaries and associates	651
12. Foreclosed and repossessed assets	46.783
13. Tangible assets (net of depreciation)	42.985
14. Interest, fees and other assets	41.178
15. Net of: Specific reserves for unidentified losses	9.699
TOTAL ASSETS	1.419.627

Structure of Liabilities	
1. Loans from financial institutions	163.882
1.1. Short-term loans	10.000
1.2. Long-term loans	153.882
2. Deposits	1.018.295
2.1. Giro account and current account deposits	131.418
2.2. Savings deposits	122.340
2.3. Time deposits	764.537
3. Other loans	24.459
3.1. Short-term loans	3.655
3.2. Long-term loans	20.803
4. Derivative financial liabilities and other financial liabilities held for trading	348
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	63.930
9. CAPITAL	148.714
TOTAL LIABILITIES AND CAPITAL	1.419.627

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Management Board

Petar Radaković – chairman, Tomislav Vuić,
Boris Centner, Sava Dalbokov, Slađana Jagar

Supervisory Board

Reinhard Ortner – chairman, Bernhard Spalt,
Franz Kerber, Josip Stanković, Karin Svoboda,
Reinhold Schuster, Kristijan Schellander,
Manfred Wimmer, Helmut Payer

Shareholders

	Share in share capital (%)
1. Erste Bank der Österreichischen Sparkassen AG	51.00
2. Die Steiermärkische Bank und Sparkassen AG	43.81

Audit firm for 2004:
Ernst & Young Croatia d.o.o., Zagreb

Income Statement, as at 30 June 2005, in thousand kuna

1. Net interest income	380.630
1.1. Total interest income	674.252
1.2. Total interest expenses	293.623
2. Net income from commissions and fees	74.557
2.1. Total income from commissions and fees	130.055
2.2. Total expenses on commissions and fees	55.498
3. Net other non-interest income	-3.322
3.1. Other non-interest income	28.536
3.2. Other non-interest expenses	31.858
4. Net non-interest income	71.235
5. General administrative expenses and depreciation	228.402
6. Net operating income before loss provisions	223.463
7. Total expenses on loss provisions	13.802
7.1. Expenses on value adjustment and provisions for identified losses	7.879
7.2. Expenses on provisions for unidentified losses	5.924
8. Income/loss before taxes	209.661
9. Income tax	40.912
10. Current year profit/loss	168.748

Balance Sheet, as at 30 June 2005, in thousand kuna

Structure of Assets	
1. Money assets and deposits with the CNB	4.507.366
1.1. Money assets	237.946
1.2. Deposits with the CNB	4.269.420
2. Deposits with banking institutions	2.100.526
3. MoF treasury bills and CNB bills	206.418
4. Securities and other financial instruments held for trading	266.830
5. Securities and other financial instruments available for sale	911.290
6. Securities and other financial instruments held to maturity	601.939
7. Securities and other financial instruments not traded in active markets but carried at fair value	2.650
8. Derivative financial assets	13.183
9. Loans to financial institutions	278.046
10. Loans to other clients	15.892.933
11. Investments in subsidiaries and associates	47.363
12. Foreclosed and repossessed assets	14.014
13. Tangible assets (net of depreciation)	483.803
14. Interest, fees and other assets	269.520
15. Net of: Specific reserves for unidentified losses	209.925
TOTAL ASSETS	25.385.957

Structure of Liabilities	
1. Loans from financial institutions	955.657
1.1. Short-term loans	123.955
1.2. Long-term loans	831.702
2. Deposits	15.963.259
2.1. Giro account and current account deposits	2.154.412
2.2. Savings deposits	2.516.827
2.3. Time deposits	11.292.020
3. Other loans	5.498.143
3.1. Short-term loans	28.743
3.2. Long-term loans	5.469.400
4. Derivative financial liabilities and other financial liabilities held for trading	6.018
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	302.286
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1.062.076
9. CAPITAL	1.598.517
TOTAL LIABILITIES AND CAPITAL	25.385.957

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Management Board

Suzana Sučić – chairwoman, Krešimir Jerin

Supervisory Board

Izidor Sučić – chairman, Branko Josipović,
 Željko Krznarić

Shareholders

	Share in share capital (%)
1. Izidor Sučić	10.00
2. Suzana Sučić	9.89
3. Ivan Sučić	9.84
4. Kristina Sučić	9.82
5. Vesna Mijović	9.78
6. Željko Krznarić	8.51
7. Krešimir Jerin	8.50
8. Faktor banka d.d.	8.36
9. Josip Bašić	7.52
10. Gospodarsko kreditna banka d.d.	4.26
11. Branko Josipović	4.17
12. Branko Mijović	4.73

Audit firm for 2004:
 Repos d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	11.018
1.1. Total interest income	16.037
1.2. Total interest expenses	5.019
2. Net income from commissions and fees	2.625
2.1. Total income from commissions and fees	3.471
2.2. Total expenses on commissions and fees	846
3. Net other non-interest income	4.880
3.1. Other non-interest income	5.584
3.2. Other non-interest expenses	704
4. Net non-interest income	7.505
5. General administrative expenses and depreciation	10.410
6. Net operating income before loss provisions	8.113
7. Total expenses on loss provisions	714
7.1. Expenses on value adjustment and provisions for identified losses	714
7.2. Expenses on provisions for unidentified losses	0
8. Income/loss before taxes	7.398
9. Income tax	419
10. Current year profit/loss	6.980

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	63.125
1.1. Money assets	26.684
1.2. Deposits with the CNB	36.441
2. Deposits with banking institutions	57.704
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	43.707
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	173.008
11. Investments in subsidiaries and associates	9.085
12. Foreclosed and repossessed assets	420
13. Tangible assets (net of depreciation)	16.816
14. Interest, fees and other assets	9.276
15. Net of: Specific reserves for unidentified losses	3.686
TOTAL ASSETS	369.454

Structure of Liabilities	
1. Loans from financial institutions	51.467
1.1. Short-term loans	2.859
1.2. Long-term loans	48.608
2. Deposits	144.928
2.1. Giro account and current account deposits	20.874
2.2. Savings deposits	14.731
2.3. Time deposits	109.322
3. Other loans	51.478
3.1. Short-term loans	21.322
3.2. Long-term loans	30.156
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	15.061
9. CAPITAL	106.520
TOTAL LIABILITIES AND CAPITAL	369.454

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Management Board

Josip Protega – chairman, Ivan Sladonja

Supervisory Board

Ante Žigman – chairman, Zoran Bubaš,
 Dragan Kovačević, Drago Jakovčević, Vera Babić,
 Grga Ivezić, Jadranko Mijalić

Shareholders

1. Croatian Privatisation Fund	37.00
2. Hrvatska pošta d.d.	33.56
3. Croatian Pension Insurance Institute	28.01

Share in share capital (%)

Audit firm for 2004:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	115.047
1.1. Total interest income	163.481
1.2. Total interest expenses	48.434
2. Net income from commissions and fees	31.965
2.1. Total income from commissions and fees	285.908
2.2. Total expenses on commissions and fees	253.943
3. Net other non-interest income	15.431
3.1. Other non-interest income	19.353
3.2. Other non-interest expenses	3.922
4. Net non-interest income	47.396
5. General administrative expenses and depreciation	82.082
6. Net operating income before loss provisions	80.361
7. Total expenses on loss provisions	-902
7.1. Expenses on value adjustment and provisions for identified losses	5.347
7.2. Expenses on provisions for unidentified losses	-6.249
8. Income/loss before taxes	81.262
9. Income tax	16.656
10. Current year profit/loss	64.606

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	913.295
1.1. Money assets	236.346
1.2. Deposits with the CNB	676.948
2. Deposits with banking institutions	399.965
3. MoF treasury bills and CNB bills	1.665.606
4. Securities and other financial instruments held for trading	316.175
5. Securities and other financial instruments available for sale	225.374
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	3.603
9. Loans to financial institutions	242.200
10. Loans to other clients	2.509.372
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	1.376
13. Tangible assets (net of depreciation)	138.163
14. Interest, fees and other assets	91.819
15. Net of: Specific reserves for unidentified losses	47.822
TOTAL ASSETS	6.459.124

Structure of Liabilities	
1. Loans from financial institutions	825.864
1.1. Short-term loans	461.295
1.2. Long-term loans	364.569
2. Deposits	3.879.547
2.1. Giro account and current account deposits	1.469.230
2.2. Savings deposits	1.176.664
2.3. Time deposits	1.233.653
3. Other loans	321
3.1. Short-term loans	0
3.2. Long-term loans	321
4. Derivative financial liabilities and other financial liabilities held for trading	158
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1.037.743
9. CAPITAL	715.491
TOTAL LIABILITIES AND CAPITAL	6.459.124

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Management Board

Wolfgang Peter – chairman, Goran Gazivoda, Ivo Bilić,
 Christoph Schöfböck, Vedrana Carević

Supervisory Board

Regina Prehofer – chairwoman, Helmut Bernkopf,
 Wolfgang Edelmüller, Wolfgang Helpa, Heinz
 Meidlinger, Ralf Cymanek, Josef Duregger

Shareholders

1. Bank Austria Creditanstalt AG

Share in share capital (%)

99.75

Audit firm for 2004:
 KPMG Croatia d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	303.803
1.1. Total interest income	554.756
1.2. Total interest expenses	250.953
2. Net income from commissions and fees	78.826
2.1. Total income from commissions and fees	103.403
2.2. Total expenses on commissions and fees	24.577
3. Net other non-interest income	23.037
3.1. Other non-interest income	31.885
3.2. Other non-interest expenses	8.848
4. Net non-interest income	101.863
5. General administrative expenses and depreciation	224.800
6. Net operating income before loss provisions	180.866
7. Total expenses on loss provisions	10.727
7.1. Expenses on value adjustment and provisions for identified losses	-4.069
7.2. Expenses on provisions for unidentified losses	14.796
8. Income/loss before taxes	170.139
9. Income tax	28.398
10. Current year profit/loss	141.740

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	3.913.944
1.1. Money assets	186.952
1.2. Deposits with the CNB	3.726.991
2. Deposits with banking institutions	1.100.685
3. MoF treasury bills and CNB bills	275.526
4. Securities and other financial instruments held for trading	1.709.842
5. Securities and other financial instruments available for sale	70.982
6. Securities and other financial instruments held to maturity	1.501.115
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	18.991
9. Loans to financial institutions	212.010
10. Loans to other clients	12.616.685
11. Investments in subsidiaries and associates	4.437
12. Foreclosed and repossessed assets	158
13. Tangible assets (net of depreciation)	207.463
14. Interest, fees and other assets	594.967
15. Net of: Specific reserves for unidentified losses	170.939
TOTAL ASSETS	22.055.865

Structure of Liabilities	
1. Loans from financial institutions	981.671
1.1. Short-term loans	127.499
1.2. Long-term loans	854.172
2. Deposits	10.846.470
2.1. Giro account and current account deposits	1.879.143
2.2. Savings deposits	1.783.103
2.3. Time deposits	7.184.224
3. Other loans	7.839.455
3.1. Short-term loans	2.611.386
3.2. Long-term loans	5.228.070
4. Derivative financial liabilities and other financial liabilities held for trading	93.270
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	743.491
9. CAPITAL	1.551.509
TOTAL LIABILITIES AND CAPITAL	22.055.865

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Shareholders

1. Hypo Alpe-Adria-Bank AG

Share in share capital (%)

100.00

Audit firm for 2004:

Confida revizija d.o.o., Zagreb

Management Board

Heinz Truskaller – chairman, Igor Kodžoman,
 Zoran Sikirica, Radojka Olić, Krešimir Starčević

Supervisory Board

Günter Striedinger – chairman, Othmar Ederer,
 Wolfgang Kulterer, Gerd Penkner,
 Thomas Morgl

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	221.076
1.1. Total interest income	441.205
1.2. Total interest expenses	220.129
2. Net income from commissions and fees	78.610
2.1. Total income from commissions and fees	95.656
2.2. Total expenses on commissions and fees	17.046
3. Net other non-interest income	8.474
3.1. Other non-interest income	31.840
3.2. Other non-interest expenses	23.366
4. Net non-interest income	87.084
5. General administrative expenses and depreciation	142.245
6. Net operating income before loss provisions	165.915
7. Total expenses on loss provisions	39.594
7.1. Expenses on value adjustment and provisions for identified losses	31.358
7.2. Expenses on provisions for unidentified losses	8.235
8. Income/loss before taxes	126.322
9. Income tax	25.443
10. Current year profit/loss	100.879

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	2.575.263
1.1. Money assets	98.727
1.2. Deposits with the CNB	2.476.536
2. Deposits with banking institutions	2.471.858
3. MoF treasury bills and CNB bills	563.194
4. Securities and other financial instruments held for trading	139.264
5. Securities and other financial instruments available for sale	350.487
6. Securities and other financial instruments held to maturity	3.627
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	10.795
9. Loans to financial institutions	149.473
10. Loans to other clients	10.982.114
11. Investments in subsidiaries and associates	48.323
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	110.795
14. Interest, fees and other assets	348.929
15. Net of: Specific reserves for unidentified losses	142.121
TOTAL ASSETS	17.612.000

Structure of Liabilities	
1. Loans from financial institutions	352.364
1.1. Short-term loans	225.889
1.2. Long-term loans	126.476
2. Deposits	14.155.231
2.1. Giro account and current account deposits	1.472.577
2.2. Savings deposits	1.409.246
2.3. Time deposits	11.273.408
3. Other loans	73.173
3.1. Short-term loans	36.837
3.2. Long-term loans	36.337
4. Derivative financial liabilities and other financial liabilities held for trading	4.927
5. Debt securities issued	89.980
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	89.980
6. Subordinated instruments issued	0
7. Hybrid instruments issued	729.998
8. Interest, fees and other liabilities	441.613
9. CAPITAL	1.764.715
TOTAL LIABILITIES AND CAPITAL	17.612.000

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Shareholders

1. Imex trgovina d.o.o.	52.61
2. Trajektna luka Split d.d.	34.73
3. Branko Buljan	10.51

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

Branko Buljan – chairman, Milivoj Delač

Audit firm for 2004:
 Reviz-biro d.o.o., Split

Supervisory Board

Ante Čulić – chairman, Branka Žaja,
 Marica Javorović

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	9.740
1.1. Total interest income	18.031
1.2. Total interest expenses	8.291
2. Net income from commissions and fees	1.070
2.1. Total income from commissions and fees	1.418
2.2. Total expenses on commissions and fees	348
3. Net other non-interest income	-367
3.1. Other non-interest income	816
3.2. Other non-interest expenses	1.182
4. Net non-interest income	703
5. General administrative expenses and depreciation	7.305
6. Net operating income before loss provisions	3.138
7. Total expenses on loss provisions	807
7.1. Expenses on value adjustment and provisions for identified losses	551
7.2. Expenses on provisions for unidentified losses	256
8. Income/loss before taxes	2.331
9. Income tax	1.148
10. Current year profit/loss	1.183

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	107.599
1.1. Money assets	11.674
1.2. Deposits with the CNB	95.924
2. Deposits with banking institutions	56.334
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	29.256
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	3
9. Loans to financial institutions	0
10. Loans to other clients	313.623
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	14.602
14. Interest, fees and other assets	4.432
15. Net of: Specific reserves for unidentified losses	4.772
TOTAL ASSETS	521.076

Structure of Liabilities	
1. Loans from financial institutions	2.924
1.1. Short-term loans	0
1.2. Long-term loans	2.924
2. Deposits	401.151
2.1. Giro account and current account deposits	64.109
2.2. Savings deposits	17.066
2.3. Time deposits	319.976
3. Other loans	43.863
3.1. Short-term loans	43.863
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	8.352
9. CAPITAL	64.785
TOTAL LIABILITIES AND CAPITAL	521.076

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Management Board

Miro Dodić – chairman, Marina Vidić

Supervisory Board

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

Shareholders

1. Intercommerce d.o.o.	17.30
2. Tvornica cementa Umag d.o.o.	15.44
3. Hempel d.o.o.	15.40
4. Serfin d.o.o.	9.92
5. KB 1909 S.p.A.	7.83
6. Plava laguna d.d.	3.66

Share in share capital (%)

Audit firm for 2004:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	24.434
1.1. Total interest income	41.416
1.2. Total interest expenses	16.981
2. Net income from commissions and fees	5.598
2.1. Total income from commissions and fees	9.259
2.2. Total expenses on commissions and fees	3.661
3. Net other non-interest income	4.845
3.1. Other non-interest income	5.827
3.2. Other non-interest expenses	983
4. Net non-interest income	10.442
5. General administrative expenses and depreciation	23.376
6. Net operating income before loss provisions	11.501
7. Total expenses on loss provisions	1.041
7.1. Expenses on value adjustment and provisions for identified losses	1.119
7.2. Expenses on provisions for unidentified losses	-78
8. Income/loss before taxes	10.460
9. Income tax	2.337
10. Current year profit/loss	8.123

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	305.472
1.1. Money assets	41.075
1.2. Deposits with the CNB	264.397
2. Deposits with banking institutions	393.146
3. MoF treasury bills and CNB bills	49.332
4. Securities and other financial instruments held for trading	3.915
5. Securities and other financial instruments available for sale	2.205
6. Securities and other financial instruments held to maturity	29.727
7. Securities and other financial instruments not traded in active markets but carried at fair value	64.710
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	677.360
11. Investments in subsidiaries and associates	20
12. Foreclosed and repossessed assets	14.991
13. Tangible assets (net of depreciation)	29.959
14. Interest, fees and other assets	18.162
15. Net of: Specific reserves for unidentified losses	12.093
TOTAL ASSETS	1.576.906

Structure of Liabilities	
1. Loans from financial institutions	15.075
1.1. Short-term loans	0
1.2. Long-term loans	15.075
2. Deposits	1.392.246
2.1. Giro account and current account deposits	226.624
2.2. Savings deposits	301.947
2.3. Time deposits	863.675
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	30.380
9. CAPITAL	139.204
TOTAL LIABILITIES AND CAPITAL	1.576.906

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Management Board

Ivo Šinko – chairman, Mate Šarić, Marija Trlaja

Supervisory Board

Ante Kulušić – chairman, Duje Stančić, Ivana Lemac,
 Mile Paić, Miro Petrić

Shareholders

	Share in share capital (%)
1. Croatia osiguranje d.d.	9.75
2. Alfa d.d.	7.89
3. HVB Splitska banka d.d.	7.83
4. Importanne d.o.o.	4.81
5. Tiskara Kačić d.o.o.	4.23
6. Vodovod i odvodnja d.o.o.	4.20

Audit firm for 2004:
 Revicon Zagreb d.o.o.,
 Zagreb and Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	16.278
1.1. Total interest income	39.800
1.2. Total interest expenses	23.523
2. Net income from commissions and fees	4.933
2.1. Total income from commissions and fees	8.435
2.2. Total expenses on commissions and fees	3.501
3. Net other non-interest income	4.046
3.1. Other non-interest income	6.119
3.2. Other non-interest expenses	2.073
4. Net non-interest income	8.979
5. General administrative expenses and depreciation	18.412
6. Net operating income before loss provisions	6.844
7. Total expenses on loss provisions	1.542
7.1. Expenses on value adjustment and provisions for identified losses	1.091
7.2. Expenses on provisions for unidentified losses	451
8. Income/loss before taxes	5.302
9. Income tax	0
10. Current year profit/loss	5.302

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	209.107
1.1. Money assets	38.989
1.2. Deposits with the CNB	170.118
2. Deposits with banking institutions	226.174
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	77.174
6. Securities and other financial instruments held to maturity	176.188
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	631
9. Loans to financial institutions	0
10. Loans to other clients	762.759
11. Investments in subsidiaries and associates	20.900
12. Foreclosed and repossessed assets	81.493
13. Tangible assets (net of depreciation)	25.121
14. Interest, fees and other assets	40.932
15. Net of: Specific reserves for unidentified losses	15.008
TOTAL ASSETS	1.605.471

Structure of Liabilities	
1. Loans from financial institutions	174.585
1.1. Short-term loans	30.000
1.2. Long-term loans	144.585
2. Deposits	1.211.596
2.1. Giro account and current account deposits	139.032
2.2. Savings deposits	329.004
2.3. Time deposits	743.560
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	856
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	10.400
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	22.000
9. CAPITAL	186.035
TOTAL LIABILITIES AND CAPITAL	1.605.471

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Management Board

Sanda Cvitešić – chairwoman, Stjepan Poljak,
 Marijana Trpčić-Reškovic

Supervisory Board

Danijel Žamboki – chairman, Boris Vidić, Darrel Peter
 Saric, Ivan Podvorac, Goran Vukšić

Shareholders

	Share in share capital (%)
1. Croatian Privatisation Fund	7.98
2. Lanzville Investments	5.46
3. Karlovačka pivovara d.d.	4.54
4. Munja d.d.	4.36
5. Lola Ribar d.d.	4.22
6. Validus d.d.	4.10
7. Ivan Jaime Guerrero Devlahovic	3.08

Audit firm for 2004:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	20.758
1.1. Total interest income	33.851
1.2. Total interest expenses	13.093
2. Net income from commissions and fees	5.034
2.1. Total income from commissions and fees	11.297
2.2. Total expenses on commissions and fees	6.263
3. Net other non-interest income	4.027
3.1. Other non-interest income	5.164
3.2. Other non-interest expenses	1.137
4. Net non-interest income	9.061
5. General administrative expenses and depreciation	24.211
6. Net operating income before loss provisions	5.608
7. Total expenses on loss provisions	-2.158
7.1. Expenses on value adjustment and provisions for identified losses	-308
7.2. Expenses on provisions for unidentified losses	-1.849
8. Income/loss before taxes	7.765
9. Income tax	167
10. Current year profit/loss	7.599

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	140.270
1.1. Money assets	18.121
1.2. Deposits with the CNB	122.149
2. Deposits with banking institutions	147.393
3. MoF treasury bills and CNB bills	9.955
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	133.225
7. Securities and other financial instruments not traded in active markets but carried at fair value	33.090
8. Derivative financial assets	57
9. Loans to financial institutions	5.105
10. Loans to other clients	523.591
11. Investments in subsidiaries and associates	18.667
12. Foreclosed and repossessed assets	275
13. Tangible assets (net of depreciation)	32.630
14. Interest, fees and other assets	16.660
15. Net of: Specific reserves for unidentified losses	8.330
TOTAL ASSETS	1.052.586

Structure of Liabilities	
1. Loans from financial institutions	74.373
1.1. Short-term loans	131
1.2. Long-term loans	74.242
2. Deposits	859.783
2.1. Giro account and current account deposits	183.268
2.2. Savings deposits	249.149
2.3. Time deposits	427.366
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	56
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	2.011
7. Hybrid instruments issued	13.451
8. Interest, fees and other liabilities	25.796
9. CAPITAL	77.117
TOTAL LIABILITIES AND CAPITAL	1.052.586

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Management Board

Ivan Purgar – chairman, Željko Jakuš

Supervisory Board

Rudo Mikulić – chairman, Tomislav Lučić, Ivica Sertić

Shareholders

	Share in share capital (%)
1. Agrokori d.d.	18.83
2. Crodel d.o.o.	11.38
3. Investco vrijednosnice d.o.o.	9.27
4. Ledo d.d.	8.54
5. Jamnica d.d.	8.44
6. Mondo-Tera d.o.o.	7.61
7. Konzum d.d.	7.09
8. Zvijezda d.d.	5.66
9. Ivalim d.o.o.	5.61
10. Solana Pag d.d.	5.61

Audit firm for 2004:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	12.627
1.1. Total interest income	25.750
1.2. Total interest expenses	13.123
2. Net income from commissions and fees	4.809
2.1. Total income from commissions and fees	13.850
2.2. Total expenses on commissions and fees	9.041
3. Net other non-interest income	9.060
3.1. Other non-interest income	11.213
3.2. Other non-interest expenses	2.152
4. Net non-interest income	13.869
5. General administrative expenses and depreciation	15.960
6. Net operating income before loss provisions	10.536
7. Total expenses on loss provisions	4.848
7.1. Expenses on value adjustment and provisions for identified losses	4.703
7.2. Expenses on provisions for unidentified losses	145
8. Income/loss before taxes	5.688
9. Income tax	0
10. Current year profit/loss	5.688

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	110.547
1.1. Money assets	22.861
1.2. Deposits with the CNB	87.686
2. Deposits with banking institutions	111.473
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	286
6. Securities and other financial instruments held to maturity	6.058
7. Securities and other financial instruments not traded in active markets but carried at fair value	7.021
8. Derivative financial assets	368
9. Loans to financial institutions	85.707
10. Loans to other clients	477.914
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	39.041
14. Interest, fees and other assets	10.162
15. Net of: Specific reserves for unidentified losses	6.123
TOTAL ASSETS	842.454

Structure of Liabilities	
1. Loans from financial institutions	41.227
1.1. Short-term loans	7.000
1.2. Long-term loans	34.227
2. Deposits	624.495
2.1. Giro account and current account deposits	117.820
2.2. Savings deposits	24.900
2.3. Time deposits	481.775
3. Other loans	6.881
3.1. Short-term loans	6.414
3.2. Long-term loans	467
4. Derivative financial liabilities and other financial liabilities held for trading	53
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	32.079
9. CAPITAL	137.720
TOTAL LIABILITIES AND CAPITAL	842.454

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Management Board

Goran Rameša – chairman, Milivoj Debelić

Supervisory Board

Marijan Ključariček – chairman, Vito Svetina,
 Mirjana Petković, Dušan Todorović

Shareholders

1. Adria Consulting S.R.L.	50.00
2. Erste & Steiermärkische bank d.d.	31.85
3. Transadria d.d.	14.77

Share in share capital (%)

Audit firm for 2004:
 PricewaterhouseCoopers d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	5.440
1.1. Total interest income	7.811
1.2. Total interest expenses	2.371
2. Net income from commissions and fees	3.137
2.1. Total income from commissions and fees	4.947
2.2. Total expenses on commissions and fees	1.811
3. Net other non-interest income	1.599
3.1. Other non-interest income	2.027
3.2. Other non-interest expenses	428
4. Net non-interest income	4.736
5. General administrative expenses and depreciation	7.111
6. Net operating income before loss provisions	3.065
7. Total expenses on loss provisions	-427
7.1. Expenses on value adjustment and provisions for identified losses	-568
7.2. Expenses on provisions for unidentified losses	141
8. Income/loss before taxes	3.492
9. Income tax	698
10. Current year profit/loss	2.794

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	38.363
1.1. Money assets	2.433
1.2. Deposits with the CNB	35.930
2. Deposits with banking institutions	40.820
3. MoF treasury bills and CNB bills	15.800
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	22.497
6. Securities and other financial instruments held to maturity	36.996
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	2.500
10. Loans to other clients	138.435
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	1.360
13. Tangible assets (net of depreciation)	25.544
14. Interest, fees and other assets	3.549
15. Net of: Specific reserves for unidentified losses	2.936
TOTAL ASSETS	322.928

Structure of Liabilities	
1. Loans from financial institutions	31.842
1.1. Short-term loans	0
1.2. Long-term loans	31.842
2. Deposits	211.709
2.1. Giro account and current account deposits	81.502
2.2. Savings deposits	23.243
2.3. Time deposits	106.964
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	10.000
9. CAPITAL	69.377
TOTAL LIABILITIES AND CAPITAL	322.928

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Shareholders

1. Privredna banka Zagreb d.d.

Share in share capital (%)

96.39

Audit firm for 2004:

Ernst & Young Croatia d.o.o., Zagreb

Management Board

Nenad Jeđud – chairman, Ljiljana Horvat

Supervisory Board

Ivan Krolo – chairman, Mislav Blažić, Gordan Miler,
 Ivanka Petrović, Nenad Štimac

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	38.315
1.1. Total interest income	65.030
1.2. Total interest expenses	26.715
2. Net income from commissions and fees	12.299
2.1. Total income from commissions and fees	14.069
2.2. Total expenses on commissions and fees	1.771
3. Net other non-interest income	5.453
3.1. Other non-interest income	7.780
3.2. Other non-interest expenses	2.327
4. Net non-interest income	17.751
5. General administrative expenses and depreciation	26.216
6. Net operating income before loss provisions	29.851
7. Total expenses on loss provisions	7.886
7.1. Expenses on value adjustment and provisions for identified losses	6.381
7.2. Expenses on provisions for unidentified losses	1.505
8. Income/loss before taxes	21.964
9. Income tax	4.519
10. Current year profit/loss	17.445

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	281.621
1.1. Money assets	38.931
1.2. Deposits with the CNB	242.690
2. Deposits with banking institutions	337.223
3. MoF treasury bills and CNB bills	175.397
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	3.068
6. Securities and other financial instruments held to maturity	3.573
7. Securities and other financial instruments not traded in active markets but carried at fair value	133.882
8. Derivative financial assets	0
9. Loans to financial institutions	28.844
10. Loans to other clients	1.133.830
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	1.176
13. Tangible assets (net of depreciation)	37.143
14. Interest, fees and other assets	25.894
15. Net of: Specific reserves for unidentified losses	16.698
TOTAL ASSETS	2.144.952

Structure of Liabilities	
1. Loans from financial institutions	160.332
1.1. Short-term loans	0
1.2. Long-term loans	160.332
2. Deposits	1.666.430
2.1. Giro account and current account deposits	262.373
2.2. Savings deposits	359.107
2.3. Time deposits	1.044.950
3. Other loans	25.587
3.1. Short-term loans	0
3.2. Long-term loans	25.587
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	83.293
9. CAPITAL	209.310
TOTAL LIABILITIES AND CAPITAL	2.144.952

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Management Board

Stipan Pamuković – chairman, Željko Škalec

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Kemika d.d.	21.65
2. GIP Pionir d.d.	8.86
3. Dragica Predović	6.80
4. Stipan Pamuković	5.85
5. Željko Škalec	5.85
6. Aling J.T.D.	4.92
7. Ivan Gudelj	4.33
8. Ante Pamuković	3.14
9. Ante Samodol	3.14

Audit firm for 2004:
 Revizija Zagreb d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	4.895
1.1. Total interest income	11.212
1.2. Total interest expenses	6.317
2. Net income from commissions and fees	1.028
2.1. Total income from commissions and fees	1.723
2.2. Total expenses on commissions and fees	695
3. Net other non-interest income	832
3.1. Other non-interest income	1.204
3.2. Other non-interest expenses	372
4. Net non-interest income	1.859
5. General administrative expenses and depreciation	4.116
6. Net operating income before loss provisions	2.638
7. Total expenses on loss provisions	2.222
7.1. Expenses on value adjustment and provisions for identified losses	2.707
7.2. Expenses on provisions for unidentified losses	-485
8. Income/loss before taxes	417
9. Income tax	332
10. Current year profit/loss	85

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	42.577
1.1. Money assets	5.382
1.2. Deposits with the CNB	37.195
2. Deposits with banking institutions	18.809
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	9.707
6. Securities and other financial instruments held to maturity	13.116
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	14
9. Loans to financial institutions	0
10. Loans to other clients	229.432
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	6.056
14. Interest, fees and other assets	4.232
15. Net of: Specific reserves for unidentified losses	2.361
TOTAL ASSETS	321.580

Structure of Liabilities	
1. Loans from financial institutions	20.168
1.1. Short-term loans	7.000
1.2. Long-term loans	13.168
2. Deposits	243.493
2.1. Giro account and current account deposits	49.596
2.2. Savings deposits	6.305
2.3. Time deposits	187.593
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	7.142
9. CAPITAL	50.778
TOTAL LIABILITIES AND CAPITAL	321.580

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Shareholders

1. OTP Bank RT

Share in share capital (%)

98.26

Audit firm for 2004:

Deloitte & Touche d.o.o., Zagreb

Management Board

Damir Odak – chairman, Zorislav Vidović,
 Sanja Martinko

Supervisory Board

Laszlo Wolf – chairman, Antal Gyorgy Kovacs,
 Pal Kovacs, Akos Takats, Andras Michnai

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	126.542
1.1. Total interest income	209.877
1.2. Total interest expenses	83.335
2. Net income from commissions and fees	25.287
2.1. Total income from commissions and fees	42.884
2.2. Total expenses on commissions and fees	17.597
3. Net other non-interest income	-2.379
3.1. Other non-interest income	4.208
3.2. Other non-interest expenses	6.587
4. Net non-interest income	22.908
5. General administrative expenses and depreciation	113.391
6. Net operating income before loss provisions	36.060
7. Total expenses on loss provisions	-10.765
7.1. Expenses on value adjustment and provisions for identified losses	-11.077
7.2. Expenses on provisions for unidentified losses	312
8. Income/loss before taxes	46.825
9. Income tax	0
10. Current year profit/loss	46.825

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	1.108.899
1.1. Money assets	92.062
1.2. Deposits with the CNB	1.016.838
2. Deposits with banking institutions	1.325.434
3. MoF treasury bills and CNB bills	177.285
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	1.015.233
6. Securities and other financial instruments held to maturity	59.446
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	855
9. Loans to financial institutions	13.150
10. Loans to other clients	3.957.505
11. Investments in subsidiaries and associates	22.852
12. Foreclosed and repossessed assets	18.287
13. Tangible assets (net of depreciation)	159.259
14. Interest, fees and other assets	214.994
15. Net of: Specific reserves for unidentified losses	62.040
TOTAL ASSETS	8.011.159

Structure of Liabilities	
1. Loans from financial institutions	361.801
1.1. Short-term loans	27.500
1.2. Long-term loans	334.301
2. Deposits	6.438.188
2.1. Giro account and current account deposits	1.126.260
2.2. Savings deposits	1.455.447
2.3. Time deposits	3.856.481
3. Other loans	215.667
3.1. Short-term loans	38.151
3.2. Long-term loans	177.516
4. Derivative financial liabilities and other financial liabilities held for trading	721
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	37.378
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	199.447
9. CAPITAL	757.957
TOTAL LIABILITIES AND CAPITAL	8.011.159

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Management Board

Marija Šola – chairwoman, Branka Oštrić, Siniša Žanetić

Supervisory Board

Borislav Škegro – chairman, Ivan Lovrinović,
 Igor Oppenheim

Shareholders

1. Metroholding d.d.
2. INGRA d.d.

Share in share capital (%)

86.33
 8.83

Audit firm for 2004:

Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	21.709
1.1. Total interest income	32.370
1.2. Total interest expenses	10.662
2. Net income from commissions and fees	5.374
2.1. Total income from commissions and fees	8.985
2.2. Total expenses on commissions and fees	3.611
3. Net other non-interest income	2.078
3.1. Other non-interest income	3.448
3.2. Other non-interest expenses	1.370
4. Net non-interest income	7.452
5. General administrative expenses and depreciation	19.742
6. Net operating income before loss provisions	9.418
7. Total expenses on loss provisions	1.254
7.1. Expenses on value adjustment and provisions for identified losses	-442
7.2. Expenses on provisions for unidentified losses	1.696
8. Income/loss before taxes	8.165
9. Income tax	1.652
10. Current year profit/loss	6.513

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	117.551
1.1. Money assets	9.895
1.2. Deposits with the CNB	107.656
2. Deposits with banking institutions	83.820
3. MoF treasury bills and CNB bills	19.673
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	69.154
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	19
9. Loans to financial institutions	0
10. Loans to other clients	557.575
11. Investments in subsidiaries and associates	2.300
12. Foreclosed and repossessed assets	4.694
13. Tangible assets (net of depreciation)	37.122
14. Interest, fees and other assets	20.426
15. Net of: Specific reserves for unidentified losses	9.825
TOTAL ASSETS	902.511

Structure of Liabilities	
1. Loans from financial institutions	74.103
1.1. Short-term loans	0
1.2. Long-term loans	74.103
2. Deposits	653.779
2.1. Giro account and current account deposits	177.296
2.2. Savings deposits	64.866
2.3. Time deposits	411.616
3. Other loans	24.398
3.1. Short-term loans	0
3.2. Long-term loans	24.398
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	24.630
9. CAPITAL	125.601
TOTAL LIABILITIES AND CAPITAL	902.511

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Management Board

Julio Kuruc – chairman, Marijan Marušić

Supervisory Board

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

Shareholders

	Share in share capital (%)
1. Antonia Gorgoni	9.98
2. Lorenzo Gorgoni	9.97
3. Cerere S.R.L.	9.93
4. Jurica (Đuro) Predovic	9.33
5. Miljan Todorovic	8.73
6. Liaci Luigi	5.14
7. Dario Montinari	5.12
8. Sigilfredo Montinari	5.12
9. Andrea Montinari	5.12
10. Piero Montinari	5.12
11. Giovanni Semeraro	4.39
12. Giuliano Chersi	3.06

Audit firm for 2004:
 Deloitte & Touche d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	29.330
1.1. Total interest income	51.478
1.2. Total interest expenses	22.149
2. Net income from commissions and fees	10.304
2.1. Total income from commissions and fees	16.048
2.2. Total expenses on commissions and fees	5.744
3. Net other non-interest income	8.178
3.1. Other non-interest income	11.194
3.2. Other non-interest expenses	3.016
4. Net non-interest income	18.482
5. General administrative expenses and depreciation	37.970
6. Net operating income before loss provisions	9.841
7. Total expenses on loss provisions	1.932
7.1. Expenses on value adjustment and provisions for identified losses	1.932
7.2. Expenses on provisions for unidentified losses	0
8. Income/loss before taxes	7.909
9. Income tax	1.600
10. Current year profit/loss	6.309

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	286.008
1.1. Money assets	42.176
1.2. Deposits with the CNB	243.832
2. Deposits with banking institutions	138.082
3. MoF treasury bills and CNB bills	14.854
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	116.710
6. Securities and other financial instruments held to maturity	15.738
7. Securities and other financial instruments not traded in active markets but carried at fair value	40.733
8. Derivative financial assets	0
9. Loans to financial institutions	22.000
10. Loans to other clients	856.105
11. Investments in subsidiaries and associates	22.093
12. Foreclosed and repossessed assets	58
13. Tangible assets (net of depreciation)	34.011
14. Interest, fees and other assets	37.889
15. Net of: Specific reserves for unidentified losses	11.950
TOTAL ASSETS	1.572.331

Structure of Liabilities	
1. Loans from financial institutions	75.209
1.1. Short-term loans	50.742
1.2. Long-term loans	24.467
2. Deposits	1.227.824
2.1. Giro account and current account deposits	186.456
2.2. Savings deposits	167.473
2.3. Time deposits	873.895
3. Other loans	30.054
3.1. Short-term loans	0
3.2. Long-term loans	30.054
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	73.048
9. CAPITAL	166.197
TOTAL LIABILITIES AND CAPITAL	1.572.331

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Management Board

Davorka Jakir – chairwoman,
 Andrea Zemljić-Modronja

Supervisory Board

Josip Medunić – chairman, Marina Žarković,
 Karlo Gregurić, Branko Štulić

Shareholders

	Share in share capital (%)
1. Vrijednosnice Osijek d.o.o.	10.11
2. Podravska banka d.d.	9.42
3. KB 1909-Societa Finanziaria per	8.93
4. Abba d.o.o.	8.35
5. Kamen-Ingrad d.d.	7.65
6. JP Hrvatske šume p.o.	6.87
7. Zvonko Potnik	4.71
8. Zvečevo PI d.d.	3.57
9. Croatia osiguranje d.d.	3.18

Audit firm for 2004:
 Revicon Zagreb d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	5.597
1.1. Total interest income	11.347
1.2. Total interest expenses	5.750
2. Net income from commissions and fees	1.299
2.1. Total income from commissions and fees	2.561
2.2. Total expenses on commissions and fees	1.262
3. Net other non-interest income	-1.894
3.1. Other non-interest income	1.735
3.2. Other non-interest expenses	3.629
4. Net non-interest income	-595
5. General administrative expenses and depreciation	10.422
6. Net operating income before loss provisions	-5.420
7. Total expenses on loss provisions	-154
7.1. Expenses on value adjustment and provisions for identified losses	-154
7.2. Expenses on provisions for unidentified losses	0
8. Income/loss before taxes	-5.266
9. Income tax	0
10. Current year profit/loss	-5.266

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	54.410
1.1. Money assets	3.522
1.2. Deposits with the CNB	50.888
2. Deposits with banking institutions	57.067
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	1.130
6. Securities and other financial instruments held to maturity	35.451
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	45
9. Loans to financial institutions	2.745
10. Loans to other clients	208.208
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	5.727
13. Tangible assets (net of depreciation)	6.960
14. Interest, fees and other assets	11.251
15. Net of: Specific reserves for unidentified losses	3.206
TOTAL ASSETS	379.788

Structure of Liabilities	
1. Loans from financial institutions	32.305
1.1. Short-term loans	15.000
1.2. Long-term loans	17.305
2. Deposits	284.959
2.1. Giro account and current account deposits	39.802
2.2. Savings deposits	17.781
2.3. Time deposits	227.376
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	22
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	4.118
9. CAPITAL	58.383
TOTAL LIABILITIES AND CAPITAL	379.788

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Management Board

Duško Miculinić – chairman, Dražen Kurpis

Supervisory Board

Francesco Signorio – chairman, Carlo Cattaneo,
Gordana Pavletić, Domenico Petrella,
Daniele Sinosich

Shareholders

1. Francesco Signorio	50.35
2. Carlo Di Dato	8.14
3. J.L.L. Marc Jourdan	7.31
4. Domenico Petrella	7.19
5. Svitlana Bondareva	6.75
6. Franco Guidantoni	4.88
7. Gordana Pavletić	4.18
8. Cofisi S.A.	4.10

Share in share capital (%)

Audit firm for 2004:
Revidicon d.o.o., Varaždin

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	3.075
1.1. Total interest income	4.085
1.2. Total interest expenses	1.010
2. Net income from commissions and fees	116
2.1. Total income from commissions and fees	373
2.2. Total expenses on commissions and fees	257
3. Net other non-interest income	-81
3.1. Other non-interest income	65
3.2. Other non-interest expenses	147
4. Net non-interest income	34
5. General administrative expenses and depreciation	3.496
6. Net operating income before loss provisions	-387
7. Total expenses on loss provisions	349
7.1. Expenses on value adjustment and provisions for identified losses	363
7.2. Expenses on provisions for unidentified losses	-14
8. Income/loss before taxes	-736
9. Income tax	0
10. Current year profit/loss	-736

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	10.399
1.1. Money assets	2.630
1.2. Deposits with the CNB	7.769
2. Deposits with banking institutions	8.741
3. MoF treasury bills and CNB bills	1.979
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	1.238
6. Securities and other financial instruments held to maturity	1.942
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	66.755
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	1.109
13. Tangible assets (net of depreciation)	350
14. Interest, fees and other assets	5.150
15. Net of: Specific reserves for unidentified losses	750
TOTAL ASSETS	96.913

Structure of Liabilities	
1. Loans from financial institutions	1.969
1.1. Short-term loans	1.969
1.2. Long-term loans	0
2. Deposits	51.708
2.1. Giro account and current account deposits	3.279
2.2. Savings deposits	7.316
2.3. Time deposits	41.113
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1.264
9. CAPITAL	41.971
TOTAL LIABILITIES AND CAPITAL	96.913

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Management Board

Božo Prka – chairman, Ivan Gerovac, Davor Holjevac,
 Tomislav Lazarić, Giancarlo Miranda,
 Draženko Pavlinić, Gabriela Pace

Supervisory Board

György Surányi – chairman, Adriano Arietti, Luigi de
 Puppi de Puppi, Claudio Viezzoli, Giovanni Boccolini,
 Massimo Pierdicchi, Massimo Malagoli

Shareholders

	Share in share capital (%)
1. Intesa Bci Holding International S.A.	76.30
2. European Bank for Reconstruction and Development (EBRD)	20.08

Audit firm for 2004:
 Ernst & Young Croatia d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	658.254
1.1. Total interest income	1.167.153
1.2. Total interest expenses	508.900
2. Net income from commissions and fees	154.455
2.1. Total income from commissions and fees	247.678
2.2. Total expenses on commissions and fees	93.223
3. Net other non-interest income	84.239
3.1. Other non-interest income	144.982
3.2. Other non-interest expenses	60.743
4. Net non-interest income	238.694
5. General administrative expenses and depreciation	454.738
6. Net operating income before loss provisions	442.210
7. Total expenses on loss provisions	16.748
7.1. Expenses on value adjustment and provisions for identified losses	-28.752
7.2. Expenses on provisions for unidentified losses	45.500
8. Income/loss before taxes	425.462
9. Income tax	83.529
10. Current year profit/loss	341.933

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	5.970.026
1.1. Money assets	805.619
1.2. Deposits with the CNB	5.164.408
2. Deposits with banking institutions	4.306.838
3. MoF treasury bills and CNB bills	1.008.661
4. Securities and other financial instruments held for trading	3.039.751
5. Securities and other financial instruments available for sale	23.875
6. Securities and other financial instruments held to maturity	1.587.818
7. Securities and other financial instruments not traded in active markets but carried at fair value	57.325
8. Derivative financial assets	14.439
9. Loans to financial institutions	631.362
10. Loans to other clients	24.695.435
11. Investments in subsidiaries and associates	283.736
12. Foreclosed and repossessed assets	23.513
13. Tangible assets (net of depreciation)	804.553
14. Interest, fees and other assets	695.289
15. Net of: Specific reserves for unidentified losses	445.803
TOTAL ASSETS	42.696.819

Structure of Liabilities	
1. Loans from financial institutions	2.582.917
1.1. Short-term loans	1.706.129
1.2. Long-term loans	876.788
2. Deposits	29.319.637
2.1. Giro account and current account deposits	4.674.985
2.2. Savings deposits	5.147.862
2.3. Time deposits	19.496.789
3. Other loans	4.910.193
3.1. Short-term loans	72.133
3.2. Long-term loans	4.838.060
4. Derivative financial liabilities and other financial liabilities held for trading	48.498
5. Debt securities issued	19.238
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	19.238
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	1.866.344
9. CAPITAL	3.949.991
TOTAL LIABILITIES AND CAPITAL	42.696.819

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Management Board

Zdenko Adrović – chairman, Lovorka Penavić,
 Vlasta Žubrinić-Pick, Jasna Širola

Supervisory Board

Herbert Stepic – chairman, Heinz Hoedl, Franz Rogi,
 Angelika Johanna Weiss, Peter Lennkh

Shareholders

	Share in share capital (%)
1. Raiffeisen International Beteiligungs AG	75.00
2. Raiffeisenbank-Zagreb Beteiligungsgesellschaft mbH	25.00

Audit firm for 2004:
 KPMG Croatia d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	332.628
1.1. Total interest income	675.509
1.2. Total interest expenses	342.882
2. Net income from commissions and fees	85.595
2.1. Total income from commissions and fees	135.402
2.2. Total expenses on commissions and fees	49.807
3. Net other non-interest income	73.876
3.1. Other non-interest income	83.241
3.2. Other non-interest expenses	9.366
4. Net non-interest income	159.471
5. General administrative expenses and depreciation	263.026
6. Net operating income before loss provisions	229.073
7. Total expenses on loss provisions	57.703
7.1. Expenses on value adjustment and provisions for identified losses	47.756
7.2. Expenses on provisions for unidentified losses	9.947
8. Income/loss before taxes	171.370
9. Income tax	18.752
10. Current year profit/loss	152.618

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	4.519.032
1.1. Money assets	185.821
1.2. Deposits with the CNB	4.333.211
2. Deposits with banking institutions	3.078.451
3. MoF treasury bills and CNB bills	742.069
4. Securities and other financial instruments held for trading	1.386.449
5. Securities and other financial instruments available for sale	1.029
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	589.025
8. Derivative financial assets	48.383
9. Loans to financial institutions	374.644
10. Loans to other clients	14.100.245
11. Investments in subsidiaries and associates	207.445
12. Foreclosed and repossessed assets	4.794
13. Tangible assets (net of depreciation)	323.209
14. Interest, fees and other assets	481.307
15. Net of: Specific reserves for unidentified losses	187.209
TOTAL ASSETS	25.668.873

Structure of Liabilities	
1. Loans from financial institutions	635.836
1.1. Short-term loans	372.831
1.2. Long-term loans	263.004
2. Deposits	15.732.893
2.1. Giro account and current account deposits	2.620.633
2.2. Savings deposits	2.139.985
2.3. Time deposits	10.972.275
3. Other loans	6.571.069
3.1. Short-term loans	967.125
3.2. Long-term loans	5.603.944
4. Derivative financial liabilities and other financial liabilities held for trading	50.367
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	424.506
7. Hybrid instruments issued	207.618
8. Interest, fees and other liabilities	803.064
9. CAPITAL	1.243.520
TOTAL LIABILITIES AND CAPITAL	25.668.873

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Shareholders

1. Aquae Vivae d.d., Krapina
2. Samoborka d.d.
3. JP Hrvatske šume p.o.

Share in share capital (%)

79.34
 5.15
 3.78

Management Board

Marijan Kantolić – chairman, Dragutin Plahutar

Audit firm for 2004:

Revidicon d.o.o., Varaždin

Supervisory Board

Milan Penava – chairman, Želimir Kodrić, Branko Varjačić, Martin Jazbec

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	5.877
1.1. Total interest income	8.528
1.2. Total interest expenses	2.651
2. Net income from commissions and fees	734
2.1. Total income from commissions and fees	1.983
2.2. Total expenses on commissions and fees	1.249
3. Net other non-interest income	-2.058
3.1. Other non-interest income	1.369
3.2. Other non-interest expenses	3.426
4. Net non-interest income	-1.324
5. General administrative expenses and depreciation	4.915
6. Net operating income before loss provisions	-362
7. Total expenses on loss provisions	-1.722
7.1. Expenses on value adjustment and provisions for identified losses	-1.661
7.2. Expenses on provisions for unidentified losses	-61
8. Income/loss before taxes	1.361
9. Income tax	0
10. Current year profit/loss	1.361

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	55.151
1.1. Money assets	8.038
1.2. Deposits with the CNB	47.114
2. Deposits with banking institutions	103.418
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	12.625
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	0
10. Loans to other clients	127.131
11. Investments in subsidiaries and associates	52
12. Foreclosed and repossessed assets	2.236
13. Tangible assets (net of depreciation)	13.738
14. Interest, fees and other assets	3.004
15. Net of: Specific reserves for unidentified losses	2.384
TOTAL ASSETS	314.973

Structure of Liabilities	
1. Loans from financial institutions	582
1.1. Short-term loans	0
1.2. Long-term loans	582
2. Deposits	229.066
2.1. Giro account and current account deposits	45.795
2.2. Savings deposits	70.817
2.3. Time deposits	112.455
3. Other loans	44
3.1. Short-term loans	44
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	20.433
9. CAPITAL	64.848
TOTAL LIABILITIES AND CAPITAL	314.973

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Management Board

Angelina Horvat – chairwoman, Elvis Mališ

Supervisory Board

Ante Šimara – chairman, Ljiljana Katavić,
 Marija Maleković, Ružica Šimara, Sandra Šimara

Shareholders

	Share in share capital (%)
1. State Agency for Bank Rehabilitation and Deposit Insurance	11.12
2. Lust-prom d.o.o.	9.96
3. Rima promet d.o.o.	9.96
4. Sloper d.o.o.	9.96
5. Slop-prom d.o.o.	9.96
6. Ante Šimara	9.96
7. Lustrin d.o.o.	9.95
8. Ružica Šimara	3.50
9. Sandra Šimara	3.42

Audit firm for 2004:
 Revidicon d.o.o., Varaždin

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	17.853
1.1. Total interest income	29.939
1.2. Total interest expenses	12.087
2. Net income from commissions and fees	3.820
2.1. Total income from commissions and fees	5.094
2.2. Total expenses on commissions and fees	1.274
3. Net other non-interest income	-645
3.1. Other non-interest income	301
3.2. Other non-interest expenses	946
4. Net non-interest income	3.175
5. General administrative expenses and depreciation	14.753
6. Net operating income before loss provisions	6.275
7. Total expenses on loss provisions	-609
7.1. Expenses on value adjustment and provisions for identified losses	-752
7.2. Expenses on provisions for unidentified losses	144
8. Income/loss before taxes	6.883
9. Income tax	1.339
10. Current year profit/loss	5.544

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	95.877
1.1. Money assets	12.750
1.2. Deposits with the CNB	83.127
2. Deposits with banking institutions	105.820
3. MoF treasury bills and CNB bills	6.955
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	41.275
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	12.130
10. Loans to other clients	478.259
11. Investments in subsidiaries and associates	6.770
12. Foreclosed and repossessed assets	2.552
13. Tangible assets (net of depreciation)	33.283
14. Interest, fees and other assets	9.201
15. Net of: Specific reserves for unidentified losses	5.992
TOTAL ASSETS	786.130

Structure of Liabilities	
1. Loans from financial institutions	37.693
1.1. Short-term loans	0
1.2. Long-term loans	37.693
2. Deposits	585.605
2.1. Giro account and current account deposits	67.441
2.2. Savings deposits	84.868
2.3. Time deposits	433.295
3. Other loans	4.905
3.1. Short-term loans	0
3.2. Long-term loans	4.905
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	104
8. Interest, fees and other liabilities	23.665
9. CAPITAL	134.158
TOTAL LIABILITIES AND CAPITAL	786.130

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Shareholders

1. Hypo Alpe-Adria-Bank AG

Share in share capital (%)

94.74

Audit firm for 2004:

Confida revizija d.o.o., Zagreb

Management Board

Ivan Mihaljević – chairman, Tadija Vrdoljak, Branka Štinc

Supervisory Board

Zlata Vrdoljak – chairwoman, Daniel Lobnik, Gerhard Suess

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	103.333
1.1. Total interest income	171.105
1.2. Total interest expenses	67.772
2. Net income from commissions and fees	22.223
2.1. Total income from commissions and fees	31.627
2.2. Total expenses on commissions and fees	9.404
3. Net other non-interest income	2.029
3.1. Other non-interest income	4.641
3.2. Other non-interest expenses	2.612
4. Net non-interest income	24.252
5. General administrative expenses and depreciation	77.297
6. Net operating income before loss provisions	50.288
7. Total expenses on loss provisions	25.354
7.1. Expenses on value adjustment and provisions for identified losses	14.854
7.2. Expenses on provisions for unidentified losses	10.500
8. Income/loss before taxes	24.934
9. Income tax	6.864
10. Current year profit/loss	18.070

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	1.105.738
1.1. Money assets	58.595
1.2. Deposits with the CNB	1.047.143
2. Deposits with banking institutions	551.121
3. MoF treasury bills and CNB bills	34.747
4. Securities and other financial instruments held for trading	40.270
5. Securities and other financial instruments available for sale	159.600
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	2.211
10. Loans to other clients	4.355.182
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	61.575
13. Tangible assets (net of depreciation)	56.247
14. Interest, fees and other assets	137.028
15. Net of: Specific reserves for unidentified losses	49.445
TOTAL ASSETS	6.454.274

Structure of Liabilities	
1. Loans from financial institutions	186.958
1.1. Short-term loans	20.000
1.2. Long-term loans	166.958
2. Deposits	4.991.740
2.1. Giro account and current account deposits	580.818
2.2. Savings deposits	402.066
2.3. Time deposits	4.008.855
3. Other loans	63.278
3.1. Short-term loans	0
3.2. Long-term loans	63.278
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	141.303
8. Interest, fees and other liabilities	173.350
9. CAPITAL	897.645
TOTAL LIABILITIES AND CAPITAL	6.454.274

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Management Board

Ante Babić – chairman, Josip Ševerdija, Zdravko Zrinušić

Supervisory Board

Ivo Andrijić – chairman, Đuro Benček, Petar Ćurković

Shareholders

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

Share in share capital (%)

89.71
5.50

Audit firm for 2004:

Revizija Spajić d.o.o., Zagreb

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	20.368
1.1. Total interest income	32.621
1.2. Total interest expenses	12.253
2. Net income from commissions and fees	3.634
2.1. Total income from commissions and fees	4.741
2.2. Total expenses on commissions and fees	1.107
3. Net other non-interest income	8.634
3.1. Other non-interest income	9.230
3.2. Other non-interest expenses	597
4. Net non-interest income	12.268
5. General administrative expenses and depreciation	9.245
6. Net operating income before loss provisions	23.390
7. Total expenses on loss provisions	-3.842
7.1. Expenses on value adjustment and provisions for identified losses	-3.892
7.2. Expenses on provisions for unidentified losses	50
8. Income/loss before taxes	27.232
9. Income tax	2.201
10. Current year profit/loss	25.031

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	87.833
1.1. Money assets	4.458
1.2. Deposits with the CNB	83.375
2. Deposits with banking institutions	101.995
3. MoF treasury bills and CNB bills	0
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	0
6. Securities and other financial instruments held to maturity	23.978
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	0
9. Loans to financial institutions	30.000
10. Loans to other clients	557.150
11. Investments in subsidiaries and associates	418
12. Foreclosed and repossessed assets	6.944
13. Tangible assets (net of depreciation)	73.106
14. Interest, fees and other assets	19.803
15. Net of: Specific reserves for unidentified losses	8.343
TOTAL ASSETS	892.884

Structure of Liabilities	
1. Loans from financial institutions	4.810
1.1. Short-term loans	0
1.2. Long-term loans	4.810
2. Deposits	528.537
2.1. Giro account and current account deposits	59.296
2.2. Savings deposits	35.373
2.3. Time deposits	433.868
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	74.489
9. CAPITAL	285.048
TOTAL LIABILITIES AND CAPITAL	892.884

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Management Board

Josip Šeremet – chairman, Marinko Benić, Manda Cipić

Supervisory Board

Milan Horvat – chairman, Mika Mimica, Stjepan Bunić, Vladimir Koščec, Željko Filipović

Shareholders

	Share in share capital (%)
1. Validus d.d.	57.62
2. Tar d.d.	9.20
3. Fima holding d.d.	7.85
4. Retis d.o.o.	9.20
5. Croatia osiguranje d.d.	4.60

Audit firm for 2004:
DTTC d.o.o., Varaždin

Income Statement, as at 30 June 2005, in thousand kuna

1. Net interest income	1.713
1.1. Total interest income	4.183
1.2. Total interest expenses	2.469
2. Net income from commissions and fees	281
2.1. Total income from commissions and fees	615
2.2. Total expenses on commissions and fees	334
3. Net other non-interest income	211
3.1. Other non-interest income	540
3.2. Other non-interest expenses	328
4. Net non-interest income	493
5. General administrative expenses and depreciation	5.228
6. Net operating income before loss provisions	-3.022
7. Total expenses on loss provisions	-3.125
7.1. Expenses on value adjustment and provisions for identified losses	-3.535
7.2. Expenses on provisions for unidentified losses	410
8. Income/loss before taxes	103
9. Income tax	0
10. Current year profit/loss	103

Balance Sheet, as at 30 June 2005, in thousand kuna

Structure of Assets	
1. Money assets and deposits with the CNB	27.242
1.1. Money assets	4.088
1.2. Deposits with the CNB	23.154
2. Deposits with banking institutions	44.795
3. MoF treasury bills and CNB bills	4.878
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	5.000
6. Securities and other financial instruments held to maturity	207
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	3
9. Loans to financial institutions	5.000
10. Loans to other clients	33.571
11. Investments in subsidiaries and associates	37.924
12. Foreclosed and repossessed assets	13.173
13. Tangible assets (net of depreciation)	17.174
14. Interest, fees and other assets	1.725
15. Net of: Specific reserves for unidentified losses	905
TOTAL ASSETS	189.788

Structure of Liabilities	
1. Loans from financial institutions	0
1.1. Short-term loans	0
1.2. Long-term loans	0
2. Deposits	120.153
2.1. Giro account and current account deposits	27.296
2.2. Savings deposits	5.249
2.3. Time deposits	87.607
3. Other loans	0
3.1. Short-term loans	0
3.2. Long-term loans	0
4. Derivative financial liabilities and other financial liabilities held for trading	0
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	10.673
9. CAPITAL	58.962
TOTAL LIABILITIES AND CAPITAL	189.788

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Shareholders

1. VB International AG

Share in share capital (%)

94.10

Audit firm for 2004:

PricewaterhouseCoopers d.o.o., Zagreb

Management Board

Tomasz Jerzy Taraba – chairman, Andrea Kovacs,
 Dieter Hornbacher

Supervisory Board

Denis Le Moullac – chairman, Gerhard Woeber,
 Herbert Hartl, Hans Janeschitz, Fausto Maritan,
 Manfred Wiebogen, Joerg Poglitis

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	67.451
1.1. Total interest income	115.133
1.2. Total interest expenses	47.681
2. Net income from commissions and fees	9.817
2.1. Total income from commissions and fees	12.382
2.2. Total expenses on commissions and fees	2.564
3. Net other non-interest income	1.041
3.1. Other non-interest income	5.089
3.2. Other non-interest expenses	4.048
4. Net non-interest income	10.859
5. General administrative expenses and depreciation	56.662
6. Net operating income before loss provisions	21.648
7. Total expenses on loss provisions	5.692
7.1. Expenses on value adjustment and provisions for identified losses	4.677
7.2. Expenses on provisions for unidentified losses	1.015
8. Income/loss before taxes	15.956
9. Income tax	1.733
10. Current year profit/loss	14.223

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	814.895
1.1. Money assets	31.324
1.2. Deposits with the CNB	783.571
2. Deposits with banking institutions	220.714
3. MoF treasury bills and CNB bills	14.256
4. Securities and other financial instruments held for trading	0
5. Securities and other financial instruments available for sale	83.634
6. Securities and other financial instruments held to maturity	0
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	2.464
9. Loans to financial institutions	57.712
10. Loans to other clients	2.377.468
11. Investments in subsidiaries and associates	0
12. Foreclosed and repossessed assets	0
13. Tangible assets (net of depreciation)	15.512
14. Interest, fees and other assets	91.894
15. Net of: Specific reserves for unidentified losses	33.877
TOTAL ASSETS	3.644.672

Structure of Liabilities	
1. Loans from financial institutions	53.020
1.1. Short-term loans	41.000
1.2. Long-term loans	12.020
2. Deposits	1.666.810
2.1. Giro account and current account deposits	231.080
2.2. Savings deposits	246.913
2.3. Time deposits	1.188.817
3. Other loans	1.409.841
3.1. Short-term loans	0
3.2. Long-term loans	1.409.841
4. Derivative financial liabilities and other financial liabilities held for trading	2.312
5. Debt securities issued	0
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	0
6. Subordinated instruments issued	0
7. Hybrid instruments issued	69.705
8. Interest, fees and other liabilities	158.743
9. CAPITAL	284.239
TOTAL LIABILITIES AND CAPITAL	3.644.672

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Shareholders

1. UniCredito Italiano S.p.A.
2. Allianz AG

Share in share capital (%)

82.16
 13.75

Management Board

Franjo Luković – chairman, Milivoj Goldštajn,
 Zvonimir Jurjević, Nikola Kalinić, Tomica Pustišek,
 Sanja Rendulić, Alois Steinbichler, Tea Martinčić

Audit firm for 2004:

KPMG Croatia d.o.o., Zagreb

Supervisory Board

Andrea Moneta – chairman, Paolo Fiorentino,
 Klaus Junker, Torsten Leue, Marina Monassi,
 Guiseppe Vovk, Jakša Barbić, Mato Lukinić, Elisabetta
 Magistretti

**Income Statement,
as at 30 June 2005, in thousand kuna**

1. Net interest income	792.981
1.1. Total interest income	1.449.491
1.2. Total interest expenses	656.510
2. Net income from commissions and fees	263.250
2.1. Total income from commissions and fees	351.999
2.2. Total expenses on commissions and fees	88.749
3. Net other non-interest income	-28.949
3.1. Other non-interest income	28.540
3.2. Other non-interest expenses	57.490
4. Net non-interest income	234.300
5. General administrative expenses and depreciation	599.562
6. Net operating income before loss provisions	427.719
7. Total expenses on loss provisions	55.905
7.1. Expenses on value adjustment and provisions for identified losses	-30.250
7.2. Expenses on provisions for unidentified losses	86.155
8. Income/loss before taxes	371.814
9. Income tax	72.409
10. Current year profit/loss	299.405

**Balance Sheet,
as at 30 June 2005, in thousand kuna**

Structure of Assets	
1. Money assets and deposits with the CNB	9.248.601
1.1. Money assets	723.258
1.2. Deposits with the CNB	8.525.343
2. Deposits with banking institutions	4.055.427
3. MoF treasury bills and CNB bills	1.820.746
4. Securities and other financial instruments held for trading	733.363
5. Securities and other financial instruments available for sale	5.506.962
6. Securities and other financial instruments held to maturity	1.808.266
7. Securities and other financial instruments not traded in active markets but carried at fair value	0
8. Derivative financial assets	41.038
9. Loans to financial institutions	99.640
10. Loans to other clients	33.363.002
11. Investments in subsidiaries and associates	908.194
12. Foreclosed and repossessed assets	20.626
13. Tangible assets (net of depreciation)	1.032.124
14. Interest, fees and other assets	1.279.563
15. Net of: Specific reserves for unidentified losses	623.111
TOTAL ASSETS	59.294.442

Structure of Liabilities	
1. Loans from financial institutions	1.283.497
1.1. Short-term loans	926.988
1.2. Long-term loans	356.509
2. Deposits	39.170.125
2.1. Giro account and current account deposits	8.297.422
2.2. Savings deposits	6.366.885
2.3. Time deposits	24.505.818
3. Other loans	7.960.150
3.1. Short-term loans	4.165.448
3.2. Long-term loans	3.794.703
4. Derivative financial liabilities and other financial liabilities held for trading	80.067
5. Debt securities issued	3.271.406
5.1. Short-term debt securities issued	0
5.2. Long-term debt securities issued	3.271.406
6. Subordinated instruments issued	0
7. Hybrid instruments issued	0
8. Interest, fees and other liabilities	2.049.447
9. CAPITAL	5.479.750
TOTAL LIABILITIES AND CAPITAL	59.294.442

Attachment I

Bank name and headquarter		Peer group number			
		Dec. 2002	Dec. 2003	Dec. 2004	Jun. 2005
1.	Banka Brod d.d., Slavonski Brod	IV	IV	IV	IV
2.	Banka Kovanica d.d., Varaždin	IV	IV	III	III
3.	Banka Sonic d.d., Zagreb	IV	IV	III	III
4.	Banka splitsko-dalmatinska d.d., Split	IV	IV	IV	IV
	Bayerische Hypo- und Vereinsbank AG, Glavna podružnica Zagreb ¹	-	-	-	-
	Cassa di Risparmio di Trieste - Banca d.d., Zagreb ²	IV	-	-	-
5.	Centar banka d.d., Zagreb	IV	III	III	III
	Convest banka d.d., Zagreb ³	IV	-	-	-
6.	Credo banka d.d., Split	IV	III	III	III
7.	Croatia banka d.d., Zagreb	II	II	II	II
	Dalmatinska banka d.d., Zadar ⁴	-	-	-	-
	Dresdner Bank Croatia d.d., Zagreb ⁵	II	III	IV	-
	Dubrovačka banka d.d., Dubrovnik ⁶	II	II	-	-
8.	Erste & Steiermärkische Bank d.d., Rijeka	I	I	I	I
9.	Gospodarsko-kreditna banka d.d., Zagreb	IV	IV	IV	IV
10.	Hrvatska poštanska banka d.d., Zagreb	I	I	I	I
	HVB Bank Croatia d.d., Zagreb ⁷	II	-	-	-
11.	HVB Splitska banka d.d., Split ⁸	I	I	I	I
12.	Hypo Alpe-Adria-Bank d.d., Zagreb	I	I	I	I
13.	Imex banka d.d., Split	IV	IV	III	III
	Istarska banka d.d., Pula ⁴	-	-	-	-
14.	Istarska kreditna banka Umag d.d., Umag	II	II	II	II
15.	Jadranska banka d.d., Šibenik	II	II	II	II
16.	Karlovačka banka d.d., Karlovac	III	II	II	II
17.	Kreditna banka Zagreb d.d., Zagreb	III	III	III	III
	Križevačka banka d.d., Križevci ⁹	IV	IV	IV	-
18.	Kvarner banka d.d., Rijeka	IV	IV	IV	IV
19.	Međimurska banka d.d., Čakovec	II	II	II	II
20.	Nava banka d.d., Zagreb	IV	IV	IV	IV
21.	Nova banka d.d., Zadar	I	I	I	I
22.	Partner banka d.d., Zagreb	III	III	III	III
23.	Podravska banka d.d., Koprivnica	II	II	II	II
24.	Požeška banka d.d., Požega	III	IV	IV	IV
25.	Primorska banka d.d., Rijeka	IV	IV	IV	IV
	Primus banka d.d., Zagreb ¹⁰	IV	IV	-	-
	Privredna banka – Laguna banka d.d., Poreč ¹¹	III	III	III	-
26.	Privredna banka Zagreb d.d., Zagreb	I	I	I	I
27.	Raiffeisenbank Austria d.d., Zagreb	I	I	I	I
	Riadria banka d.d., Rijeka ¹²	II	II	-	-
	Riječka banka d.d., Rijeka ¹³	I	-	-	-
28.	Samoborska banka d.d., Samobor	IV	IV	IV	IV
	Sisačka banka d.d., Sisak ⁴	-	-	-	-
29.	Slatinska banka d.d., Slatina	III	III	III	III
30.	Slavonska banka d.d., Osijek	II	II	I	I
31.	Štedbanka d.d., Zagreb	III	III	III	III
32.	Vaba d.d. banka Varaždin, Varaždin ¹⁴	IV	IV	IV	IV
	Varaždinska banka d.d., Varaždin ¹⁵	II	II	-	-
33.	Volksbank d.d., Zagreb	II	II	II	II
	Zagorska banka d.d., Krapina ¹⁶	IV	-	-	-
34.	Zagrebačka banka d.d., Zagreb	I	I	I	I

¹ Bayerische Hypo- und Vereinsbank AG, Glavna podružnica Zagreb transferred its operations to HVB Bank Croatia d.d., Zagreb. ² Cassa di Risparmio di Trieste – Banca d.d., Zagreb transferred its operations to Zagrebačka banka d.d., Zagreb. ³ Convest banka d.d., Zagreb initiated winding-up proceedings.

⁴ Istarska banka d.d., Pula and Sisačka banka d.d., Sisak merged with Dalmatinska banka d.d., Zadar, that has since operated under a new name of Nova banka d.d., Zadar. ⁵ Dresdner Bank Croatia d.d., Zagreb merged with Zagrebačka banka d.d., Zagreb. ⁶ Dubrovačka banka d.d., Dubrovnik merged with Nova banka d.d., Zadar. ⁷ HVB Bank Croatia d.d., Zagreb merged with Splitska banka d.d., Split. ⁸ Splitska banka d.d., Split operates now under a new name of HVB Splitska banka d.d., Split. ⁹ Križevačka banka d.d., Križevci initiated winding-up proceedings. ¹⁰ Its operating license was revoked on 22 December 2004. The bank was created through the merger of Prva obrtnička banka d.d., Zagreb and Hypobanka d.d., Zagreb in July 2002. As of this date, it operated under the name of Primus banka d.d., Zagreb. ¹¹ Privredna banka – Laguna banka d.d., Poreč merged with Privredna banka Zagreb d.d., Zagreb. ¹² Riadria banka d.d., Rijeka merged with Privredna banka Zagreb d.d., Zagreb. ¹³ Erste & Steiermärkische Bank d.d., Zagreb merged with Riječka banka d.d., Rijeka, that has since operated under a new name of Erste & Steiermärkische Bank d.d., Rijeka. ¹⁴ Brodsko-posavska banka d.d., Slavonski Brod changed its name into Vaba d.d. banka Varaždin, Varaždin on 27 December 2004. ¹⁵ Varaždinska banka d.d., Varaždin merged with Zagrebačka banka d.d., Zagreb. ¹⁶ Zagorska banka d.d., Krapina merged with Samoborska banka d.d., Samobor.

Attachment II

Banking Groups, as at 30 June 2005		
Banking group	Superordinate institution	Banking group members
1. CENTAR BANKA	Centar banka d.d., Zagreb	Centar leasing d.o.o., Zagreb
2. HYPO ALPE-ADRIA-BANK	Hypo Alpe-Adria-Bank d.d., Zagreb	Hypo Alpe-Adria-Invest d.d., Zagreb Hypo Alpe-Adria-Nekretnine d.o.o., Zagreb Hypo Alpe-Adria-Vrijednosnice d.o.o., Zagreb
3. PODRAVSKA BANKA	Podravska banka d.d., Koprivnica	Požeška banka d.d., Požega
4. PRIVREDNA BANKA ZAGREB	Privredna banka Zagreb d.d., Zagreb	Invest Holding Karlovac d.o.o., Karlovac Međimurska banka d.d., Čakovec PBZ American Express d.o.o., Skoplje PBZ American Express d.o.o., Zagreb PBZ Croatia osiguranje d.d., Zagreb (mandatory pension fund) PBZ Invest d.o.o., Zagreb PBZ Kapital d.o.o., Zagreb PBZ Leasing d.o.o., Zagreb PBZ Nekretnine d.o.o., Zagreb (real estate) PBZ Stambena štedionica d.d., Zagreb
5. RAIFFEISENBANK AUSTRIA	Raiffeisenbank Austria d.d., Zagreb	Raiffeisen consulting 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 (voluntary pension fund) Raiffeisen mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb (mandatory pension fund) Raiffeisen poslovni prostori d.o.o., Zagreb (business premises) Raiffeisen stambena štedionica d.d., Zagreb Raiffeisen upravljanje nekretninama d.o.o., Zagreb (real estate)
6. ZAGREBAČKA BANKA	Zagrebačka banka d.d., Zagreb	Allianz ZB društvo za upravljanje dobrovoljnim mirovinskim fondovima d.o.o., Zagreb (voluntary pension fund) Allianz ZB mirovinsko društvo za upravljanje obveznim mirovinskim fondom d.o.o., Zagreb (mandatory pension fund) Pominvest d.d., Split Prva stambena štedionica d.d., Zagreb UniCredit Zagrebačka banka d.d., Mostar Zagreb nekretnine d.o.o., Zagreb (real estate) ZB Invest d.o.o., Zagreb

